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Application Proof of



Shanghai Sunmi Technology Co., Ltd.
上海商米科技集团股份有限公司

(the “Company”)

(A joint stock company controlled through weighted voting rights and incorporated in the People’s Republic of China with limited liability)

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Shanghai Sunmi Technology Co., Ltd.

上海商米科技集團股份有限公司

(A joint stock company controlled through weighted voting rights and incorporated in the People's Republic of China with limited liability)

[REDACTED]

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

Joint Sponsors, Overall Coordinators, [REDACTED]



CITIC SECURITIES



農銀國際
ABC INTERNATIONAL

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The [REDACTED] is expected to be determined by agreement between the Overall Coordinators (for themselves and on behalf of the [REDACTED]) and us on the [REDACTED]. The [REDACTED] is expected to be on or before [REDACTED] (Hong Kong time) and, in any event, not later than 12:00 p.m. on [REDACTED] (Hong Kong time). The [REDACTED] will not be more than HK\$[REDACTED] per [REDACTED] and is currently expected to be not less than HK\$[REDACTED] per [REDACTED]. If, for any reason, the [REDACTED] is not agreed by 12:00 p.m. on [REDACTED] (Hong Kong time) between the Overall Coordinators (for themselves and on behalf of the [REDACTED]) and us, the [REDACTED] will not proceed and will lapse.

The Overall Coordinators, on behalf of the [REDACTED], may, where considered appropriate and with the Company's consent, reduce the number of [REDACTED] and/or the indicative [REDACTED] below that which is stated in this Document (which is HK\$[REDACTED] to HK\$[REDACTED]) at any time on or prior to the morning of the last day for lodging applications under the [REDACTED]. In such a case, an announcement will be published on the website of our Company at <https://www.sunmi.com> and on the website of the Hong Kong Stock Exchange at www.hkexnews.hk and the [REDACTED] will be canceled and relaunched at the revised number of [REDACTED] and/or the revised [REDACTED] in accordance with the requirements under Rule 11.13 of the Listing Rules (which include the issue of a supplemental or a new document (as appropriate)) as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the day which is the last day for lodging [REDACTED] under the [REDACTED]. Further details are set forth in the sections headed “Structure of the [REDACTED]” and “How to Apply for [REDACTED]” in this Document.

The obligations of the [REDACTED] under the [REDACTED] are subject to termination by the Overall Coordinators (on behalf of the [REDACTED]) if certain events occur prior to 8:00 a.m. on the [REDACTED]. Please refer to the section headed [REDACTED] in this Document.

The [REDACTED] have not been and will not be registered under the U.S. Securities Act or any state securities laws in the United States, and may not be [REDACTED], sold, pledged or transferred within the United States or to, or for the account or benefit of U.S. persons (as defined in Regulation S), except in transactions exempt from, or not subject to, the registration requirements of the U.S. Securities Act. The [REDACTED] may be [REDACTED], sold or delivered outside the United States to non-U.S. persons in offshore transactions in accordance with Regulation S.

Our Company will be controlled through weighted voting rights upon [REDACTED]. Prospective [REDACTED] should be aware of the potential risks of [REDACTED] in a company with a WVR structure, in particular that the WVR Beneficiary, whose interests may not necessarily be aligned with those of our Shareholders as a whole, will be in a position to exert significant influence over the outcome of our Shareholders' resolutions, irrespective of how other Shareholders vote. For further information about the risks associated with the WVR structure, see “Risk Factors — Risks Relating to the WVR Structure.” Prospective [REDACTED] should make the decision to [REDACTED] in the Company only after due and careful consideration.

[REDACTED]

[REDACTED]

IMPORTANT

[REDACTED]

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IMPORTANT

[REDACTED]

EXPECTED TIMETABLE

[REDACTED]

EXPECTED TIMETABLE

[REDACTED]

EXPECTED TIMETABLE

[REDACTED]

EXPECTED TIMETABLE

[REDACTED]

CONTENTS

IMPORTANT NOTICE TO PROSPECTIVE [REDACTED]

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SUMMARY

This summary aims to give you an overview of the information contained in this Document. As this is a summary, it does not contain all the information that may be important to you and is qualified in its entirety by, and should be read in conjunction with, the full text of this Document. You should read the entire Document before you decide to [REDACTED] in the [REDACTED]. There are risks associated with any [REDACTED]. Some of the particular risks of [REDACTED] in the [REDACTED] are set out in the section headed “Risk Factors” in this Document. You should read that section carefully before you decide to [REDACTED] in the [REDACTED].

OVERVIEW

Our Mission

To accelerate intelligent digital transformation for businesses around the world.

Our Company

We are a leading global Business Internet of Things (BIoT) solution provider. Our disruptive solutions integrate smart hardware, software, and data insights to enable the digital transformation of a vast array of offline commercial scenarios, streamlining essential business operations such as payments, membership management, order fulfillment, inventory control, and workforce management.

Today, we are the largest Android-based BIoT solution provider in the world in terms of revenue in 2024, with a market share of over 10%, according to CIC. According to the same source, the market for Android-based BIoT solutions is expected to experience explosive growth over the next five years.

- Our end-to-end BIoT solutions have served approximately 61,000 business partners worldwide as of Latest Practicable Date. Our business partners increased from approximately 44,000 as of December 31, 2022 to approximately 58,000 as of December 31, 2024 worldwide.
- We have the most extensive global presence, with solutions deployed in over 200 countries and geographic regions, according to CIC.
- We cover the broadest range of industry verticals including more than 100 industry sub-verticals, such as restaurant, supermarket, sport & fitness, clinic and delivery, according to CIC.
- Our monthly active smart devices reached approximately 4.9 million units as of December 31, 2024 from approximately 3.2 million as of December 31, 2022.

We are pioneering the BIoT industry with a track record of product and technology innovations in smart device design and engineering, PaaS platform and software technologies, and AI-driven data analytics. Since we first launched our V1, the world’s first all-in-one BIoT terminal, this continuum of innovations has propelled us to surpass US\$100 million in global revenue within just three years, establishing us as a clear industry leader and the youngest company among the top ten industry players.

SUMMARY

Our BIoT solutions mainly include smart devices and BIoT PaaS platform. Each of our smart devices is powered by our proprietary operating system, namely SUNMI OS, allowing merchants to efficiently manage and optimize their transactions and operations. Our BIoT PaaS platform offers a unified software infrastructure equipped with ready-to-use development tools that enable merchants and developers to efficiently develop, manage and upgrade vertical-specific software applications for use on smart devices. As of December 31, 2024, we recorded approximately 0.2 billion cumulative application downloads in our SUNMI App Store.

According to CIC, we have served over 70% of the world’s top 50 food and beverage enterprises. In China, we have achieved over 70% coverage among top 100 food and beverage brands and over 60% coverage among top 100 chain stores. The following table presents selected and publicly announced key customers and users who have adopted our smart BIoT solutions.

Our Selected Customers / Users



More beyond....

Food Delivery	Ele.me, Keeta, Uber Eats, Deliveroo, Foodpanda, GrabFood, Glovo, HungryPanda...
Retailing	Sam's Club, FamilyMart, Pop Mart, UNIQLO, NIO, Don Don Donki, AEON, Yonghui Life, Century Mart, Qiantama, Meiyijia, Bianlifeng, Pagoda, Bestore, 7-Eleven...
Food and Beverage	Tims, Burger King, Popeyes, KFC, McDonald's, Subway, Ocha Thailand, CoCo, Chabaidao, CHAGEE, Juawei, Guoquan Food, Home Original Chicken, Jiumaojiu, Paris Baguette, Hefu-Noodle...
Lifestyle Service	Alibaba, JD.com, Pinduoduo, POIZON, Tuhu, OneCard, Easy Tax Refund, Bluelabel, NTUC Fairprice...
Payment	token, Global Payments, WeChat, TikTok, Payby, Etisalat, LINE Pay, OPay, Paytm, Allinpay, Haulmer, Izipay, NETSTARS...
Travelling and Transportation	DragonPass, Xanh SM, Tongcheng Travel, Qunar, Hong Kong-Zhuhai-Macau Bridge Shuttle Bus, China-Laos Railway, Hanoi National Railway Station, Shangri-La International Hotel, Home Inns Group, Jinjiang International, Sinopec Gas Station, PetroChina Gas Station, Kansai Airport...
Express Delivery and Automation	SF Express, J&T Express, Dada, Cainiao Network, Bosch Huayu, Hengli Group...
Beauty and Health Care	Dr Plant, Shanghai Jahwa, AFIONA, Perfect Diary, Dashenlin, Tasly, Watsons, Nepstar...
Digitalization	LINE MAN Wongnai, Shopee, Youzan, Kemai, Tiancai Shanglong, Sixun, Pospal, QinSilk, Nike Software, Kingdee, Weimob...

Note: The customers/users are listed in no particular order and for illustrative purposes only

As of December 31, 2024, our solutions were deployed in over 200 countries and geographic regions, covering more than 90% of the world’s markets, including all G20 countries, according to CIC. In addition to serving businesses and merchants, we also empower software developers, with a blueprint to build the

SUMMARY

world’s largest developer ecosystem for commercial and merchant applications. The world map below shows our smart devices connected to our DMP globally as of Latest Practicable Date.



As of Latest Practicable Date, we earned numerous accolades, including national-level recognitions such as the “Single Champion Demonstration Enterprise (單項冠軍示範企業)”, “National Industrial Design Center” (國家級工業設計中心) and the “Specialized and Innovative Little Giant (專精特新小巨人企業)” award, and municipal-level recognitions such as the “Shanghai Municipal Enterprise Technology Center (上海市市級企業技術中心),” “Shanghai Quality Benchmark (上海市質量標杆)” and “Shanghai Brand Leading Demonstration Enterprise (上海市品牌引領示範企業).” As of December 31, 2024, our smart devices earned more than 30 prestigious international design awards, including 13 Red Dot Awards, one iF Gold Design Award, 12 iF Design Awards, two Good Design Awards.

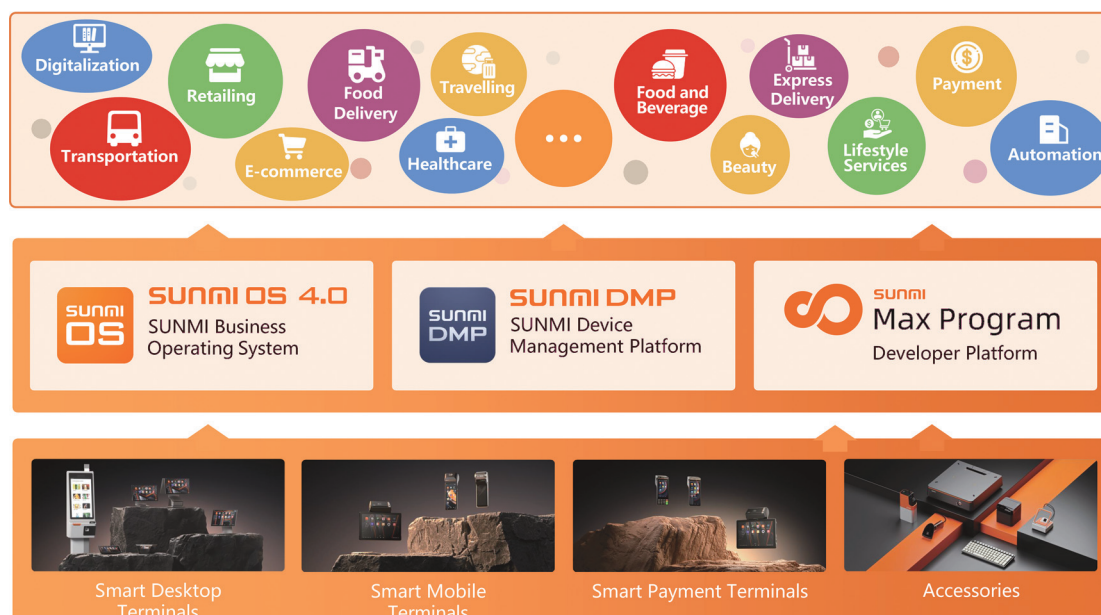
 Largest Android-based BIoT solution provider in 2024	 Approx 58,000 registered business partners	 Approx 28,000 applications available for download
 200+ countries and geographic regions covered	 39,000 + registered developers	 185 million + accumulative number of application downloads
 100+ industry sub-verticals covered	 Approx 4.9 million monthly active smart BIoT devices	 587 patent registered

Note: As of December 31, 2024

SUMMARY

Our Smart Devices

We offer a comprehensive suite of smart devices that covers 15 major industries with more than 100 sub-verticals, ranging from restaurant, supermarket, sport & fitness, clinic and delivery. Powered by our proprietary SUNMI OS, this diverse portfolio is designed to address a wide array of application scenarios for merchants in various commercial settings, as illustrated in the below diagram.



Our BIoT PaaS Platform

We have pioneered and developed the industry’s first PaaS platform—the SUNMI Max Program—a low-code, modular-based platform that enables businesses and developers to efficiently build, manage, and upgrade software applications for use on their smart devices. SUNMI Max Program consists of more than 1,000 modules spanning over 20 verticals. As of December 31, 2024, over 7,000 businesses from approximately ten countries and geographic regions adopted the SUNMI Max Program.

COMPETITIVE STRENGTHS

We believe the following strengths have contributed to our success and differentiated us from our competitors:

- Leading global BIoT solution provider driving value chain integration;
- Compelling track record of product innovation;
- Extensive global reach with strong localization capability;
- Broad vertical coverage and diverse customer base; and
- Experienced and visionary management supported by strategic shareholders.

For details, see “Business – Competitive Strengths.”

SUMMARY

GROWTH STRATEGIES

We will firmly adhere to our commitment to the mission of “to accelerate intelligent digital transformation for businesses around the world.” To achieve these strategic objectives, our key measures include:

- Advancing industrialization of BIoT hardware and software solutions;
- Strengthening global supply chain capabilities;
- Enhancing market penetration through vertical and geographic expansion; and
- Unlocking synergies through strategic partnerships and investments.

For details, see “Business – Growth Strategies.”

OUR CUSTOMERS AND SUPPLIERS

Customers

We sell our BIoT solutions to businesses and merchants in over 200 countries and regions. In 2022, 2023 and 2024, we had 2,506, 2,337 and 2,262 customers, respectively.

We introduced SUNMI Home, our offline experience center, to showcase our latest generation of smart devices and software solutions. With a growing global footprint, we have established over 50 SUNMI Home experience centers located in major cities such as Shanghai, Beijing, Singapore, and Dubai. Looking ahead, we plan to continue expanding this network and working closely with local partners to offer more localized services to businesses worldwide.

Through immersive, hands-on experiences, SUNMI Home allows businesses to explore how our smart devices and software solutions can digitize their day-to-day operations. For example, our self-checkout systems help businesses increase efficiency while cutting operational costs. Complementary technologies such as SUNMI DMP and localized cloud solutions enhance device security and performance, enabling partners to build smarter, safer, and more efficient commercial ecosystems. Our local teams also offer rapid, on-the-ground support to ensure a smooth experience from initial product exploration to full-scale deployment.

In 2022, 2023 and 2024, the aggregate revenue generated from our five largest customers were RMB1,438.6 million, RMB885.1 million and RMB1,421.4 million, representing 42.3%, 28.8% and 41.1% of our revenue, respectively. Revenues generated from our largest customer in the same periods were RMB655.6 million, RMB505.4 million and RMB758.9 million, representing 19.3%, 16.5% and 22.0% of our revenues, respectively.

Product Pricing and Sales

We generate our revenue predominantly from sales of our BIoT solutions mainly including smart devices. We price our smart devices primarily based on the overall market price. We adopt pricing strategies based on the specifications and requirements of different regions and countries. Based on this anchor point, overall market prices and trends, and our own profitability analysis, we adjust our prices within the market price range to ensure competitiveness while maintaining our market positioning.

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In addition, for the businesses that develop their own software applications using our BIoT PaaS platform, we typically charge fees only after the relevant customers have completed their application development. We price our BIoT PaaS platform service fees primarily based on the overall market price and the number of SUNMI smart devices using the software applications developed.

Suppliers

As of December 31, 2024, we collaborated with over 400 suppliers in China and globally. We believe that our rigorous supplier selection and evaluation criteria, extensive pool of qualified suppliers, and strong, stable relationships with reliable partners have enabled us to secure a steady supply of high-quality materials, mitigate reliance risks, and minimize exposure to unexpected fluctuations in raw material prices. During the Track Record Period, we encountered no significant incidents of supply interruptions, early contract terminations with suppliers, or raw material shortages.

During the Track Record Period, the aggregate purchases from our top five suppliers in each year during the Track Record Period amounted to RMB2,142.4 million, RMB1,968.9 million and RMB2,265.6 million, which accounted for 75.9%, 74.1% and 66.3% of aggregate purchases for respective years. Purchases from our largest supplier in the same periods were RMB781.0 million, RMB662.0 million and RMB855.6 million, respectively, representing 27.7%, 24.9% and 25.0% of our total purchases, respectively.

RISK FACTORS

Our business and the [REDACTED] involve certain risks, including (i) risks related to our business and industry; (ii) risks related to doing business in the geographic markets in which we operate; (iii) risks related to the WVR structure and (iv) risks related to the [REDACTED] and our Shares. Some of the major risks we face include, but not limited to:

- The markets in which we operate are competitive, and if we do not compete effectively, our business, results of operations, financial condition and prospects could be materially and adversely affected.
- If we are unable to introduce new or upgraded products or services that business partners and merchants recognize as valuable, we may fail to retain and attract these users, and our operating results would be adversely affected.
- The success of our business is dependent upon our ability to maintain and expand our customer base and our ability to convince our customers to increase the use of our products and services. If we are unable to expand our customer base, or if the use of our products and services by our customers declines, our business may be harmed.
- Defects, errors or any other problems associated with our products and services could diminish demand for our products or services, harm our reputation, business and results of operations and subject us to liability.
- If we do not successfully anticipate technological developments and develop products and system enhancements that meet these developments, our business, results of operations and prospects may be materially and adversely affected.

SUMMARY

- We may not be able to sustain our historical growth rates, and our historical growth may not be indicative of our future growth or financial results.
- The concentration of the voting power of our Shares limits our Shareholders’ ability to influence corporate matters.
- Holder of our Class A Shares may exert substantial influence over us and may not act in the best interests of our other Shareholders.

COMPETITION

The global BIoT solution market has experienced steady growth, expanding from approximately RMB189 billion in 2020 to around RMB235 billion in 2024, representing a CAGR of approximately 5.6% over the period. BIoT solutions are widely used in high-frequency commercial sectors, such as retail and food services. As digital transformation gains momentum across more industries, such as healthcare, education, and tourism, BIoT adoption is expected to penetrate across a broader range of industry sectors. In addition, ongoing upgrades of existing devices and systems are expected to further drive market growth. The global BIoT solution market is projected to reach RMB313 billion by 2029 at a CAGR of approximately 5.9% from 2025 to 2029. This indicates continued demand and substantial room for continued development and adoption across industries worldwide. The global market size of Android-based BIoT solutions was approximately RMB32 billion in 2024. It is projected to reach approximately RMB92 billion by 2029, at a CAGR of 23.7% from 2024 to 2029. Android’s open development ecosystem allows global developers to build customized solutions. Its high level of compatibility supports a wide range of functions, which has helped speed up its use in many commercial use cases. The penetration rate of Android-based BIoT solutions in the global market, measured by the global market size of Android-based BIoT solutions over the global market size of intelligent BIoT solutions, is expected to increase from approximately 14% in 2024 to around 29% by 2029.

The BIoT industry is still in the early stage of its digital transformation. The competitive landscape includes a wide mix of players at different BIoT stages. Many solution providers still operate within the earlier stages of BIoT (i.e. BIoT 1.0 or 2.0), particularly those focused on specific functions such as card payments. These companies have begun adopting Android systems, recognizing the growing importance of flexible, connected ecosystems. However, their use of Android often remains limited to isolated use cases (such as card payment) rather than full integration into broader business operations. BIoT 3.0 players are focused on addressing more complex, fragmented, and long-tail digital challenges. By offering open ecosystems and smarter product experiences, they have a competitive edge over traditional vertical-focused hardware providers and are well positioned to penetrate digital application scenarios at scale.

SUNMI is the world’s largest Android-based BIoT solution provider in terms of revenue in 2024. SUNMI also has the broadest coverage of application verticals, the widest range of sub-verticals, and the most extensive global presence. As a representative of BIoT 3.0, SUNMI has launched a series of innovative products that have accelerated the evolution of the industry. SUNMI achieved market leadership within a relatively short period, surpassing competitors that have operated in the industry for decades. See “Industry Overview” for more details of our competitive landscape.

SUMMARY

SUMMARY OF KEY FINANCIAL INFORMATION

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

The following table sets forth a summary of our consolidated statements of profit or loss for the years indicated, derived from our consolidated statements of profit or loss set out in the Accountant’s Report included in Appendix I to this document.

	Years Ended December 31,		
	2022	2023	2024
	<i>(RMB in thousands)</i>		
Revenue	3,404,380	3,070,569	3,456,377
Cost of sales	(2,447,159)	(2,249,409)	(2,459,046)
Gross profit	957,221	821,160	997,331
Other income	19,838	50,569	94,855
Other gains and losses	(4,836)	8,038	39,550
Distribution and selling expenses	(346,865)	(321,878)	(360,985)
Administrative expenses	(90,677)	(84,996)	(135,076)
Research and development expenses	(358,503)	(353,647)	(394,453)
Impairment losses under expected credit loss (“ECL”) model, net of reversal	(13)	(2,290)	(3,910)
Finance costs	(11,173)	(16,641)	(30,103)
Profit before tax	164,992	100,315	207,209
Income tax (expense) / credit	(5,476)	913	(26,166)
Profit for the year	159,516	101,228	181,043

SUMMARY

Revenue

During the Track Record Period, we generated our revenue primarily from sales of smart devices, and to a lesser extent, from PaaS platform and customization services. Our PaaS platform and customization services mainly consist of (a) self-developed supporting software products or systems (e.g. upgraded SUNMI OS system and DMP system), which is charged to the relevant customers on an annual basis, (b) provision of PaaS platform services, which is charged to the relevant customers in accordance with (i) the number of SUNMI smart devices connected and/or (ii) their transaction amount, and (c) provision of customization services for BIoT hardware and software developed based on our PaaS platform, which is charged to the relevant customers and businesses on a project basis. The following table sets forth a breakdown of our revenue by business segment and as a percentage of our total revenue, for the years indicated.

	For the Year Ended December 31,					
	2022		2023		2024	
	RMB	%	RMB	%	RMB	%
<i>(in thousands, except for percentages)</i>						
Sales of smart devices						
- Smart desktop devices	1,283,002	37.7	954,216	31.1	959,202	27.8
- Smart mobile devices	993,820	29.2	659,879	21.5	808,764	23.4
- Smart payment devices	862,685	25.3	1,222,771	39.8	1,463,896	42.3
- Accessories and parts	249,537	7.3	170,953	5.6	206,131	6.0
Subtotal	3,389,044	99.5	3,007,819	98.0	3,437,993	99.5
PaaS platform and customization services	15,336	0.5	62,750	2.0	18,384	0.5
Total revenue	3,404,380	100.0	3,070,569	100.0	3,456,377	100.0

Since our inception, we have steadily expanded our global footprint. The following table sets forth our revenue breakdown by geographical locations and as a percentage of our total revenue, for the years indicated.

	For the Year Ended December 31,					
	2022		2023		2024	
	RMB	%	RMB	%	RMB	%
<i>(in thousands, except for percentages)</i>						
Asia Pacific, Middle East and Africa (“APMEA”)	1,560,785	45.9	1,802,593	58.7	1,553,130	44.9
Americas	1,266,885	37.2	809,599	26.4	1,186,183	34.3
Europe	576,710	16.9	458,377	14.9	717,064	20.8
Total revenue	3,404,380	100.0	3,070,569	100.0	3,456,377	100.0

Our gross profit increased by 21.5% from RMB821.2 million in 2023 to RMB997.3 million in 2024. Our gross profit margin increased from 26.7% in 2023 to 28.9% in 2024. The increase in our overall gross profit margin was primarily attributable to (i) the increase in sales in Europe and other developed countries,

SUMMARY

which are regions with relatively higher gross profit margins due to relatively higher pricing strategies in such regions, and (ii) our cost management efforts.

Our gross profit decreased by 14.2% from RMB957.2 million in 2022 to RMB821.2 million in 2023. Our gross profit margin decreased from 28.1% in 2022 to 26.7% in 2023. The decrease in our overall gross profit margin was primarily due to the decrease in the proportion of revenue generated from Americas, which has a relatively higher gross profit margin.

For details, see “Financial Information — Description of Major Components of Our Results of Operations.”

Summary of the Consolidated Statements of Financial Position

The table below sets forth the selected information from our consolidated statements of financial position as of the dates indicated, which have been extracted from our consolidated financial statements included in Appendix I to this Document.

	As of December 31,		
	2022	2023	2024
	(RMB in thousands)		
Non-current assets	286,928	275,608	365,516
Current assets	2,606,680	3,185,912	4,037,756
Total assets	2,893,608	3,461,520	4,403,272
Non-current liabilities	78,193	50,452	73,223
Current liabilities	1,153,276	1,635,548	2,490,302
Total liabilities	1,231,469	1,686,000	2,563,525
Net current assets	1,453,404	1,550,364	1,547,454
Net assets	1,662,139	1,775,520	1,839,747
Total equity	1,662,139	1,775,520	1,839,747

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

	As of December 31,			As of April 30,
	2022	2023	2024	2025
	(RMB in thousands)			(unaudited)
Inventories	541,836	407,758	501,737	597,257
Trade and other receivables	798,325	1,083,271	1,573,246	931,171
Contract costs	23,840	1,613	429	429
Tax recoverable	4,105	4,816	4,363	890
Financial assets at FVTPL	3,795	—	—	30,000
Bills receivables measured at fair value through other comprehensive income (“FVTOCI”)	559	11,714	3,289	5,058
Term deposits with an original maturity over three months but within one year	13,929	134,217	57,500	40,000
Restricted bank deposits	103,278	121,688	79,344	57,756

SUMMARY

	As of December 31,			As of April 30,
	2022	2023	2024	2025
		(RMB in thousands)		(unaudited)
Cash and cash equivalents	1,117,013	1,420,835	1,817,848	1,852,766
Current assets	2,606,680	3,185,912	4,037,756	3,515,327
Trade and other payables	651,795	820,132	1,426,338	825,864
Income tax payable	3,397	1,208	1,676	1,945
Bank borrowings	296,734	685,101	938,485	1,191,138
Deferred income	2,660	3,732	4,921	3,410
Lease liabilities	25,136	24,447	25,412	26,155
Provisions	29,447	14,933	12,941	13,353
Contract liabilities	131,605	85,995	80,529	97,937
Financial liabilities at FVTPL	12,502	—	—	—
Current liabilities	1,153,276	1,635,548	2,490,302	2,159,802
Net current asset	1,453,404	1,550,364	1,547,454	1,355,525

Our net current assets decreased from RMB1,547.5 million as of December 31, 2024 to RMB1,355.5 million as of April 30, 2025, which was primarily due to (i) the decrease in trade and other receivables of RMB642.1 million; (ii) the increase in bank borrowings of RMB252.7 million. The decrease in our net current asset was partially offset by the decrease in trade and other payable of RMB600.5 million.

Our net current assets decreased from RMB1,550.4 million as of December 31, 2023 to RMB1,547.5 million as of December 31, 2024, which was primarily due to (i) the increase in trade and other payables of RMB606.2 million; (ii) the increase in bank borrowings of RMB253.4 million; (iii) the decrease in term deposit with an original maturity over three months but within one year of RMB76.7 million; and (iv) the decrease in restricted bank deposits of RMB42.3 million. The decrease in our net current assets was partially offset by (i) the increase in trade and other receivables of RMB490.0 million; (ii) the increase in cash and cash equivalents of RMB397.0 million; and (iii) the increase in inventories of RMB94.0 million.

Our net current assets increased from RMB1,453.4 million as of December 31, 2022 to RMB1,550.4 million as of December 31, 2023, which was primarily due to (i) the increase in cash and cash equivalents of RMB303.8 million; (ii) the increase in trade and other receivables of RMB284.9 million; and (iii) the increase in term deposit with an original maturity over three months but within one year of RMB120.3 million. The increase in our net current assets was partially offset by (i) the increase in bank borrowings of RMB388.4 million; (ii) the increase in trade and other payables of RMB168.3 million; and (iii) the decrease in inventories of RMB134.1 million.

For details, see “Financial Information — Discussion of Certain Key Items from Our Consolidated Statements of Financial Position.”

SUMMARY

Summary of the Consolidated Statements of Cash Flows

The following table sets forth our cash flows for the years indicated.

	For the Year Ended December 31,		
	2022	2023	2024
	<i>(RMB in thousands)</i>		
Net cash flows generated from operating activities	166,797	82,894	155,844
Net cash flows generated from/(used in) investing activities . . .	24,499	(131,356)	50,921
Net cash flows generated from financing activities	256,282	346,369	195,497
Net increase in cash and cash equivalents	447,578	297,907	402,263
Cash and cash equivalents at beginning of the year	672,085	1,117,013	1,420,835
Cash and cash equivalents at end of the year	1,117,013	1,420,835	1,817,848

For details, see “Financial Information — Liquidity and Capital Resources — Cash Flow Analysis.”

Key Operating Data and Financial Ratios

The following table sets forth some of our key operating data for the dates indicated.

	For the Year Ended / As of December 31,			For the Five Months Ended/As of May 31, 2025
	2022	2023	2024	
Number of registered developers	33,947	36,538	39,141	40,221
Number of registered business partners . . .	44,143	51,029	57,911	60,921
Number of applications available for download	20,094	23,349	27,769	30,089
Accumulative number of application downloads	104,236,062	133,306,237	185,904,141	209,783,777
Number of monthly active BIoT devices for the last month of the year/period . . .	3,312,314	4,086,299	4,938,435	5,811,754
Accumulative number of active BIoT devices (since January 1, 2018)	7,902,331	10,740,266	13,866,629	15,459,153

The following table sets forth some of our key financial ratios for the dates indicated.

	As of / For the Years Ended December 31,		
	2022	2023	2024
Gross profit margin ⁽¹⁾	28.1%	26.7%	28.9%
Net profit margin ⁽²⁾	4.7%	3.3%	5.2%
Adjusted net profit margin (Non-IFRS measure) ⁽³⁾	6.1%	3.4%	6.4%
Gearing ratio ⁽⁴⁾	17.9%	38.6%	51.0%

Notes:

- (1) Gross profit margin is calculated using gross profit for the year divided by revenue for the year and multiplied by 100%.

SUMMARY

- (2) Net profit margin is calculated using net profit for the year divided by revenue for the year and multiplied by 100%.
- (3) Adjusted net profit margin is calculated using adjusted net profit for the year divided by revenue for the year and multiplied by 100%.
- (4) Gearing ratio equals loans and borrowings divided by total equity for the respective year and multiplied by 100%.

For a detailed discussion on the historical changes of these key financial ratios, see “Financial Information — Key Financial Ratios.”

DIVIDENDS

During the Track Record Period, we declared dividends amounting to nil, nil and RMB151.2 million, respectively, to our shareholders. Subsequent to the end of the Track Record Period and up to Latest Practicable Date, we have settled dividend payable to our shareholders.

As of the Latest Practicable Date, we did not have a formal dividend policy or a fixed dividend distribution ratio. PRC laws require that dividends be paid only out of our distributable profits. Distributable profits are our after-tax profits, less appropriations to statutory and other reserves that we are required to make. Pursuant to our Articles of Association, our Board may declare dividends in the future after taking into account our results of operations, financial conditions, cash requirements and availability, and other factors as it may deem relevant at such time. Any declaration and payment as well as the amount of dividends will be subject to our constitutional documents, applicable PRC laws and approval by our Shareholders.

After the [REDACTED], we may declare and pay dividends mainly by cash or by stock that we consider appropriate. Decisions to declare or to pay any dividends in the future, will depend on, among other things, our Company’s profitability, operations and development plans, external financing environment, costs of capital, our Company’s cash flows and other factors that our Directors may consider relevant. Our ability to distribute dividends in the future also depends on whether we can receive dividends from our subsidiaries.

FUTURE PLANS AND USE OF [REDACTED]

We estimate that the aggregate net [REDACTED] to our Company from the [REDACTED] (after deducting [REDACTED] and other estimated expenses in connection with the [REDACTED] paid and payable by us taking into account any additional [REDACTED] and assuming that the [REDACTED] is not exercised and an [REDACTED] of HK\$[REDACTED] per Share, being the mid-point of the indicative [REDACTED] of HK\$[REDACTED] to HK\$[REDACTED] per Share) will be approximately HK\$[REDACTED] (US\$[REDACTED]). We currently intend to apply such net [REDACTED] we will receive from this [REDACTED] for the following purposes:

- approximately HK\$[REDACTED] (or approximately [REDACTED]% of the net [REDACTED]) to fund the research and development of BIOT hardware and software solutions;
- approximately HK\$[REDACTED] (or approximately [REDACTED]% of the net [REDACTED]) to fund strengthen our supply chain and manufacturing operations;

SUMMARY

- approximately HK\$[REDACTED] (or approximately [REDACTED]% of the net [REDACTED]) to fund global market expansion initiatives; and
- approximately HK\$[REDACTED] (or approximately [REDACTED]% of the net [REDACTED]) will be used for working capital and other general corporate purposes.

For details, see “Future Plans and Use of [REDACTED].”

H SHARE WEIGHTED VOTING RIGHTS STRUCTURE

The Company has an H Share weighted voting rights structure. Under our current weighted voting rights structure, our share capital comprises Class A Shares and Class B Ordinary Shares. As of the Latest Practicable Date and upon the completion of the [REDACTED], each Class A Share shall entitle the holder to exercise ten votes and each Class B Ordinary Share shall entitle the holder to exercise one vote, respectively, on any matters subject to the vote at general meetings of the Company, subject to Rule 8A.24 of the Listing Rules, the PRC Company Law and Articles of Association that require the Reserved Matters and the Special Matters to be voted on a one vote per share basis.

WEIGHTED VOTING RIGHTS STRUCTURE

The table below sets out the beneficial interests and voting rights that the WVR Beneficiary upon the completion of the [REDACTED] (assuming the [REDACTED] is not exercised):

	Number of Class A Shares held	Number of Class B Ordinary Shares held	Approximate percentage of beneficial interests in our total share capital	Approximate percentage of voting rights⁽¹⁾
Mr. Lin ⁽²⁾	98,584,276	41,251,282	[REDACTED]%	[REDACTED]%

Notes:

- (1) On the basis that each Class B Ordinary Share entitles the Shareholder to one vote per Share and each Class A Share entitles the Shareholder to ten votes per Share.
- (2) For details of the shareholding structure of Mr. Lin and his controlled entities, see “History, Development and Corporate Structure — Capitalization”.

Our Company is adopting the WVR structure to enable the WVR Beneficiary to exercise voting control over our Company. This will enable our Company to benefit from the continuing vision and leadership of the WVR Beneficiary who will control our Company with a view to its long-term prospects and strategy. Taking into account the WVR Beneficiary’s contribution to the Group, it is in the best interests of the Company and its Shareholders as a whole.

Prospective [REDACTED] are advised to be aware of the potential risks of [REDACTED] in companies with weighted voting rights structures, in particular that interests of the WVR Beneficiary may not necessarily always be aligned with those of our Shareholders as a whole, and that the WVR Beneficiary will be in a position to exercise their higher voting power to influence the affairs of our Company and the outcome of Shareholders’ resolutions, irrespective of how other Shareholders vote.

SUMMARY

Prospective [REDACTED] should make the decision to [REDACTED] in the Company only after due and careful consideration. For further information about the risks associated with the WVR structure adopted by the Company, see “Risk Factors — Risks Relating to the WVR Structure.” Save for the weighted voting rights attached to Class A Shares, the rights attached to Class A Shares and Class B Ordinary Shares are identical. For further information about the rights, privileges and restrictions of the Class A Shares and Class B Ordinary Shares, see “Appendix III — Summary of Articles of Association.”

OUR CONTROLLING SHAREHOLDERS

Immediately following the completion of the [REDACTED] (assuming that the [REDACTED] is not exercised), Mr. Lin will directly hold 98,584,276 Class A Shares and will control a total of 41,251,282 Class B Ordinary Shares through Woyou ESOP, Woyou Partnership and Ningbo Woyou as their general partner, representing a total of (i) [REDACTED]% of the voting rights in our issued share capital in general meetings (except for resolutions with respect to the Reserved Matters and the Special Matters) with each Class A Share entitling the holder to exercise ten votes and each Class B Ordinary Share entitling the holder to exercise one vote, and (ii) [REDACTED]% of the voting rights in our issued share capital in general meetings for resolutions with respect to the Reserved Matters and the Special Matters with each Share entitling the holder to exercise one vote. Therefore, Mr. Lin, Woyou ESOP, Woyou Partnership and Ningbo Woyou will be our Controlling Shareholders upon the [REDACTED].

[REDACTED] INVESTMENTS

We have undergone multiple rounds of [REDACTED] Investments. For further details of the backgrounds of our [REDACTED] Investors and the principal terms of the [REDACTED] Investments, see “History, Development and Corporate Structure — [REDACTED] Investments”.

[REDACTED]

Our [REDACTED] mainly include (i) [REDACTED], such as [REDACTED] and [REDACTED], and (ii) [REDACTED], comprising professional fees paid to our legal advisors and reporting accountants for their services rendered in relation to the [REDACTED] and the [REDACTED], and other fees and expenses. Assuming full payment of the [REDACTED], the estimated total [REDACTED] for the [REDACTED] are approximately HK\$[REDACTED], accounting for approximately [REDACTED]% of our gross [REDACTED]. Among such estimated total [REDACTED], we expect to pay [REDACTED] of HK\$[REDACTED], professional fees for our legal advisors and reporting accountants of HK\$[REDACTED] and other fees and expenses of HK\$[REDACTED]. An estimated amount of HK\$[REDACTED] for our [REDACTED], accounting for approximately [REDACTED]% of our gross [REDACTED], is expected to be expensed through the statement of profit or loss and an estimated amount of HK\$[REDACTED] is expected to be recognized directly as a deduction from equity upon the [REDACTED]. We did not recognize any [REDACTED] in 2022, 2023 and 2024.

[REDACTED]

SUMMARY

[REDACTED]

LEGAL PROCEEDINGS AND COMPLIANCE

We are committed to adhering to the laws and regulations applicable to our business. During the Track Record Period and up to the Latest Practicable Date, we did not experience any non-compliance incidents that our Directors believe would, individually or collectively, have a material operational or financial impact on our business and operations as a whole.

From time to time, we may be involved in contractual disputes or legal proceedings arising from the ordinary course of our business. During the Track Record Period and up to the Latest Practicable Date, we were not subject to any claims, damages, or losses that would have a material adverse effect on our financial position or results of operations as a whole. Litigation or any other legal proceeding, regardless of the outcome, is likely to result in substantial costs and diversion of our resources, including our management’s time and attention. For the potential impact of legal proceedings on us, see “Risk Factors – Risks Relating to Our Business and Industry – Legal, regulatory and administrative proceedings could adversely affect our business or financial results.”

NO MATERIAL ADVERSE CHANGE

Our Directors have confirmed that, up to the date of the Document, there had been no material adverse change in our financial, operational or trading position, indebtedness, contingent liabilities or prospects since December 31, 2024, being the end date of the periods reported on in the Accountants’ Report set out in Appendix I to this Document, and there had been no event since December 31, 2024 that would materially affect the information shown in the Accountants’ Report set out in Appendix I to this Document.

DEFINITIONS

In this Document, unless the context otherwise requires, the following terms and expressions shall have the meanings set out below. Certain other terms are explained in “Glossary”.

“Accountants’ Report”	the accountants’ report of our Company prepared by Deloitte Touche Tohmatsu, the text of which is set out in Appendix I to this Document
“affiliate(s)”	with respect to any specified person, any other person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified person
“AFRC”	the Accounting and Financial Reporting Council of Hong Kong
“Articles” or “Articles of Association”	the articles of association of our Company, as amended from time to time, which shall become effective upon the [REDACTED], a summary of which is set out in Appendix III to this Document
“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Audit Committee”	the audit committee of the Board
“Banking Ordinance”	the Banking Ordinance, Chapter 155 of the Laws of Hong Kong, as amended, supplemented or otherwise modified from time to time
“Baolong Investment”	Guangzhou Baolong Investment Enterprise (Limited Partnership) (廣州暴龍投資企業(有限合夥)), a limited partnership established in the PRC on February 28, 2014 and one of our [REDACTED] Investors
“Board”, “Board of Directors” or “our Board”	the board of Directors
“Business Day”	a day on which banks in Hong Kong are generally open to the public for normal business and which is not a Saturday, Sunday or public holiday in Hong Kong

[REDACTED]

“China”, “mainland China”, or “PRC”	the People’s Republic of China, which, for the purposes of this Document and for geographical reference only, excludes the regions of Hong Kong, Macau and Taiwan of the People’s Republic of China

DEFINITIONS

“CIC”	China Insights Industry Consultancy Limited, a professional market research and consulting company, which is an Independent Third Party
“CIC Report”	an independent market research report commissioned by us and prepared by CIC for the purposes of this Document
“Class A Shares”	Class A shares in the share capital of the Company with a par value of RMB1.00 each, conferring weighted voting rights in the Company such that a holder of a Class A share is entitled to ten votes per share upon [REDACTED] on all matters subject to the vote at general meetings of the Company, subject to the requirements under Rule 8A.24 of the Hong Kong Listing Rules, the PRC Company Law and Articles of Association that the Reserved Matters and the Special Matters shall be voted on a one vote per share basis
“Class B Ordinary Shares”	Class B shares in the share capital of the Company with a par value of RMB1.00 each, conferring a holder of a Class B share one vote per share on all matters subject to the vote at general meetings of the Company, which comprise H Shares upon Listing
“close associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Companies (Winding Up and Miscellaneous Provisions) Ordinance”	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Company”, “our Company” or “the Company”	Shanghai Sunmi Technology Co., Ltd. (上海商米科技集團股份有限公司), previously known as Shanghai Sunmi Technology Co., Ltd. (上海商米科技有限公司) and Shanghai Woyou Information Technology Co., Ltd. (上海我有信息科技有限公司), a joint stock company established in the PRC on December 11, 2013
“Compliance Adviser”	the compliance adviser as named in the section headed “Directors and Parties Involved in the [REDACTED]” in this Document
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“connected transaction(s)”	has the meaning ascribed thereto under the Listing Rules

DEFINITIONS

“Controlling Shareholders”	Refer to Mr. Lin, Woyou ESOP, Woyou Partnership and Ningbo Woyou
“core connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“Corporate Governance Code”	the Corporate Governance Code set out in Appendix C1 to the Listing Rules
“Corporate Governance Committee”	the corporate governance committee of the Board
“CSDCC”	China Securities Depository and Clearing Corporation Limited (中國證券登記結算有限責任公司)
“CSRC”	the China Securities Regulatory Commission (中國證券監督管理委員會)
“Director(s)” or “our Director(s)”	the director(s) of our Company
“EIT”	the PRC enterprise income tax
“EIT Law”	the PRC Enterprise Income Tax Law (《中華人民共和國企業所得稅法》)

[REDACTED]

“Extreme Conditions”	extreme conditions as announced by the government of Hong Kong in the case where a super typhoon or other natural disaster of a substantial scale seriously affects the working public’s ability to resume work or brings safety concern for a prolonged period

[REDACTED]

DEFINITIONS

“Group”, “our Group”, “our”, “we”, or “us”	our Company and its subsidiaries, or any one of them as the context may require, and where the context requires, the businesses operated by our Company and/or its subsidiaries and their predecessors (if any)
“Guangyi Investment”	Shanghai Guangyi Investment Management Center (Limited Partnership) (上海光易投資管理中心(有限合夥)), a limited partnership established in the PRC on December 30, 2015 and one of our [REDACTED] Investors
“Guide for New Listing Applicants”	the Guide for New Listing Applicants issued by the Hong Kong Stock Exchange, as amended, supplemented or otherwise modified from time to time
“H Share(s)”	[REDACTED] Class B Ordinary Share(s) in the share capital of our Company with a nominal value of RMB1.00 each, which are to be subscribed for and [REDACTED] in Hong Kong dollars and to be [REDACTED] on the Hong Kong Stock Exchange
	[REDACTED]
“Hantao Consulting”	Shanghai Hantao Information Consulting Co., Ltd. (上海漢濤信息諮詢有限公司), a company with limited liability established in the PRC on September 23, 2003 and one of our [REDACTED] Investors
“HK\$”, “HKD” or “Hong Kong dollars”	Hong Kong dollar(s), the lawful currency of Hong Kong

[REDACTED]

DEFINITIONS

[REDACTED]

“Hong Kong” or “HK”

the Hong Kong Special Administrative Region of the PRC

[REDACTED]

“Hong Kong Stock Exchange” or
“Stock Exchange”

The Stock Exchange of Hong Kong Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited

“Hong Kong Takeovers Code” or
“Takeovers Code”

the Codes on Takeovers and Mergers and Share Buy-backs issued by the SFC, as amended, supplemented or otherwise modified from time to time

[REDACTED]

“IFRSs”

the International Financial Reporting Standards, which include standards, amendments and interpretations promulgated by International Accounting Standards Board (IASB) and the International Accounting Standards (IAS) and interpretations issued by the International Accounting Standards Committee (IASC)

DEFINITIONS

“IIT Law”	the Individual Income Tax Law of the PRC (《中華人民共和國個人所得稅法》)
“Independent Third Party(ies)”	any person(s) or entity(ies) who is not a connected person of the Company within the meaning of the Listing Rules

[REDACTED]

“Shanshang Investment”	Jiashan Zhegu Shanshang Private Equity Partnership (Limited Partnership) (嘉善浙股善商股權投資合夥企業(有限合夥)), a limited partnership established in the PRC on October 31, 2023 and one of our [REDACTED] Investors
“Jinxing Venture”	Tianjin Jinxing Venture Investment Co., Ltd. (天津金星創業投資有限公司), a company with limited liability established in the PRC on December 26, 2013 and one of our [REDACTED] Investors

[REDACTED]

DEFINITIONS

[REDACTED]

“Joint Sponsors” and “Sponsor-Overall Coordinators” the joint sponsors and sponsor-overall coordinators as named in the section headed “Directors and Parties Involved in the [REDACTED]” in this Document

“Latest Practicable Date” June 20, 2025, being the latest practicable date for the purpose of ascertaining certain information contained in this Document prior to its publication

[REDACTED]

“Listing Committee” the listing committee of the Hong Kong Stock Exchange

[REDACTED]

“Listing Rules” the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time

“Main Board” the stock exchange (excluding the option market) operated by the Hong Kong Stock Exchange which is independent from and operates in parallel with the GEM of the Hong Kong Stock Exchange

“MOF” the Ministry of Finance of the PRC (中華人民共和國財政部)

“MOFCOM” the Ministry of Commerce of the PRC (中華人民共和國商務部)

“Mr. Lin” Mr. Lin Zhe, our executive Director, chairman of the Board, general manager, WVR Beneficiary and one of our Controlling Shareholders

“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)

“Ningbo Woyou” Ningbo Woyou Investment Partnership (Limited Partnership) (寧波握友投資合夥企業(有限合夥)), a limited partnership established in the PRC on December 30, 2014 and one of our Controlling Shareholders

DEFINITIONS

“Nomination Committee”	the nomination committee of the Board
“Nongyin Wenying”	Xinyu Nongyin Wenying Investment Management Partnership (Limited Partnership) (新餘農銀穩盈投資管理合夥企業(有限合夥)), a limited partnership established in the PRC on June 12, 2017 and one of our [REDACTED] Investors
“NPC”	the National People’s Congress of the PRC (中華人民共和國全國人民代表大會)

[REDACTED]

“Overseas Listing Trial Measures”	the Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies and five supporting guidelines (《境內企業境外發行證券和上市管理試行辦法》及五項配套指引) promulgated by the CSRC on February 17, 2023 which became effective on March 31, 2023
“PBOC”	the People’s Bank of China (中國人民銀行), the central bank of the PRC

DEFINITIONS

“PRC Company Law”	the Company Law of the PRC (《中華人民共和國公司法》), as amended, supplemented or otherwise modified from time to time
“PRC GAAP”	generally accepted accounting principles of the PRC
“PRC Legal Adviser”	Jingtian & Gongcheng, the PRC legal adviser to our Company in connection with the [REDACTED]
“PRC Securities Law”	the Securities Law of the PRC (《中華人民共和國證券法》), as amended, supplemented or otherwise modified from time to time
“[REDACTED] Investment(s)”	the investment(s) in our Group undertaken by the [REDACTED] Investors prior to this [REDACTED], the details of which are set out in “History, Development and Corporate Structure” in this Document
“[REDACTED] Investor(s)”	the investor(s) making investments in our Group prior to this [REDACTED] as set out in “History, Development and Corporate Structure” in this Document

[REDACTED]

“Document”	this document being issued in connection with the [REDACTED]
“Regulation S”	Regulation S under the U.S. Securities Act
“Reserved Matters”	those matters resolutions with respect to which each Share is entitled to one vote at general meetings of the Company pursuant to Rule 8A.24 of the Hong Kong Listing Rules, being: (i) any amendment to the Articles of Association, (ii) the variation of the rights attached to any class of Shares, (iii) the appointment or removal of an independent non-executive Director, (iv) the appointment or removal of the Company’s auditors, and (v) the voluntary winding-up of the Company

DEFINITIONS

“Remuneration Committee”	the remuneration committee of the Board
“RMB” or “Renminbi”	Renminbi, the lawful currency of the PRC
“SAFE”	the State Administration of Foreign Exchange of the PRC (中華人民共和國外匯管理局)
“SAMR”	the State Administration for Market Regulation of the PRC (中華人民共和國國家市場監督管理總局)
“SAT”	the 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” or “Securities and Futures Ordinance”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Shareholder(s)”	holder(s) of the Share(s)
“Share(s)”	share(s) in the capital of our Company with a nominal value of RMB1.00 each, including H Shares and Unlisted Shares
“Shenzhen Capital Group”	Shenzhen Capital Group Co., Ltd. (深圳市創新投資集團有限公司), a limited liability company established in the PRC on August 25, 1999 and one of our [REDACTED] Investors
“Special Matters”	those matters resolutions with respect to which each Share is entitled to one vote at general meetings of the Company pursuant to the PRC Company Law and the Articles of Association, being: (i) merger, division, dissolution or change of corporate form of the Company; (ii) determining the remunerations of Directors who are not employee representatives; and (iii) the election and change of the members of the Audit Committee

[REDACTED]

“State Council”	the State Council of the PRC (中華人民共和國國務院)
“subsidiary(ies)”	has the meaning ascribed thereto under the Listing Rules
“substantial shareholder(s)”	has the meaning ascribed thereto under the Listing Rules

DEFINITIONS

“Sunmi Kemao”	Shanghai Sunmi Kemao Co., Ltd. (上海商米科貿有限公司), a limited liability company established in the PRC on July 14, 2023, and a wholly-owned subsidiary of the Company
“Sunmi Technology HK”	Sunmi Technology HK Limited, a limited liability company incorporated under the laws of Hong Kong on July 2, 2019, and a wholly-owned subsidiary of the Company
“Track Record Period”	the period comprising the three financial years ended December 31, 2022, 2023 and 2024
“treasury shares”	has the meaning ascribed thereto under the Listing Rules
“U.S. dollars”, “US\$” or “USD”	United States dollars, the lawful currency of the United States
“U.S. persons”	U.S. persons as defined in Regulation S
“U.S. Securities Act”	the U.S. Securities Act of 1933, as amended, supplemented or otherwise modified from time to time

[REDACTED]

“United States” or “U.S.”	the United States of America, its territories and possessions, any State of the United States, and the District of Columbia
“Unlisted Share(s)”	share(s) issued by our Company, with a nominal value of RMB1.00 each, which is/are not listed on any stock exchange
“VAT”	value-added tax

[REDACTED]

“Woyou Partnership”	Shanghai Woyou Enterprise Management Center (Limited Partnership) (上海沃有企業管理中心(有限合夥)), a limited partnership established in the PRC on November 13, 2014 and one of our Controlling Shareholders

DEFINITIONS

“Woyou ESOP”	Shanghai Woyou Enterprise Management Partnership (Limited Partnership) (上海沃郵企業管理合夥企業(有限合夥)), a limited partnership established in the PRC on April 20, 2017 and one of our Controlling Shareholders
“WVR Beneficiary”	has the meaning ascribed to it under the Hong Kong Listing Rules and unless the context otherwise requires, refers to Mr. Lin, being the holder of the Class A Shares upon [REDACTED]
“WVR structure”	has the meaning ascribed to it under the Hong Kong Listing Rules
“Yunxin Venture”	Shanghai Yunxin Venture Capital Co., Ltd. (上海雲鑫創業投資有限公司), a company with limited liability established in the PRC on February 11, 2014 and one of our [REDACTED] Investors
“%”	per cent

GLOSSARY

This glossary contains certain technical terms used in this document in connection with us and our business. Such terms and their meaning may not correspond to standard industry definitions or usage.

“AI”	artificial intelligence, simulation of human intelligence by machines
“Android”	a mobile operating system used in touchscreen technology including smartphones and tablets
“API”	application programming interface, a set of protocols that allows unconnected applications to communicate with each other
“BIoT”	Business Internet of Things
“CAGR”	compound annual growth rate
“CBB”	common build block
“CPU”	central processing unit
“DDR SDRAM”	double data rate synchronous dynamic random-access memory
“DMP”	device management platform
“DRAM”	dynamic random access memory
“F&B”	food and beverage
“GPU”	graphics processing unit
“HCI”	human-computer interaction
“IoT”	Internet of Things, the network of physical devices embedded with electronics, software, sensors, and network connectivity, which enables these objects to collect and exchange data, allowing these devices to communicate with each other and with users
“LCD”	liquid-crystal display
“MTBF”	mean time between failures
“NFC”	near-field communication
“NPU”	neural processing unit

GLOSSARY

“ODM”	original design manufacturer
“OEM”	original equipment manufacturer
“OS”	operating system
“OTA”	over-the-air
“PaaS”	platform as a service, a category of cloud computing services that provides a platform and environment to allow developers to build applications over the Internet
“POS”	point of sale
“SDK”	software development kit, a collection of software development tools in one installable package
“smart device”	an advanced computing device operating on smart operating systems, such as Android OS, which is typically business-oriented and characterized by standardized features and applicable across a wide range of vertical industries
“smart terminal”	an advanced computing device that combines input/output capabilities with local processing power, enabling it to perform tasks beyond basic data entry and display, generally designed for dedicated use in specific scenarios or verticals

FORWARD-LOOKING STATEMENTS

We have included in this Document forward-looking statements. Statements that are not historical facts, including but not limited to statements about our intentions, beliefs, expectations or predictions for the future, are forward-looking statements. When used in this Document, the words “aim”, “anticipate”, “believe”, “could”, “expect”, “going forward”, “intend”, “ought to”, “project”, “seek”, “should”, “will”, “would”, “vision”, “aspire”, “target”, “schedule”, 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, liquidity and capital resources, some of which may not materialize or may change. These statements are subject to certain risks, uncertainties and assumptions, including the risk factors as described in this Document, some of which are beyond our control and may cause our actual results, performance or achievements, or industry results, to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. You are strongly cautioned that reliance on any forward-looking statements involves known and unknown risks and uncertainties. The risks and uncertainties facing us which could affect the accuracy of forward-looking statements include, but are not limited to, the following:

- our operations and business prospects;
- our ability to maintain relationship with, and the actions and developments affecting, our customers and suppliers;
- future developments, trends and conditions in the industries and markets in which we operate or plan to operate;
- general economic, political and business conditions in the markets in which we operate;
- changes to the regulatory environment in the industries and markets in which we operate;
- our ability to maintain our market position;
- the actions and developments of our competitors;
- our ability to effectively contain costs and optimize pricing;
- the ability of third parties to perform in accordance with contractual terms and specifications;
- our ability to retain senior management and key personnel and recruit qualified staff;
- our business strategies and plans to achieve these strategies;
- the effectiveness of our quality control systems;
- change or volatility in interest rates, foreign exchange rates, equity prices, trading volumes, commodity prices and overall market trends; including those pertaining to the PRC and the industry and markets in which we operate; and
- capital market developments.

By their nature, certain disclosures relating to these and other risks are only estimates and should one or more of these uncertainties or risks, among others, materialize, actual results may vary materially from those estimated, anticipated or projected, as well as from historical results. Specifically but without limitation, sales could decrease, costs could increase, capital costs could increase, capital investment could be delayed and anticipated improvements in performance might not be fully realized.

Subject to the requirements of applicable laws, rules and regulations, we do not have any or undertake no obligation to update or otherwise revise the forward-looking statements in this Document, whether as a result of new information, future events or otherwise. As a result of these and other risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this Document might not occur in

FORWARD-LOOKING STATEMENTS

the way we expect or at all. Accordingly, you should not place undue reliance on any forward-looking information. All forward-looking statements in this Document are qualified by reference to the cautionary statements in this section as well as the risks and uncertainties discussed in the section headed “Risk Factors”.

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

RISK FACTORS

An [REDACTED] in our Class B Shares involves significant risks. You should carefully consider all of the information in this document, including the risks and uncertainties described below, before making an [REDACTED] in our Class B Shares. The following is a description of what we consider to be our material risks. Any of the following risks could have a material adverse effect on our business, financial condition and results of operations. In any such case, the [REDACTED] of our Shares could decline, and you may lose all or part of your [REDACTED].

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

RISKS RELATED TO OUR BUSINESS AND INDUSTRY

The markets in which we operate are competitive, and if we do not compete effectively, our business, results of operations, financial condition and prospects could be materially and adversely affected.

The Android-based BIoT solution market is competitive and rapidly evolving. According to CIC, we were the world’s largest Android-based BIoT solution provider in terms of revenue in 2024, with a market share of over 10%. For more information about the industries in which we operate, see “Industry Overview.” The principal competitive factors in these markets include ease of deployment, implementation and use, performance of smart devices, scalability and reliability, global reach, brand awareness and reputation, the strength of sales and marketing efforts, as well as ability to ensure data security and privacy.

Some of our existing and potential competitors might have substantial competitive advantages, including larger scale, longer operating history, greater brand recognition, more established relationships with customers, suppliers, manufacturers and other business partners, and greater financial, research and development, marketing and other resources. As a result, our competitors may be able to respond more quickly and effectively than we can to new or changing opportunities, technologies, standards or customer requirements. Our existing and potential competitors may develop and market new products and services with comparable functionality to ours, and this could force us to offer our products and services at lower prices in order to remain competitive.

Some of our competitors are able to offer products or services at lower prices than ours or with higher penetration than our products and services or in different geographies, which may be attractive to certain customers even if those products and services offer different or fewer functionalities. If we are unable to maintain our current pricing due to the competitive pressures, our margins will be reduced and our business, results of operations and financial condition would be adversely affected. In addition, pricing pressures and increased competition could result in reduced revenue, reduced margins, increased losses or the failure of our products and services to achieve or maintain widespread market acceptance, any of which could harm our business, results of operations and financial condition.

RISK FACTORS

If we are unable to introduce new or upgraded products or services that business partners and merchants recognize as valuable, we may fail to retain and attract these users, and our operating results would be adversely affected.

To retain existing and attract new business partners and merchants, we will need to continue to invest in the development of new products, services and features that add value for them and that differentiate us from competitors. For example, we developed smart devices to meet the diverse and fast-growing demand from large-scale businesses and/or merchants, and continue to optimize our smart BIoT solutions to more accurately capture evolving needs from business partners and merchants. The introduction of new or upgraded products and services is also crucial to staying competitive in the market, stimulating demand from existing customers, and attracting new customers.

In addition, developing and delivering these new or upgraded products, offerings, and services is costly, and their success depends on several factors, including the timely completion, introduction and market acceptance of these products, services, and features; our ability to comply with applicable licensing and other regulatory requirements; and costs of switching to competing offerings, among other things. New products, services and features may involve new risks and challenges that we have limited experience in handling. For example, we may be subject to inventory risks associated with the sale of smart devices to the extent we hold inventories of such devices. Moreover, these new or upgraded products, services or features may not work as expected or may not provide intended value to our users. If we are unable to continue to develop new or upgraded products, services, and features, or if smart device users do not perceive value in them, such users may cease collaboration with us or choose not to use our devices, which would adversely affect our business and results of operations. In many cases, as these products and services are relatively new to the market, there are limited proven methods to project market demand or preference.

The success of our business is dependent upon our ability to maintain and expand our customer base and our ability to convince our customers to increase the use of our products and services. If we are unable to expand our customer base, or if the use of our products and services by our customers declines, our business may be harmed.

Our ability to expand and generate revenue depends, in part, on our ability to maintain and deepen our relationships with customers and convince them to increase their use of our products and services. In 2022, 2023 and 2024, we had 2,506, 2,337 and 2,262 customers, respectively. If our customers do not increase their usage and demand of our products and services, or if we are unable to attract new customers, our growth rates may slow down or decline. In addition, it is difficult to predict the end users’ usage levels of smart devices accurately and the loss of customers or reductions in the end users’ usage levels may have a negative impact on our business, results of operations, and financial condition. Our customers may cease, or reduce their usage of our products and services due to a variety of reasons, such as progress in technology that makes our products and services obsolete, a decrease in the quality of our products and services, national security or other concerns caused by our products and services, and shortage of semiconductor components, which are outside our or our customers’ control. If a significant number of our customers cease using, or reduce their usage of, our products and services, we may be required to spend significantly more on sales and marketing than we currently plan to spend in order to maintain or increase revenue. These additional expenditures could adversely affect our business, results of operations, and financial condition.

RISK FACTORS

Defects, errors or any other problems associated with our products and services could diminish demand for our products or services, harm our reputation, business and results of operations and subject us to liability.

Our customers may use our products and services for important aspects of their businesses, and any errors, defects or disruptions to our products and services and any other performance problems with our products and services could damage our customers’ businesses and, in turn, hurt our brand and reputation. We provide regular updates to our products and services, which have in the past contained, and may in the future contain, undetected errors, failures, vulnerabilities and bugs when first introduced or released. Real or perceived errors, failures, bugs or security vulnerabilities in our products could result in negative publicity, loss of or delay in market acceptance of our smart BIoT solutions, loss of competitive position, lower customer retention or claims by customers for losses sustained by them. In such an event, we may be required, or may choose, for customer relations or other reasons, to expend additional resources in order to help correct the problem. As a result, our reputation and our brand could be harmed, and our business, operating results and financial condition may be adversely affected. Moreover, the edge capabilities of smart devices are embedded in modules manufactured by certain third-party suppliers. Smart devices and modules may contain defects, errors or other product issues, which may negatively impact the performance of our products or services, harm our reputation, damage our ability to attract new and existing customers, and incur significant support, repair or replacement costs even if we can be reimbursed from the third-party suppliers.

If we do not successfully anticipate technological developments and develop products and system enhancements that meet these developments, our business, results of operations and prospects may be materially and adversely affected.

The business environment in which we operate, is characterized by rapid technological changes, constantly evolving markets, frequent introduction of new products and services, evolving industry standards and regulations, and increasing customer expectations. We must continue to enhance our existing offerings and develop new technologies and products that address emerging technologies, evolving industry standards, and changing needs from our business partners and merchants. We may not be able to successfully anticipate or adapt to changing technology trends or user needs and preferences on a timely basis, or at all. The process of enhancing our existing products, services and features and developing new technologies is complex and uncertain, and new offerings requires significant upfront investment that may not result in improvements to existing products or result in marketable new products or costs savings or revenue for an extended period of time, if at all. Developments in blockchain technologies, machine learning and AI continue to disrupt the industry. Our success has largely been driven by our capability to innovate and introduce new products and services, and identify potential needs even before they are recognized by customers. Failure to continue to innovate, or effectively identify and address new customer needs could severely damage our leading position and erode our market share, which in turn would materially and adversely affect our business, financial condition, results of operations and prospects.

Technological development and innovation play a crucial role in driving industry growth, and new technologies and methods such as big data, cloud computing, blockchain, AI, and machine learning are evolving at an unprecedented rate. The development and innovation of technology have higher requirements

RISK FACTORS

for up-to-date technical capabilities, continuous learning abilities, and innovation capabilities of our Company and technical related personnel. Failure to continue to maintain our technical upgrading and innovation capabilities may result in our inability to effectively compete in the industry and respond to market changes, which may have a material adverse effect on our business, financial condition, results of operations and prospects.

With the introduction of new products and services and new market entrants, we expect competition to intensify in the future. In addition, some of our customers may choose to use our products and services and our competitors’ products and services at the same time, or choose to switch to other smart devices. As we expand the scope of our products and services, we may face additional competition. If one or more of our competitors were to merge or partner with another of our competitors, the change in the competitive landscape could also adversely affect our ability to compete effectively. Moreover, new technologies could render our existing products and services obsolete or less attractive to users, and our business, financial condition, results of operations and prospects could be materially and adversely affected if such technologies are widely adopted. If we fail to keep up with technology changes or to convince our existing users and future potential users of the value of our offerings even in light of new technologies, we may lose merchants or other users and market shares, which may decrease or delay market acceptance of our present and future offerings and materially and adversely affect our business, financial condition, results of operations and prospects.

Sustained innovation requires us to invest significant resources to identify new opportunities, create new markets and develop new products or services that deliver more value to our customers and our partners. Our investments in innovations, which may be significant, may not enhance our competitiveness or generate financial returns in the short term. We have ongoing research and development projects and studies but there is a high degree of uncertainty around the progress and results of these initiatives. Additionally, there is uncertainty around the commercialization of our technology achievements. If we fail to correctly judge the direction of our research and development efforts, fail to achieve key technological breakthroughs in this process, or are unable to apply our research and development results to practical business scenarios, we may face risks such as unrecoverable research and development investment and unrealized expected benefits. Even if we succeed in identifying new opportunities, creating new markets, innovating new products and services and adopting changes in our strategies and plans, we may nevertheless fail to realize the anticipated benefits of these changes and our financial performance may suffer as a result. Failure to achieve expected results from our research and development efforts could have a material adverse effect on our business, financial condition, results of operations and prospects.

We may not be able to sustain our historical growth rates, and our historical growth may not be indicative of our future growth or financial results.

During the Track Record Period, our revenue decreased by 9.8% from RMB3,404.4 million in 2022 to RMB3,070.6 million in 2023 primarily attributable to a decline in revenue from our smart mobile devices and smart desktop devices, and increased by 12.6% to RMB3,456.4 million in 2024. However, there is no assurance that we will be able to maintain our historical growth rates in future periods. Our growth rates and revenue may decline for a number of reasons, including China’s and global overall economic growth, the ongoing digitalization of China’s economy, technology development of the smart BIoT industry,

RISK FACTORS

accumulation of smart BIoT experts in China, awareness of enterprises to deploy smart devices, our investment in technology innovation and smart BIoT solutions, our ability to attract and retain our users, our ability to create value for users with our innovative enterprise smart BIoT solutions, our ability to manage our costs and enhance operating leverage. We cannot assure you that we will be able to effectively manage our growth or implement our business strategies. If the market for our solutions does not develop as we expect or if we fail to address the needs of this dynamic market, our business, results of operations and financial condition will be materially and adversely affected.

Our international operations exposes us to significant regulatory, economic operations.

As of December 31, 2024, we have sold our smart BIoT solutions to merchants and businesses in over 200 countries and regions. We expect that our international activities will continue to grow over the foreseeable future as we continue to pursue opportunities in existing and new markets, which will require significant management attention and financial resources worldwide. In connection with such expansion, we may face difficulties including costs associated with varying seasonality patterns, potential adverse movement of currency exchange rates, longer payment cycle difficulties in collecting accounts receivable in some countries, tariffs and trade barriers, a variety of regulatory or contractual limitations on our ability to operate, adverse tax events, reduced protection of intellectual property rights in some countries, political risks and a geographically and culturally diverse workforce and customer base. Failure to overcome any of these difficulties could harm our business.

In addition, we will face risks in doing business internationally that could adversely affect our business, financial condition and results of operations, including:

- the difficulty of managing and staffing international operations and the increased operations, travel, infrastructure and legal compliance costs associated with numerous international locations;
- challenges to our corporate culture resulting from a dispersed workforce;
- our ability to effectively price our products in competitive international markets;
- foreign ownership restrictions;
- potentially greater difficulty collecting accounts receivable and longer payment cycles;
- the need to adapt and localize our products and services for specific countries;
- difficulties in understanding and complying with local laws, regulations and customs in foreign jurisdictions;
- difficulties in complying with local laws, regulations and customs in foreign jurisdictions, including those governing competition, pricing, internet activities, cybersecurity and data protection, employment and labor laws, privacy, collection, use, processing, or sharing of personal information, intellectual property, and other activities important to our business;
- difficulties with differing technical and environmental standards, privacy, cybersecurity, data protection and telecommunications regulations and certification requirements across multiple jurisdictions, which could prevent customers from deploying our products and services or limit their usage;

RISK FACTORS

- difficulties in understanding, and adapting our products and services to, local end-users’ habits and preferences;
- geopolitical or trade tensions, particularly between the United States and China;
- tariffs and other non-tariff trade barriers, such as quotas and local content rules;
- the complexities of complying with current and future export controls and economic sanctions administered by the U.S. Department of Commerce’s Bureau of Industry and Security (BIS), the U.S. Department of the Treasury’s Office of Foreign Assets Control (OFAC) and other relevant sanctions authorities;
- more limited protection for intellectual property rights in some countries;
- adverse tax consequences;
- fluctuations in currency exchange rates, which could increase the price of our products and services in certain markets, increase the expenses of our international operations and expose us to foreign currency exchange rate risk or the cost and risk of hedging transaction if we choose to enter into such transactions in the future;
- currency control regulations, which might restrict or prohibit our conversion of other currencies into RMB and/or U.S. dollars; and
- restrictions on the transfer of funds across borders.

Our failure to manage any of these risks successfully could harm our international operations, and adversely affect our business, operating results and financial condition. In some cases, compliance with the laws and regulations of one country could violate the laws and regulations of another country. As our global operations evolve, we cannot assure you that we are able to fully comply with the legal requirements of each jurisdiction and successfully adapt our business models to local market conditions. Due to the complexity involved in our international business expansion, we cannot assure you that we are or will be in compliance with all local laws.

Sales of smart devices account for a majority of our revenue, and any decrease in such sales or any increase in the costs associated with such sales may materially and adversely affect our business.

During the Track Record Period, we generated our revenue primarily from sales of smart devices, which accounts for 99.5%, 98.0% and 99.5% of our total revenue in 2022, 2023 and 2024, respectively. A decrease in the sales volume of our smart devices or their prices, changing user preference or material quality issues concerning our smart devices may materially and adversely affect our business and operating results. Furthermore, we are exposed to increases in the prices of materials and components used to manufacture smart devices. While we may seek to reflect such increases in the pricing of our smart devices, we may not be able to do so completely or in a timely fashion. In addition, some of our larger competitors may be able to leverage a larger customer base and distribution network to adopt more aggressive pricing policies and offer more attractive sales terms, which could cause us to lose potential sales or to sell our smart BIoT solutions at lower prices. Our future growth and financial performance may depend in part on our ability to develop, produce and sell smart devices. If we fail to deliver product enhancements, new releases or new products that our users consider useful and attractive, our business and results of operations would be harmed.

RISK FACTORS

If we fail to manage the operation of our platform, systems and infrastructure, our users may experience service outages and delays in the deployment of our products and services.

We have experienced, and may in the future experience, system disruptions, outages, data losses and other performance problems. These types of problems may be caused by a variety of factors, including infrastructure changes, human or software errors, viruses, security attacks, fraud, spikes in user usage and denial of service issues. In some instances, we may not be able to identify the cause or causes of these performance problems within an acceptable period of time. Additionally, we currently use various third-party cloud-hosting providers to provide cloud infrastructure to support our platform. We do not control the physical operation of any of the cloud infrastructure we use or the operations of these third-party cloud-hosting providers. These third-party operations may experience break-ins, computer viruses, denial-of-service attacks, sabotage, acts of vandalism, and other misconduct. These facilities may also be vulnerable to damage or interruption from power loss, telecommunications failures, fires, floods, earthquakes, hurricanes, tornadoes, and similar events. The occurrence of any such event, a decision by our third-party service providers to terminate their services without adequate notice, termination or suspension of the contractual and other business relationships between us and such cloud infrastructure providers or other unanticipated problems may result in interruptions to our platform and could experience significant delays and incur additional expense in transitioning users to a different cloud infrastructure provider. Any difficulties these providers face, including the potential of certain network traffic receiving priority over other traffic (i.e., lack of net neutrality), may adversely affect our business, and we exercise little control over these providers, which increases our vulnerability to problems with the services they provide.

Any disruptions, outages, defects, and other performance and quality problems with our product and platform or with our products and services and internet infrastructure on which they rely, or any material change in our contractual and other business relationships with our cloud infrastructure providers, could result in reduced use of our platform, increased expenses and harm to our brand and reputation, and cause merchants and carriers to switch to our competitors’ platforms, any of which could have a material adverse effect on our business, financial condition, and results of operations.

Our research and development as well as business operations are dependent on our executives and key employees. If we are unable to attract, retain and motivate these executives and employees, we may not be able to improve our solutions, obtain new business opportunities and successfully execute our business strategies.

The market for high-caliber workers and leaders in our industry is extremely competitive. To execute our business strategies successfully, we must attract, retain and motivate our executives and key employees. In particular, hiring qualified executives and research and development personnel is costly and critical to our business. Competition for personnel results in increased costs in the form of cash and stock-based compensation. Nonetheless, we must recruit and develop diverse talent to remain competitive in our industry. Effective succession planning is also important to our long-term success. Failure to ensure effective transfer of knowledge and smooth transitions involving key employees could hinder our strategic planning and execution. If we are less successful in our recruiting efforts, or if we cannot retain key employees or their knowledge, our ability to develop and deliver successful solutions may be adversely affected.

RISK FACTORS

The interpretation and application of employment-related laws to our workforce practices may result in increased operating costs and less flexibility in how we meet our workforce needs. Changes in immigration and work permit laws and regulations or the administration or interpretation of such laws or regulations could impair our ability to attract and retain highly qualified employees. If we do not continue to anticipate and address the needs of our employees sufficiently and/or in a timely manner, their productivity could be impacted, or we could fail to retain them, which could have a material adverse impact on our future business operations, results of operations and financial condition.

Geopolitical tensions and disruptions in the international trading and investment environment may seriously decrease our international sales and affect our operations.

We sell our products on a worldwide basis. As a result, government regulations and policies restricting international trade and investment, such as economic or trade sanctions, export controls, tariffs or foreign investment filings and approvals, may affect the demand for our solutions, impact the competitive position of our solutions, prevent us from offering solutions in certain countries, limit our customers’ ability to sell their products abroad, or disrupt our research and development activities. Prolonged or increased use of such measures may negatively impact the growth of the global BIoT industry, resulting in declines in device sales from which we generate our revenue through our products and services.

Disruptions in the international trading environment, including those caused by adverse changes in foreign government regulations, political unrest, international economic downturns, terrorist attacks and military actions, may affect the demand for our products and change the terms upon which we sell our products overseas, which could seriously decrease our international sales. In addition, our ability to compete effectively could be materially and adversely affected by a number of factors relating to international trade regulation. Failure to comply with trade regulations could restrict our ability to export products, resulting in a decrease in our international sales.

Certain raw materials and components assembled into our products are imported from the U.S. and subject to U.S. Export Administration Regulations (the “EAR”), which are administered by the BIS. This may result in our products being subject to the EAR’s *de minimis* rule. The EAR may prohibit us from exporting, re-exporting, or transferring these products without a license to certain persons, including those on the BIS’s Entity List or Unverified List, certain territories or persons subject to sanctions, or for certain prohibited end uses. While we believe that currently applicable designations and controls of our products and technologies under the EAR do not impose material limitations on our operations, BIS could apply more restrictive designations or controls to our current or future products and technologies or prohibit additional parties from receiving our products or technologies that are subject to the EAR. These or similar developments could materially restrict or prohibit our ability to export, re-export or transfer our products and technologies subject to the EAR, including to potential customers in the future, which could materially and adversely affect our business plans and prospects.

Moreover, there have been U.S. government policies restricting outbound investment in China, which could affect our access to capital. In October 2024, the U.S. Department of the Treasury (the “Treasury”) issued the Provisions Pertaining to U.S. Investments in Certain National Security Technologies and Products in Countries of Concern (the “Outbound Investment Rule”). The Outbound Investment Rule,

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effective on January 2, 2025, targets investments involving persons and entities associated with “countries of concern,” currently only China (including Hong Kong and Macau), and it imposes investment prohibition and notification requirements on a wide range of investments in companies engaged in activities relating to three sectors: (i) advanced microchips and microelectronics, (ii) quantum information technologies, and (iii) artificial intelligence systems. Under the Outbound Investment Rule, entities with meaningful ties with a country of concern and engaged in activities relating to the three sectors are defined as covered foreign persons, and with limited exceptions, equity investments by a U.S. person, as defined therein, in a covered foreign person are subject to prohibition or notification requirements. Therefore, if a company is deemed a covered foreign person, its ability to raise capital could be negatively affected. The Outbound Investment Rule may develop, expand and introduce new hurdles and uncertainties for cross-border collaborations, investments, and funding opportunities of companies with China nexus or even limited China exposure. In February 2025, U.S. President Donald Trump released the America First Investment Policy Memorandum, outlining several initiatives to incentivize investment from U.S. allies and partners while restricting investments involving “foreign adversaries” including China. Among other things, the policy aims to expand the industry sectors covered by the Outbound Investment Rule and supplement outbound restrictions through the imposition of sanctions. The proposed restrictions may further increase uncertainties for cross-border collaboration, investment, and funding opportunities of companies with operations in China. We cannot assure you that the Treasury will not make contradictory interpretations, nor can we predict future developments of the Outbound Investment Rule, or similar outbound investment rules or laws, will not complicate or restrict investments to our company.

Therefore, rising political tensions could reduce levels of trade, investment, technological exchange, and other economic activities between the United States and China, which would have a material adverse effect on global economic conditions and the stability of global financial markets as well as our and our customers’ business, prospects, financial condition and results of operations.

Changes in tariffs may adversely affect our business, financial condition and results of operations.

The global trade landscape is currently highly volatile. Various countries have announced plans for and/or have already implemented new or modified tariffs. Recently, the United States announced broad tariffs on imports from all countries, comprising a 10% baseline tariff and varying reciprocal tariffs on certain trade partners, including a 125% tariff for most goods from the PRC. Other countries, including the PRC, announced retaliatory actions or plans for retaliatory actions. On April 9, 2025, the United States implemented a 90-day pause on the varying reciprocal tariffs except for those on Chinese goods, leaving the 10% baseline tariff in place. On May 12, 2025, China and the United States jointly announced a 90-day suspension of certain of their trade restrictions, so that the United States will impose tariffs of 30% on most Chinese imports during this period, while China will impose tariffs of 10% on U.S. imports. The two sides agreed to continue negotiations during this period. We have pre-stocked enough supply in the U.S. to support our sales in such region. In the meantime, we collaborated with one local partner for production in Southeast Asia, and are actively monitoring latest development for tariff updates. We have also been negotiating cost-sharing plans with our major customers in the U.S. From a cost perspective, while the impact of our supply chain remains minimal, we have adjusted pricing strategies to absorb slight increases in logistics costs, keeping overall expenses under control.

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Given ongoing discussions between the United States and its trade partners, including China, there remains significant uncertainty about whether the United States may further change the scope, level and interpretation of tariffs it imposes. The tariffs imposed by the United States have led and may in the future lead to retaliatory measures taken by other countries. We continually monitor the global trade environment for new and/or changing tariffs, retaliatory actions, trade agreements, export restrictions, sanctions or other restrictions that may impact us or our supply chain or customers.

As our customers are located worldwide and may deploy our solutions installed to different countries and regions, any additional tariffs and trade barriers imposed by the United States or other countries on BIoT solutions may further reduce demand for our products and result in material adverse impact on our business, financial condition and results of operations.

We rely on independent distributors over whom we have limited control.

We engage with distributors for a large amount of our sale in oversea markets. According to CIC, facilitating transactions through distributors are widely adopted and are industry norm in the relevant regions. The distributors are primarily engaged to complement our sales team and to facilitate transactions in accordance with the distribution trading practice of the region where our end customers are located. During the Track Record Period, a significant amount of our smart devices was sold through distributors. The performance of our distributors, their ability and distribution network to sell our smart devices are crucial to our rapid growth, which may have direct impacts on our revenue and profitability. As of December 31, 2024, we collaborated with 988 distributors worldwide. During the Track Record Period, revenue generated from our offline distributors was RMB1,238.4 million, RMB674.8 million and RMB709.3 million, respectively. Due to the number of our distributors, we may not be able to exert our controls, or at all, on these distributors in a timely and effective manner. We have adopted policies including providing recommended retail and sale price to e-commerce platforms and distributors and taking into account of the geographic coverage of distributors during selection process to minimize the risk of cannibalization. However, we have limited control over the daily business activities on our distributors. Non-compliance by any of our distributors or sub-distributors on the terms and conditions in the relevant distribution agreements or our risk management and internal control system or measures adopted may adversely affect the overall sales volume of our smart devices and our assessment on development strategies. We cannot assure you that our distributors or sub-distributors will at all times comply with our sales policies or that they will not compete with each other for market share in respect of our smart devices. If any of the distributors or sub-distributors fails to distribute our smart devices to end-customers in a timely manner, overstocks, or carries out actions which are inconsistent with our business strategy, it may tarnish our brand image and affect our future sales. This may in turn materially and adversely affect our business, results of operations, financial conditions and business prospects.

During the Track Record Period, some of our distributors may engage sub-distributors to reach specific markets within their designated distribution areas in offline channels where they do not have direct coverage. We generally do not have direct contractual relationships with these sub-distributors, which limits our ability to enforce compliance with our sales policies, quality standards, and pricing strategies. See “Business — Our Sales and Marketing.” We cannot guarantee that sub-distributors will consistently adhere to our agreement terms with distributors or sales policies, or avoid competition amongst themselves. In the

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event that any sub-distributor fails to comply with our agreements or sales policies or meet their obligations to their customers, there could be a negative impact on the demand for our products, which could result in adverse effect on our business and results of operations.

Furthermore, there can be no assurance that we will be successful in detecting any non-compliance of our distributors with the cooperation agreements. We may be exposed to the risks of fraud or other misconduct committed by our distributors. Fraud or other misconduct by our distributors may involve engaging in unauthorized misrepresentation to our customers, misappropriating third party’s intellectual property and other proprietary rights and engaging in bribery or other unlawful payments. In any such event, we could, as a result, be subject to claims brought by our customers or third parties for fraud or other misconduct committed by such distributor, which could result in potential substantial financial liability and diversion of our managerial and financial resources regardless of whether the claim has merits. In such event, our business, financial condition and results of operations may be adversely affected.

We depend upon third parties to manufacture our products and to supply key components necessary to manufacture our products.

Many of the key components used to manufacture our products, such as various hardware and software, come from limited sources of supply, and therefore a disruption with one manufacturer in our supply chain may have an adverse effect on other aspects of our supply chain and may disrupt our ability to effectively and timely deliver our hardware products. In addition, we rely on hardware manufacturers to fabricate, test, and assemble our products. During the Track Record Period, we relied on a limited number of OEM and ODM suppliers to manufacture our hardware devices. If we are unable to maintain control over these suppliers, it may lead to production delays, quality inconsistencies, or supply chain disruptions, ultimately impacting our operational efficiency and customer satisfaction. In general, our contract manufacturers fabricate or procure components on our behalf, subject to certain approved procedures or supplier lists, and we do not have firm commitments from all of these manufacturers to provide all components, or to provide them in quantities and on timelines that we may require. Due to our reliance on the components or products produced by suppliers such as these, we are subject to the risk of shortages and long lead times in the supply of certain components or products. We are still in the process of identifying alternative manufacturers for the assembly of our products and for many of the single-sourced components used in our products. In the case of off-the-shelf components, we are subject to the risk that our suppliers may discontinue or modify them, or that the components may cease to be available on commercially reasonable terms, or at all. We have in the past experienced, and may in the future experience, component shortages, or delays or other problems in product assembly, and the availability and cost of these components or products may be difficult to predict. For example, our manufacturers may experience temporary or permanent disruptions in their manufacturing operations due to equipment breakdowns, labor strikes or shortages, natural disasters, component or material shortages, cost increases, acquisitions, insolvency, changes in legal or regulatory requirements, or other similar problems.

We may experience operational difficulties with third-party suppliers, including failures to comply with our or our customers’ specifications, quality deficiencies, inadequate supplies, lack of relevant qualifications or licenses, lack of responsiveness, and failures to meet our schedules. Our third-party suppliers may experience disruptions in their operations due to equipment and system breakdowns,

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pandemics, labor disputes or shortages, natural disasters, material shortages, rising costs, non-compliance issues or other problems. In addition, we may not be able to renew contracts with our third-party suppliers or identify substitute partners. Although arrangements with these suppliers may contain provisions for warranty expense reimbursement, we may remain responsible to our customers for warranty service in certain events. Any failure of our third-party suppliers to perform their responsibilities or to comply with all applicable laws and regulations may have a material negative effect on our ability to serve our customers. As a result, our business, reputation, results of operations and financial condition could be materially and adversely affected.

As the scale of our hardware production increases, we will also need to accurately forecast, purchase, warehouse, and transport components at high volumes to our manufacturing facilities and servicing locations. If we are unable to accurately match the timing and quantities of component purchases to our actual needs or successfully implement automation, inventory management, and other systems to accommodate the increased complexity in our supply chain and parts management, we may incur unexpected production disruption, storage, transportation, and write-off costs, which may harm our business and operating results.

In the event of a shortage or supply interruption from suppliers of components used in our hardware products, we may not be able to develop alternate sources quickly, cost-effectively, or at all. This could harm our relationships with our customers, prevent us from acquiring new customers, and materially and adversely affect our business. Additionally, various sources of supply-chain risk, including strikes or shutdowns at delivery ports or loss of or damage to our products while they are in transit or storage, intellectual property theft, losses due to tampering, third-party vendor issues with quality or sourcing control, failure by our suppliers to comply with applicable laws and regulation, new tariffs or potential tariffs (including those applicable to our relationships with vendors in China) or other trade restrictions, or other similar problems could limit or delay the supply of our products, or harm our reputation.

We also rely on certain suppliers located internationally as part of our supply chain, and the supply risks described above may similarly apply to or be more pronounced in respect of those international suppliers. A violation of the contracts with them may require us to bring a claim in China or other jurisdictions and which may be difficult to enforce. In addition, there is uncertainty as to whether the courts in these international jurisdictions would recognize or enforce judgments of U.S. courts. Any litigation in international jurisdictions may be protracted and result in substantial costs and diversion of resources and management attention.

Any investments or future acquisitions may have a material adverse effect on our business, reputation, financial condition and results of operations.

We have made investments in recent years in other companies. We expect to continue to evaluate and consider a wide array of investment and acquisition opportunities that we believe can extend and solidify our leading market position as part of our overall business strategy. We may be engaged in discussions or negotiations with respect to one or more of these types of transactions. These transactions involve significant challenges and risks, including:

- difficulties in integrating the acquired personnel, operations, solutions into our operations;

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- potential issues with technology, internal controls and financial reporting of the companies we acquire or invest in;
- disruptions of our ongoing business, distractions of the attention of our management and employees and increase of our expenses;
- loss of skilled professionals and established client relationships of the businesses we invest in or acquire;
- for investments over which we do not obtain management and operational control, lack of influence over the controlling partner or shareholder, which may prevent us from achieving our strategic goals in such investments;
- new regulatory requirements and compliance risks that we become subject to as a result of investments or acquisitions in new industries or otherwise;
- actual or alleged misconduct or noncompliance by any company we acquire or invest in (or by its affiliates) that occurred prior to our acquisition or investment, which may lead to negative publicity, government inquiry or investigations against such company or against us;
- unforeseen or hidden liabilities or costs that may adversely affect us following our acquisition of such targets;
- compliance matters including the anti-monopoly and competition laws, rules and regulations of the PRC and other countries in connection with any proposed investments and acquisitions;
- the risk that any of our pending or other future proposed investments or acquisitions does not close;
- the costs of identifying and consummating investments and acquisitions;
- the use of substantial amounts of cash and potentially dilutive issuances of equity securities;
- the occurrence of significant amortization expenses for other intangible assets; and
- uncertainties in achieving the expected benefits of synergies and growth opportunities in connection with these acquisitions and investments.

Any such negative developments described above could disrupt our existing business and have a material adverse effect on our business, reputation, financial condition and results of operations.

We are subject to credit risk related to defaults of customers, and our liquidity and financial condition may be materially and adversely affected if we fail to collect trade receivables from our customers in a timely manner, or at all.

We are exposed to credit risk relating to our receivables. Our trade receivables primarily represent outstanding amounts due from certain customers, to which we supplied our smart devices in accordance with specific credit periods during the Track Record Period. As of December 31, 2022, 2023 and 2024, our trade receivables amounted to RMB406.3 million, RMB637.6 million and RMB1,048.8 million, respectively. We also had relatively long trade receivable turnover days during the Track Record Period, being 36, 62 and 89 days in 2022, 2023 and 2024, respectively. During the Track Record Period, we settled our customer purchases with third parties designated by some of our customers, which was ceased in June

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2025; such amounts represented no greater than approximately 1% of our total revenue in 2022, 2023, and 2024, respectively. We may not be able to collect all such receivables in a timely manner, or at all, due to a variety of factors that are beyond our control, such as long payment cycles and the adverse financial situation of certain customers. If any of our customers continues to experience financial, operational or other difficulties that resulted in their difficulties in settling trade receivables or loans with us, or if the relationship between us and any of our customers is terminated or deteriorated, our corresponding receivables or loans might be adversely affected in terms of recoverability.

The increase in the amount of provisions made on our trade receivables will be recorded as expenses on our results of operations. As such, if we are unable to manage the credit risk associated with our trade receivables effectively, our results of operations may be materially and adversely affected. Furthermore, substantial defaults or delays by our customers could materially and adversely affect our cash flow and working capital conditions, and we may have to terminate our relationships with such customers.

We face inventory and other asset risks in addition to purchase commitment cancelation risk. Our results of operations could be materially harmed if we are unable to accurately manage our inventories.

Our business expansion requires us to manage a large volume of inventory effectively. Our inventories primarily consisted of raw materials and consumables, work in progress and finished goods. Our inventories decreased from RMB541.8 million as of December 31, 2022 to RMB407.8 million as of December 31, 2023, primarily due to the decrease in finished goods by RMB53.1 million and the decrease in raw materials and consumables by RMB77.8 million, reflecting our strategic inventory management efforts. Our inventories increased from RMB407.8 million as of December 31, 2023 to RMB501.7 million as of December 31, 2024, which was generally aligned with our business growth. Our inventories turnover days decreased from 90 days in 2022 to 77 days in 2023. Subsequently, our inventories turnover days decreased to 67 days in 2024. We record a write-down for inventories that have exceeded net realizable value. We have recorded provision for impairment of inventories of RMB11.6 million, RMB12.1 million and RMB16.4 million in 2022, 2023 and 2024, respectively. We also review our long-lived assets for impairment whenever events or circumstances indicate the carrying amount of an asset may not be recoverable. In addition, we are exposed to credit risk in relation to our loan receivables, and in the event of a substantial raise in the default exposure of these loan receivables, we will incur significant impairment charges. If we determine that impairment has occurred, we record a write-down equal to the amount by which the carrying value of the asset exceeds its fair value. No assurance can be given that we will not incur additional related charges given the rapid and unpredictable pace of product obsolescence in the industries in which we compete.

Fluctuations in changes in fair value of our financial assets at fair value through profit or loss would affect our financial results.

We have invested in, and intend to continue to selectively invest in, businesses, assets and technologies that complement our existing business and may make other financial investments. We recorded financial assets at fair value through profit or loss of RMB41.0 million, RMB48.7 million and RMB52.2 million as of December 31, 2022 and 2023 and 2024, respectively. These financial assets at fair value through profit or loss included our investments in unlisted equity interest in entities established in the PRC and Thailand. The fair value changes in our financial assets measured at fair value through profit or

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loss may negatively affect our financial performance. The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The valuations of our investments require the use of unobservable inputs, judgments and estimates, such as risk-free rate, expected volatility, discount rate for lack of marketability and market multiples. Any change in the estimates and assumptions may lead to a change in the fair value of the financial assets, which in turn could negatively affect our financial conditions and results.

Rapid technological changes may result in impairment of other intangible assets, which could negatively affect our reported results of operations.

Our other intangible assets amounted to RMB9.1 million, RMB17.5 million and RMB68.0 million as of December 31, 2022, 2023 and 2024, respectively. Among our other intangible assets, software, license and patents have a finite useful life and are carried at cost less accumulated amortization. Such intangible assets are amortized on a straight line basis over 3-5 years. We are required to review our intangible assets for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable, including a decline in company value and a slowdown in our industry. Our products and services compete in highly competitive global markets characterized by among other factors, rapid adoption of technology and product advancements by competitors, which could negatively affect the assumptions used in cashflow generated from relevant intangible assets for impairment assessment and the estimated useful lives of intangible assets. If the carrying value of our intangible assets are determined to be impaired, we would be required to write down the carrying value or record charges to earnings in our financial statements, thereby materially and adversely affect our results of operations.

Discontinuation of any of preferential tax treatments or government grants or imposition of any additional taxes and surcharges could adversely affect our business, financial condition, results of operations and prospects.

Our business is subject to risks associated with the tax laws and regulations of the countries in which we operate, including the risk of changes in tax laws, regulations, and policies, as well as the imposition of additional taxes, surcharges, or penalties. We may face evolving tax regimes in the countries or regions in which we operate, which could adversely affect our effective tax rate, transfer pricing, or exposure to additional tax liabilities. We strive to comply with applicable tax laws and regulations in each of the countries or regions in which we operate, but there can be no assurance that we will be successful in doing so, which could result in material adverse effects on our business, financial condition, results of operations and prospects.

In addition, some of the jurisdictions in which we operate have rules on transfer pricing that require intra-group transactions to be conducted on arm's length terms. There can be no assurance that tax authorities in these jurisdictions will not challenge our transfer pricing arrangements, or that the relevant regulations or standards governing such arrangement will remain unchanged. If the relevant authorities later find that the transfer prices and terms that we have applied are not in line with arm's length negotiations, they may require us to re-assess the transfer prices, re-allocate the income, or adjust the taxable income. Any such re-allocation or adjustment could result in higher tax liabilities for us and may adversely affect our business results of operations, and financial condition. Furthermore, if we fail to rectify such incident within the limited timeframe required by the relevant tax authorities, the relevant tax authorities may impose late payment interest or surcharge and other penalties on us for any unpaid taxes. In addition, a transfer pricing

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arrangement may give rise to tax recoverable in certain jurisdictions as a result of tax adjustments. There is no assurance that we could successfully recover the tax recoverable from the relevant tax authorities. Our business, financial condition and results of operation may therefore be materially and adversely affected.

We may receive grants, subsidies and other benefits from local governments. We cannot assure you that we will continue to be eligible to receive such government grants or that the amount of such grants will not be reduced in the future. Our ability to continue to avail government grants is subject to changes in national or local policies, and may be affected by the termination of, or amendments to, such policies for a number of reasons, including those beyond our control. Any decrease in or termination of such government grants in the future may have an adverse effect on our financial condition, results of operations and prospects.

Preferential tax treatments and incentives granted to us by local governmental authorities are also subject to review and renewal and may be adjusted or revoked at any time in the future. We cannot guarantee you that the preferential tax treatments and incentives to which we and our subsidiaries are currently entitled would remain valid or be successfully renewed. There can be no assurance that the local tax authorities will not, in the future, change their decisions and discontinue any of our current tax treatments, potentially with retrospective effect. The discontinuation of any of our current tax treatments and imposition of any additional taxes and surcharges could materially increase our tax obligations and adversely impact our net income.

If we fail to obtain or maintain licenses, permits or approvals applicable to our business, we may become subject to significant penalties and other regulatory proceedings or actions.

In accordance with the laws and regulations in the jurisdictions in which we operate, we are required to maintain various approvals, licenses, permits and certifications in order to operate our business, see “Business — Licenses and Permits.” Complying with such laws and regulations may require substantial expense, and any non-compliance may expose us to liability. We cannot guarantee that we will be able to obtain all requisite approvals, licenses, permits and certifications. Regulatory authorities who have extensive authority to supervise and regulate the industry we operate in may not interpret relevant laws and regulations the way we do. In addition, as the regulatory regime for the smart BIoT and related industries in jurisdictions in which we operate continues to evolve, new laws, regulations and regulatory requirements are promulgated and implemented from time to time, and the interpretation and application of existing laws, regulations and regulatory requirements are subject to changes. We may be required to obtain approvals, licenses, permits and certifications that we do not currently have for our existing business or new scope of business that we may expand into in the future. In the event of non-compliance, we may have to incur significant expenses and divert substantial management time to rectify the incidents. In the future, if we fail to obtain all the necessary approvals, licenses, permits and certifications required by relevant laws and regulations or if we are deemed to have conducted business operations requesting certain approvals, licenses, permits and certifications without having one, we may be subject to fines or the suspension of operations of the relevant business segments or facilities that do not have all the requisite approvals, licenses, permits and certifications, which could materially and adversely affect our business and results of operations. We may also experience adverse publicity arising from non-compliance with government regulations, which would negatively impact our reputation.

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Furthermore, in the event that we are required to renew our existing licenses or permits or acquire new ones, whether as a result of the promulgation of new laws and regulations or otherwise, we cannot assure you that we will be able to meet the requisite conditions and requirements, or that the relevant government authorities will always, if ever, exercise their discretion in our favor. There may also be delays on the part of government authorities in reviewing our applications and granting approvals, whether due to the lack of human resources or the imposition of new rules, regulations, government policies or their implementation, interpretation and enforcement. If we are unable to obtain, or experience material delays in obtaining necessary government approvals, our operations may be substantially disrupted, which could materially and adversely affect our business, financial condition and results of operations.

We are subject to complex and evolving laws and regulations regarding data security and personal information protection in the PRC. Actual or alleged failure to comply with data security and personal information protection laws and regulations could damage our reputation, deter current and potential users from using our offerings and subject us to significant legal, financial and operational consequences.

In recent years, government authorities across the world have been increasingly focusing on data security and personal information protection. In particular, the PRC government has enacted a series of laws and regulations on the protection of personally identifiable data in the past few years. We may be subject to laws and regulations regarding data security and personal information protection in China. For example, the personal Information Protection Law, which was promulgated by SCNPC on August 20, 2021 and became effective on November 1, 2021. The Personal Information Protection Law aims at protecting the personal information rights and interests, regulating the processing of personal information, ensuring the orderly and free flow of personal information in accordance with the law, and promoting the reasonable use of personal information. The Data Security Law, which was promulgated by the SCNPC on June 10, 2021 and became effective in September 1, 2021, provides for data security and privacy obligations on entities and individuals carrying out data activities. For details of the regulatory requirements regarding internet information security and privacy protection that may apply to us, see “Regulatory Overview — Regulations Relating to Data Privacy and Cybersecurity.”

On July 30, 2021, the State Council of PRC, or the State Council, promulgated the Provisions on Protection of Critical Information Infrastructure (《關鍵信息基礎設施安全保護條例》), which became effective on September 1, 2021. Pursuant to the Provisions on Protection of Critical Information Infrastructure, critical information infrastructure shall mean any important network facilities or information systems of the important industry or field such as public communication and information service, energy, communications, water conservation, finance, public services, e-government affairs and national defense science, which may endanger national security, people’s livelihood and public interest in case of damage, function loss or data leakage. In addition, relevant administration departments of each critical industry and sector, or Protection Departments, shall be responsible to formulate eligibility criteria and determine the critical information infrastructure operator in the respective industry or sector. The provisions of the Cybersecurity Review Measures (2021) that were published on December 28, 2021 and became effective from February 15, 2022 set forth the cybersecurity review mechanism for critical information infrastructure operators, and provided that critical information infrastructure operators who procure internet products and services that affect or may affect national security shall be subject to a cybersecurity review. As of the

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Latest Practicable Date, we have not received any notification that we have been designated as a critical information infrastructure operator by the relevant regulatory authorities. The interpretation and implementation of these laws are subject to change. Therefore, it is uncertain whether we would be officially deemed as a critical information infrastructure operator under PRC laws.

The Administrative Regulations on Cyber Data Security aim to regulate network data processing activities, protect the legitimate rights and interests of individuals and organizations, and safeguard national security and public interests. The Administrative Regulations on Cyber Data Security put forward general requirements and provisions for network data security, further specify rules concerning personal information protection, and fine-tune mechanisms for the management of important, and also stipulate the obligations for internet platform service providers, specifying data protection requirements for entities such as third-party service and product providers. According to the provisions of the Cybersecurity Review Measures (2021), operators of online platforms that possess personal information of more than 1 million users must submit a cybersecurity review application before listing in a foreign country. On May 8, 2025, our PRC data compliance advisor made a telephone consultation on a named basis with the China Cybersecurity Review Technology and Certification Center (the “CCRC”, currently China Cybersecurity Review, Certification and Market Regulation Big Data Center), which is the competent authority entrusted by the CAC to set up cybersecurity review consultation hotlines. The CCRC confirmed that the term “listing in a foreign country” under the Cybersecurity Review Measures (2021) does not apply to listings in Hong Kong, and thus the obligation to proactively apply for cybersecurity review by an entity seeking listing in a foreign country shall not be applicable to the proposed listing. In addition, as of the Latest Practicable Date, we have not been summoned to attend official meetings with the relevant regulatory authorities. If we are not able to comply with the cybersecurity and data privacy requirements in a timely manner, or at all, we may be subject to government enforcement actions and investigations, fines, penalties, suspension of our non-compliant operations, or removal of our app from the relevant application stores, among other sanctions, which could materially and adversely affect our business and results of operations.

Since many of the PRC laws and regulations on cybersecurity and privacy and data privacy are constantly evolving, certain aspects of these regulations remain subject to further clarification and interpretation as to how they will be enforced and their applicability and requirements for our business operations or our presence in China. As such, we cannot assure you that our data security and personal information protection measures are, and will be, always considered sufficient under applicable laws and regulations. Any failure or perceived failure by us to comply with such laws and regulations may result in regulatory investigations, fines, removal of our app from the relevant application stores and other sanctions on us. Additionally, the effectiveness of our data security and personal information protection measures is also subject to system failure, interruption, inadequacy, security breaches or cyberattacks. If we are unable to comply with the then-applicable laws and regulations or to address any data security and personal information protection concerns, such actual or alleged failure could damage our reputation, deter current and potential customers and users and subject us to significant legal, financial and operational consequences.

Moreover, different regulatory bodies in China, including among others, the MIIT, the CAC and the Ministry of Public Security have enforced laws and regulations regarding cybersecurity, information security, data security and personal information protection. We may from time to time be required to rectify or further improve our measures regarding cybersecurity, information security, data security and personal

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information protection. Any failure or perceived failure by us to comply with all applicable laws and regulations regarding cybersecurity, information security, data security and personal information protection, or any failure or perceived failure of our business partners to do so, or any failure or perceived failure of our employees to comply with our internal control measures, may result in negative publicity and legal proceedings or regulatory actions against us, and could result in fines, revocation of licenses, suspension of relevant operations or other legal or administrative penalties, which may in turn damage our reputation, discourage our current and potential customers and subject us to fines and damages, which could have a material adverse effect on our business and results of operations.

Compliance with the rapidly evolving landscape of global data privacy and security laws may be challenging, and any failure or perceived failure to comply with such laws, or other concerns about our practices or policies with respect to the collection, use, storage, retention, transfer, disclosure, and other processing of personal data, could damage our reputation and deter current and potential users from using our products and services or subject us to significant compliance costs or penalties.

Failure to comply with the increasing number of data protection laws in the jurisdictions in which we operate, as well as concerns about our practices with regard to the collection, use, storage, retention, transfer, disclosure, and other processing of personal data, the security of personal data, or other privacy-related matters, such as cybersecurity breaches, misuse of personal data and data sharing without necessary safeguards, including concerns from our users, customers, employees and third parties with whom we conduct business, even if unfounded, could damage our reputation and operating results.

As we seek to expand our business internationally, we are, and may increasingly become, subject to various laws, regulations and standards, as well as contractual obligations, relating to data privacy and security in the jurisdictions in which we operate. The regulatory and legal frameworks regarding data privacy and security issues in many jurisdictions are constantly evolving and developing and can be subject to significant changes from time to time, including in ways that may result in conflicting requirements among various jurisdictions. Interpretation and implementation standards and enforcement practices are similarly in a state of flux and are likely to remain uncertain for the foreseeable future. As a result, we may not be able to comprehensively assess the scope and extent of our compliance responsibility at a global level, and may fail to fully comply with the applicable data privacy and security laws, regulations and standards. Moreover, these laws, regulations and standards may be interpreted and applied differently over time and from jurisdiction to jurisdiction, and it is possible that they will be interpreted and applied in ways that may have a material and adverse impact on our business, financial condition and results of operations.

In addition, the nature of our business inevitably requires that we collect, store, process and use our existing and potential users’ and customers’ personal data on a frequent and regular basis. For details of laws and regulations governing data privacy protection in these jurisdictions, see Regulatory Overview — “Regulations Relating to Data Privacy and Cybersecurity.” To the extent we expand our business to any overseas market, we may become subject to additional or new laws and regulations regarding cybersecurity, information security, data security and personal information protection in foreign jurisdictions, which may result in additional expenses to us and subject us to potential liability and negative publicity. We expect that these areas will receive greater attention and focus from regulators and attract continued or greater public scrutiny and attention going forward, which could increase our compliance costs and subject us to heightened risks and challenges regarding cybersecurity, information security, data security and personal information protection.

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If we are unable to manage these risks, we could become subject to penalties, fines, suspension of business and revocation of required licenses, and our reputation and results of operations could be materially and adversely affected.

While we strive to comply with our internal data privacy guidelines as well as all applicable data privacy and security laws and regulations, and contractual obligations in respect of personal data, there is no assurance that we are able to comply with these laws, regulations and contractual obligations in all respects. Any failure or perceived failure by us, external service providers, customers or business partners to comply may result in proceedings or actions against us, including fines, penalties or enforcement orders (including orders to cease processing activities) being levied on us by government agencies or proceedings or actions against us by our users, customers and business partners, including class action privacy litigation in certain jurisdictions, and could damage our reputation and discourage current and future users from using our products and services, which could materially and adversely affect our business, financial condition and results of operations. In addition, compliance with applicable laws on data privacy requires substantial expenditure and resources, including to continually evaluate our policies and processes and adapt to new requirements that are or become applicable to us on a jurisdiction-by-jurisdiction basis, which would impose significant burdens and costs on our operations or may require us to alter our business practices.

Many statutory requirements, including those in jurisdictions in which we operate other than the PRC, include obligations for companies to notify individuals of security breaches involving certain personal data, which could result from breaches experienced by us or our external service providers. These laws are not consistent, and compliance in the event of a widespread data breach is difficult and may be costly. In addition, such mandatory disclosures could lead to negative publicity and may cause our current and prospective customers to lose confidence in the effectiveness of our data security measures.

Negative publicity of us or our industry regarding actual or perceived violations of our users’ privacy-related rights, including fines and enforcement actions against us or other similarly placed businesses, also may impair users’ trust in our privacy practices and make them reluctant to give their consent to sharing their data with us. Any inability to adequately address data privacy or security-related concerns, even if unfounded, or to comply with applicable laws, regulations, standards and other obligations relating to data privacy and security, could result in additional cost and liability to us, harm our reputation and brand, damage our relationships with consumers and have a material and adverse impact on our business, financial condition and results of operations. Concerns about the security of personal data also could lead to a decline in general Internet usage, which could result in a decrease in demand for our products and services and have a material and adverse effect on our business, financial condition and results of operations.

With regard to our commercial arrangements, we and our counterparties might be subject to contractual obligations regarding the processing of personal information. While we believe our and our counterparties’ conduct under these agreements is in material compliance with all applicable laws, regulations, standards, certifications and orders relating to data privacy or security, we or our counterparties may fail, or be alleged to have failed, to be in full compliance. In the event that our acts or omissions result in alleged or actual failure to comply with applicable laws, regulations, standards, certifications and orders relating to data privacy or security, we may incur liability. While we endeavor to include indemnification provisions or other protections in such agreements to mitigate liability and losses stemming from our

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counterparties’ acts or omissions, we may not always be able to negotiate for such protections and, even where we can, there is no guarantee that our counterparties will honor such provisions or that such protections will cover the full scope of our liabilities and losses.

We are subject to risks relating to some of our leased properties.

As of the Latest Practicable Date, 20 of our leased properties for our business operations in China have not been registered with the relevant PRC government authorities. As advised by our PRC Legal Adviser, failure to register such lease agreements with relevant PRC government authorities does not affect the effectiveness of the lease agreements, but the relevant PRC government authorities may order us to, within a prescribed time limit, register the lease agreements. Failure to do so may subject us to a fine ranging from RMB1,000 to RMB10,000 for each lease agreement. We estimate that the aggregate maximum amount of penalties for not registering such lease agreements would be RMB200,000. As of the Latest Practicable Date, we had not been ordered by any PRC government authorities to register any lease agreements.

In addition, we have used one of our leased properties as our warehouse inconsistent with the use specified in the building ownership certificate, which could affect our ability to continue our use of the properties. If we were required to relocate our warehouse, we cannot assure you that we can do so in a timely manner, or at all, and we may incur relocation costs and suffer a disruption to our business operations. As a result, our business, results of operations and financial condition may be adversely affected.

We may be subject to additional contributions of social insurance and late payments and fines imposed by relevant governmental authorities.

During the Track Record Period, we did not fully contribute to social insurance for a small number of our employees. As advised by our PRC Legal Adviser, according to the relevant PRC laws and regulations, if we fail to make contributions to social insurance funds on time and in full, the relevant government authority can require us to rectify the shortfall in our contributions within a prescribed period, and we may be liable for a late payment fee equal to 0.05% of the shortfall in our contributions for each day of delay. If we fail to make the payments within the prescribed period, we may be liable for a penalty of one to three times the amount of the shortfall in our contributions.

During the Track Record Period, we engaged a third-party human resources agency to pay social insurance and housing provident funds for certain of our employees. Pursuant to the agreements entered into between such third party human resources agency and us, the third-party human resources agency has the obligation to pay social insurance and housing provident funds for our relevant employees. However, if such human resource agency fails to pay the social insurance or housing provident funds for and on behalf of us as required by applicable PRC laws and regulations, or if we were deemed as not in full compliance with relevant PRC laws and regulation for engaging third-party human resources agency, we may be ordered to rectify such practice or be subject to penalties imposed by the local social insurance authorities or the local housing provident fund management centers. During the Track Record Period and up to the Latest Practicable Date, we did not receive any administrative penalty regarding the payment of contributions through a third-party human resources agency or any notice from the regulatory authorities requiring us to rectify this practice.

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We cannot assure you that the relevant government authorities will not require us to rectify such incidents or impose late payment fines or other penalties on us. If we are required to rectify the shortfall in our contributions or are imposed severe penalties, our business, financial condition and results of operations may be adversely affected.

We are subject to laws and regulations worldwide, changes to which could increase our costs and individually or in the aggregate adversely affect our business.

We are subject to laws and regulations affecting our domestic and international operations in a number of areas. These laws and regulations affect our activities including, but not limited to, in areas of labor, advertising, digital content, consumer protection, real estate, billing, e-commerce, promotions, quality of services, telecommunications, mobile communications and media, television, intellectual property ownership and infringement, tax, import and export requirements, anti-corruption, foreign exchange regulations and cash repatriation restrictions, data privacy requirements, anti-competition, environmental, health and safety. In the case any of them is violated and leads to legal proceedings, it could disrupt our business, distract our management’s attention and subject us to substantial uncertainties as to the outcome of any such legal proceedings.

By way of an example, laws and regulations related to smart BIoT industry in many jurisdictions in which we operate are extensive and subject to change. Such changes could include, among others, restriction on the production, assembly, distribution and use of smart devices. Smart devices are also subject to certification and regulation by governmental and standardization bodies, as well as by cellular network carriers for use on their networks. These certification processes are extensive and time consuming, and could result in additional testing requirements, product modifications, or delays in product shipment dates, or could preclude us from selling certain products.

Compliance with these laws, regulations and similar requirements may be onerous and expensive, and they may be inconsistent from jurisdiction to jurisdiction, further increasing the cost of compliance and doing business and raising the risk of non-compliance. Any such costs, which may rise in the future as a result of changes in these laws and regulations or in their interpretation, could individually or in the aggregate make our products and services less attractive to our users, delay the introduction of new products in one or more regions, or cause us to change or limit our business practices. There can be no assurance that our employees, contractors, agents, or business partners will not violate such laws and regulations or our compliance policies and procedures.

Legal, regulatory and administrative proceedings could adversely affect our business or financial results.

We, our directors, management, employees and/or shareholders may be involved in lawsuits, investigations, claims, complaints and various other legal, regulatory and administrative proceedings and fines arising in the ordinary course of our business. These lawsuits, investigations, claims, complaints proceedings and fines may be brought or asserted in a variety of jurisdictions in relation to various matters, including data protection and privacy, carrier and merchant rights protection, antitrust, unfair competition, labor and employment, tort, contractual disputes, transportation, intellectual property infringement,

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workplace safety, advertising, tax among other things. The results of any such lawsuits, investigations, claims, complaints proceedings and fines are inherently unpredictable and expensive.

Any claims against us, whether meritorious or not, could be time consuming, costly, and harmful to our reputation, and could require significant amounts of defense costs, management time and corporate resources. If any of these lawsuits, investigations and proceedings were to be determined adversely to us, or we were to enter into a settlement arrangement, we could be exposed to monetary damages or be forced to change the way in which we operate our business, which could have an adverse effect on our business, financial condition, and operating results. For details of our historical legal, regulatory and administrative proceedings, See “Business — Legal Proceedings and Compliance.”

We are subject to anti-corruption, anti-bribery, anti-money laundering, financial and economic sanctions and other relevant laws and regulations that could subject us to liability and impair our ability to compete in international markets.

We are subject to anti-corruption, anti-bribery, anti-money laundering and other relevant laws and regulations in jurisdictions where we operate. We may be subject to investigations and proceedings by governmental authorities for alleged infringements of these laws if our compliance processes or internal control systems are not conducted or are not operating properly. These proceedings may result in fines or other liabilities and could have a material adverse effect on our reputation, business, financial conditions and results of operations. If any of our subsidiaries, employees, suppliers, distributors, business partners or other persons engage in fraudulent, corrupt or other unfair business practices or otherwise violate applicable laws, regulations or internal controls, we could become subject to one or more enforcement actions or otherwise be found to be in violation of such laws, which may result in penalties, fines and sanctions and in turn adversely affect our reputation, business, financial conditions and results of operations. Given the uncertainty, complexity and scope of many of these litigation matters, their outcome generally cannot be predicted with a reasonable degree of certainty. Therefore, our provision for such matters may be inadequate.

In addition, exports of our smart devices must be made in compliance with various economic and trade sanctions laws, rules or regulations in different jurisdictions. For example, the U.S. economic sanctions prohibit persons subject to the U.S. jurisdiction from engaging in the provision of certain products or services to or from certain countries, governments, entities and persons targeted by the U.S. economic sanctions. These economic sanctions include those implemented by OFAC. The United Kingdom financial sanctions and European Union sanctions also impose similar restrictions. We are committed to ensuring our compliances with such economic and trade sanctions laws, rules or regulations, but we may not be able to do so for factors beyond our control or otherwise, and our relevant internal control measures can be costly. For example, even though we take precautions not to engage in any sanctionable activities, we might not be able to procure similar compliance of our independent distributors. Under certain circumstances where our independent distributors do not comply with such economic and trade sanctions laws, rules or regulations, we may also suffer negative consequences, including government investigations, penalties and reputational harm, which could have a material and adverse effect on our business, results of operations and financial conditions.

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Our failure to protect our intellectual property rights could substantially harm our business, operating results and financial position, and litigation to protect our intellectual property rights or defend against third-party allegations of infringement may be costly and ineffective.

Our success depends, in part, on our ability to protect our brand, trade secrets, trademarks, patents, domain names, copyrights and proprietary methods and technologies, whether registered or not, that we develop under patent and other intellectual property laws of the PRC and other jurisdictions, so that we can prevent others from using our inventions and proprietary information. As of December 31, 2024, we held 143 registered software copyrights, 587 registered patents, 10 patents registered overseas, 138 registered trademarks, and 109 trademarks registered overseas. However, we cannot assure you that any of our intellectual property rights or the registrations thereof will not be challenged, invalidated or circumvented, or that our intellectual property will be sufficient to provide us with competitive advantages. In addition, we may be subject to allegation of infringement of other parties’ proprietary rights, and other parties may misappropriate our intellectual property rights, which would cause us to suffer economic or reputational damages. Because of the rapid pace of technological change, we cannot assure you that all of our proprietary technologies and similar intellectual property rights can be patented in a timely or cost-effective manner, or at all.

We also rely, in part, on confidentiality agreements with our business partners, employees, consultants, advisors, customers and others in our efforts to protect our proprietary technology, processes and methods. These agreements may not effectively prevent disclosure of our confidential information, and it may be possible for unauthorized parties to copy our software or other proprietary technology or information, or to develop similar software independently without our having an adequate remedy for unauthorized use or disclosure of our confidential information.

Confidentiality, invention assignment and non-compete agreements may be breached by counterparties, and there may not be adequate remedies available to us for any such breach. Accordingly, we may not be able to effectively protect our intellectual property rights or to enforce our contractual rights in these jurisdictions. To the extent we expand our international activities, our exposure to unauthorized copying, transfer and use of our proprietary technology or information may increase.

Preventing any unauthorized use of our intellectual property is difficult and costly and the steps we take may be inadequate to prevent the misappropriation of our intellectual property. Litigation may be necessary in the future to enforce our intellectual property rights, determine the validity and scope of our proprietary rights or those of others, or defend against claims of infringement or invalidity. Such litigation could be costly, time-consuming and distracting to management, result in a diversion of significant resources, the narrowing or invalidation of portions of our intellectual property and have an adverse effect on our business, operating results and financial condition. Our efforts to enforce our intellectual property rights may be met with defenses, counterclaims and countersuits attacking the validity and enforceability of our intellectual property rights or alleging that we infringe the counterclaimant’s own intellectual property. Any of our patents, trade secrets, copyrights, trademarks or other intellectual property rights could be challenged by others or invalidated through administrative process or litigation. We can provide no assurance that we will prevail in such litigation or administrative process. In addition, our proprietary methods and technologies that are regarded as trade secrets may be leaked or otherwise become available to, or be independently discovered by, our competitors and in these cases we would not be able to assert any trade secret rights against those parties.

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There can be no assurance that our particular ways and means of protecting our intellectual property and proprietary rights, including business decisions about when to file patent applications and trademark applications, will be adequate to protect our business or that our competitors will not independently develop similar technology. If we fail to protect and enforce our intellectual property and proprietary rights adequately, we may lose valuable intangible assets, and our competitors might gain access to our technology. As a result, our competitive position could be undermined leading to a decline in our revenue, and our business, operating results and financial condition could be materially and adversely affected.

We may be involved in legal and other disputes from time to time arising out of allegations relating to our infringement of intellectual property rights of third parties, which may be expensive to defend and may disrupt our business and operations.

We have and may continue to be involved in legal and other disputes and regulatory and administrative proceedings in the ordinary course of our business, including allegations against us for potential infringement of third-party patents, trademarks, copyrights or other intellectual property rights. We may also encounter disputes from time to time over rights and obligations concerning intellectual property rights and other legal rights, in particular third-party patents, trademarks and copyrights that may be infringed by us or our employees, contractors or users of our smart BIoT solutions, and we may not prevail in those disputes. We have adopted policies and procedures to prevent our employees and other personnel from infringing upon third-party intellectual property rights. However, we cannot assure you that our efforts will be effective or that our employees, contractors or users will not, against our policies, use third-party intellectual property without proper authorization on our smart devices. We may incur liability and penalties for unauthorized duplication or distribution of content or information posted on our mobile apps or websites. We have been, and may be in the future, subject to allegations on the grounds of intellectual property rights infringement and other legal theories based on the content of the information that we or our employees, contractors or users distribute or use in our business operations.

Any claims against us, with or without merit, could be time-consuming and costly to defend or litigate, divert our management’s attention and resources or result in the loss of goodwill associated with our brand. The application and interpretation of intellectual property right laws and the procedures and standards for granting trademarks, patents, copyrights, know-how or other intellectual property rights, and the laws governing personal rights are still evolving. If we are found to have infringed or violated any intellectual property rights held by others, we may be subject to significant liability for our infringement or violation, including but not limited to fines, compensatory or punitive damages and injunction. As such, we may be restricted or prohibited from using such intellectual property rights, which may materially and adversely affect our business, results of operations, financial conditions and business prospects.

We may be subject to product liability claims if our smart devices or solutions contain defects. We could incur significant expenses to remediate such defects, which could materially and adversely affect our business, financial condition and results of operations.

Our smart devices and solutions may contain errors, defects, security vulnerabilities or software issues that are difficult to detect and correct, particularly when first introduced or when new versions or enhancements are released. Despite internal testing, our products and services may contain serious errors or defects, security vulnerabilities or software issues which we are unable to successfully correct in a timely

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manner or at all, which could result in revenue loss, significant expenditures of capital, a delay or loss in market acceptance and damage to our reputation and brand, any of which could have an adverse effect on our business, reputation, financial condition, and results of operations.

Given that many of our enterprise customers use our smart devices and solutions in processes that are critical to their businesses, any error, defect, security vulnerability, service interruption or software issue in our products and services could result in losses to our customers. Our customers may seek significant compensation from us for any losses they suffer or cease conducting business with us altogether. Further, our customers may share information about their negative experiences on social media, which could damage our reputation and result in a loss of future sales. We cannot assure you that provisions limiting our exposure to claims, which we typically include in agreements with our customers, would be enforceable, adequate, or would otherwise protect us from liabilities or damages with respect to any particular claim. Even if unsuccessful, a claim brought against us by any of our customers would likely be time-consuming, costly to defend and may have a material adverse impact on our reputation and brand, making it harder for us to sell our products and services.

The successful operation of our business depends on the stable performance and reliability of systems, servers, networks, IT and cloud infrastructure, data processing systems, as well as the interoperability and compatibility of smart devices, operating systems, and third-party applications and services that are not under our control. Any disruption, outage, or failure of which could harm our business, reputation, and results of operations.

Our business depends on the stable performance of our systems, servers, networks, IT infrastructure and data processing systems for provision of our products and services. Disruptions to such systems, servers, networks or infrastructure may occur due to internal or external factors, such as inappropriate maintenance, defects in the servers, cyber-attacks or other malicious attacks or hacks targeted at us, occurrence of catastrophic events or human errors. If our services are unavailable when users attempt to access it, or if our smart devices does not load as quickly as users expect, users may not choose our smart BIoT solutions as often in the future, or at all, and may use our competitors’ products or services more often. In the PRC and certain other geographic markets in which we operate, the access to the internet is mainly maintained through national or state-owned telecommunications operators on which we rely to provide us with the data communications capacity and bandwidth needed to deliver our services to users. We have limited access to alternative networks or services in the event of disruptions, failures or other problems with the internet infrastructure or the telecommunications networks in these geographic markets. Additionally, we have no control over the costs of the services provided by telecommunications service providers. If the prices we pay for telecommunications and internet services rise significantly or if mobile Internet access fees or other charges to Internet users increase, consumer traffic may decrease, our results of operations may be materially and adversely affected.

Each of our smart devices operates on a business-centric, Android-based operating system. We depend on the accessibility of our smart devices across these third-party operating systems and applications which we do not control. Additionally, third-party products and services are rapidly evolving, and we may be unable to adapt our smart devices to ensure compatibility with such third-party products and services as they evolve. Interoperability failures, whether caused by third parties or otherwise, may have a negative impact on our results of operations and financial condition.

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Additionally, we currently use various third-party cloud-hosting providers to provide cloud infrastructure to support our smart BIoT solutions. We do not control, or in some cases have limited control over, the operation of the data center facilities we use. Any limitation on the capacity of our data centers or cloud infrastructure could impede our ability to onboard new customers or expand the usage of our existing customers, host our products or serve our customers, which could adversely affect our business, financial condition and results of operations. In addition, any incident affecting our data centers or cloud infrastructure that may be caused by cyber-attacks, natural disasters, fire, flood, severe storm, earthquake, power loss, outbreaks of contagious diseases, telecommunications failures, terrorist or other attacks, or other events beyond our control could negatively affect the cloud-based portion of our platform. A prolonged service disruption affecting our data centers or cloud-based services for any of the foregoing reasons would negatively impact our ability to serve our customers and could damage our reputation with current and potential customers, expose us to liability, cause us to lose customers or otherwise harm our business. We may also incur significant costs for using alternative providers or taking other actions in preparation for, or in response to, events that damage the third-party hosting services we use.

Unauthorized or improper storage, processing, use or disclosure of personal data, cyber-attacks or other security incidents or data breaches that affect our smart BIoT solutions, whether inadvertent or purposeful, could materially and adversely affect our business, financial condition and results of operations.

We depend significantly on our technology infrastructure, IT systems, data and other equipment and systems to conduct virtually all of our business operations, ranging from our internal operations and research and development activities to our marketing and sales efforts and communications with our users, suppliers and business partners. In addition, our products and services collect and store data, some of which may involve sensitive information, including personal data, trade secrets and other proprietary information. Internal or external individuals or entities may attempt to penetrate our network security, or that of our smart devices, and to disrupt or cause harm to our business operations, including by sabotaging or misappropriating our personal or proprietary information or that of our users, suppliers and business partners or to cause interruptions of our products and services. Because the techniques used by such individuals or entities to access, disrupt or sabotage devices, systems and networks change frequently and may not be recognized until launched against a target, we may be unable to anticipate these techniques, and we may not become aware in a timely manner of such a security breach, which could exacerbate any damage we experience.

While we take reasonable measures to protect the security of, and against unauthorized access to, our systems, as well as the security of personal data and proprietary information, it is possible that our security controls and other security practices we follow may not prevent the improper access to or disclosure of personal data or proprietary information. We also rely on systems provided by third parties, which may also suffer security breaches or unauthorized access to or disclosure of personal data or proprietary information. Additionally, our business involves the processing, storage, transmission and processing of confidential and sensitive data, including user data, and the deployment of our IT resources in a safe and secure manner that does not expose our network systems to security breaches or the loss of data. Any data security incidents, including internal malfeasance by our employees, unauthorized access or usage, virus or similar breach or disruption of us or our service providers could result in loss of confidential or proprietary information or personal data, damage to our reputation, loss of users, litigation, regulatory investigations, fines, penalties and other liabilities. Accordingly, if our cybersecurity measures or those of our users or customers fail to

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protect against unauthorized access, attacks (which may include sophisticated cyber-attacks), the compromise or mishandling of data, or other misconduct or malfeasance, including by computer hackers, employees, contractors, vendors, users and business partners, as well as software bugs, human error or technical malfunctions, then our reputation, business, operating results and financial condition could be adversely affected.

Any unauthorized access, acquisition, use, or destruction of information we collect, store, transmit, or otherwise process, the unavailability of such information, or other disruptions of our ability to provide solutions to our users, regardless of whether it originates or occurs on our systems or those of third party service providers, could expose us to significant liability, regulatory actions, litigation, investigations, remediation obligations, damage to our reputation and brand, theft of intellectual property, supplemental disclosure obligations, loss of user, and partner confidence in the security of our applications, destruction of information, indemnity obligations, impairment to our business, and resulting fees, costs, expenses, loss of revenues, and other potential liabilities and harms to our business. In addition, if a high-profile security breach occurs within our industry, our existing and potential users may lose trust in the security of our smart devices and systems even if we are not directly affected.

We are subject to risks associated with smart BIoT related technologies. Our business operations, brand name and reputation could be harmed by real or perceived material defects or errors in our products, as well as flaws or inappropriate usage of smart BIoT related technologies.

The technology underlying our smart BIoT products is inherently complex and may contain material defects or errors, particularly when new versions are first introduced, when new features or capabilities are released, or when it is integrated with new or updated third-party hardware or software. We cannot assure you that our existing smart BIoT products will not contain defects or errors. Any real or perceived errors, failures, vulnerabilities or bugs could result in negative publicity or lead to system downtime, data loss or other performance issues, which could affect the business operations of our customers and harm our business, reputation and customer relationship. Correcting such defects or errors may be costly and time-consuming, and we cannot assure you that we will be able to detect, identify and rectify such problems in a timely manner or at all. We may also be involved in disputes and subject to legal liability in relation to real or perceived defects or errors. As a result, our reputation, business, results of operations and financial condition may be materially and adversely affected.

In addition, smart BIoT technologies continue to evolve. Flaws or deficiencies in smart BIoT technologies could undermine the accuracy and thoroughness of the analysis and decisions made by our products. We cannot assure you that we will be able to detect and remedy such flaws or deficiencies in a timely manner, or at all. During the Track Record Period and up to the Latest Practicable Date, we had not been subject to any material litigations or other proceedings arising from or in relation to any misuse of our products. Any inappropriate, abusive or premature usage of smart BIoT technologies, whether actual or perceived, whether intended or inadvertent, and whether by third parties or by us, may dissuade prospective customers from adopting our products, impair the general acceptance of smart BIoT products by the society, bring on negative publicity, or even violate applicable laws and regulations and subject us to legal or administrative proceedings. Specifically, our smart BIoT products may be affected by the regulatory landscape of the smart BIoT industry. For instance, our research and development of smart BIoT

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technologies and the adoption of our smart BIoT products could be affected by the evolving laws governing the AI industry in China. For details, see “Regulatory Overview.” Any tightening of regulatory restrictions concerning the smart BIoT industry could affect our research and development activities, as well as the degree and manner of adoption of our smart BIoT products. Each of the foregoing events may, in turn, materially and adversely affect our reputation, business, results of operations, financial condition and prospects.

We face risks related to changes in global and regional macroeconomic conditions, natural disasters, geographical tensions, regional conflicts, health epidemics and other outbreaks of contagious diseases.

Uncertainties about global economic conditions, regulatory changes, geographic tensions and other factors, including fluctuation of interest rates, inflation level, unemployment, labor and healthcare costs, access to credit, consumer confidence and other macroeconomic factors may pose risks and materially and adversely affect demand for our solutions. The escalated Palestinian-Israeli conflict, the conflict in Ukraine and the imposition of broad economic sanctions on Russia could raise energy prices and disrupt global markets. Unrest, terrorist threats and the potential for war in the Middle East and elsewhere may increase market volatility across the globe. The relationship between China and other countries with respect to trade policies, treaties, government regulations and tariffs (including new tariffs or tariff increases), among other matters, may affect the macroeconomic environment, both domestically and internationally, and potentially leave an impact on the market we operate in.

In addition, natural disasters such as floods, earthquakes, sandstorms, snowstorms, fire or drought, the outbreak of a widespread health epidemic or any severe epidemic disease such as SARS, Ebola, Zika or the COVID-19, acts of war, terrorism or other force majeure events beyond our control may disrupt our research and development, manufacturing and commercialization activities and business operations, all of which could adversely affect our business, results of operations, financial condition and prospects.

Our risk management and internal control systems may not be adequate or effective in all respects, which may materially and adversely affect our business and results of operations.

We seek to establish risk management and internal control systems consisting of policies and procedures that we consider to be appropriate for our business operations. For further information, see “Business — Risk Management and Internal Control.” However, due to the inherent limitations in the design and implementation of risk management and internal control systems, we cannot assure you that our risk management and internal control systems will be able to identify, prevent and manage all risks. Our internal control procedures are designed to monitor our operations and ensure their overall compliance. However, our internal control procedures may be unable to identify all non-compliance incidents in a timely manner or at all. It is not always possible to timely detect and prevent fraud and other misconduct, and the precautions we take to prevent and detect such activities may not be effective.

Our risk management and internal controls also depend on their effective implementation by our employees. Due to the significant size of our operations, we cannot assure you that such implementation will not involve any human errors or mistakes, which may materially and adversely affect our business and results of operations. As we are likely to offer a broader and more diverse range of smart BIoT solutions in the future, the diversification of our solution and service offerings will require us to continue to enhance our

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risk management capabilities. If we fail to timely adapt our risk management policies and procedures to our changing business, our business, results of operations and financial condition could be materially and adversely affected.

We may identify weaknesses and deficiencies in our internal control over financial reporting. In addition, if we fail to maintain the adequacy of our internal control over financial reporting, as these standards are modified, supplemented or amended from time to time, we could suffer material misstatements in our financial statements and fail to meet our reporting obligations, which would likely cause [REDACTED] to lose confidence in our reported financial information. This could in turn limit our access to capital markets, harm our results of operations and lead to a decline in the [REDACTED] price of our Shares. Additionally, ineffective internal control over financial reporting could expose us to increased risk of fraud or misuse of corporate assets and subject us to potential [REDACTED] from the stock exchange on which we [REDACTED], regulatory investigations and civil or criminal sanctions. We may also be required to restate our financial statements from prior periods.

Our insurance coverage strategy may not be adequate to protect us from all business risks or, if insurance carriers change the terms of such insurance in a manner not favorable to us, if we are required to purchase additional insurance for other aspects of our business, or if we fail to comply with regulations governing insurance, our business could be harmed.

We maintain various insurance policies to safeguard against risks and unexpected events. However, we do not maintain business interruption insurance or key-man insurance or any insurance covering liabilities resulting from misconducts or illegal activities committed by our employees, users of smart devices or business partners. We cannot assure you that our insurance coverage is sufficient to prevent us from any loss or that we will be able to successfully claim our losses under our current insurance policy on a timely basis, or at all. 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 our insurance carriers change the terms of our policies in a manner unfavorable to us, our insurance costs could increase.

In addition, we are subject to laws, rules, and regulations relating to insurance which could result in proceedings or actions against us by governmental entities or others. Any failure, or perceived failure, by us to comply with laws, rules, and regulations or contractual obligations relating to insurance could result in proceedings or actions against us by regulatory authorities or others. If we were to incur substantial losses and liabilities arisen from uninsured occurrence of business disruption, litigation or natural disaster, we could suffer significant costs and diversion of our resources, which could have a material and adverse effect on our business, results of operations, financial conditions and business prospects. We may be required to bear our losses to the extent that our insurance coverage is insufficient. For more information about our insurance, see “Business — Insurance”.

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RISKS RELATED TO DOING BUSINESS IN THE GEOGRAPHIC MARKETS IN WHICH WE OPERATE

Changes in the political and economic policies of the geographic markets in which we operate may materially and adversely affect our business, financial condition and results of operations and may result in our inability to sustain our growth and expansion strategies.

We operate our business in a number of geographic markets. Accordingly, our business, financial condition and results of operations may be influenced to a significant degree by political, economic and social conditions in these markets. In some of these markets, governments continue to play a significant role in regulating industry development by imposing industrial policies. Some local governments also have a significant impact on the economic growth and public order in their respective jurisdictions through allocating resources, regulating payment of foreign currency-denominated obligations, setting monetary policies, and providing preferential treatment to particular industries or companies. Governmental actions to control inflation and other policies and regulations have often involved, among other measures, price regulation, currency devaluations, capital regulation and limits on imports.

Growth of the economy in each of our geographic markets has been uneven, both geographically and among various sectors of the economy. An economic downturn, whether actual or perceived, a further decrease in economic growth rates or an otherwise uncertain economic outlook in our geographic markets or any other market in which we may operate could have a material adverse effect on our business, financial condition and results of operations. Some of these markets have experienced, and may in the future experience, political instability, including strikes, demonstrations, protests, marches, guerrilla activity or other types of civil disorder. These instabilities and any adverse changes in the political environment could increase our costs, increase our exposure to legal and business risks, disrupt our operations or affect our ability to expand our user base.

In addition, the global economic, political and social conditions are evolving rapidly and subject to uncertainties. For example, health epidemics have caused significant downward pressure for the global economy. Geopolitical tension and conflicts, unfavorable trade and investment policies, energy crisis, inflation risk, interest rate fluctuations, instability in the financial system, and uncertainties regarding monetary policies of major economies impose new challenges and uncertainties on the global economy. In particular, the U.S. government has recently issued a rule imposing restrictions on U.S. outbound investment in Chinese companies engaged in certain activities involving specified sensitive technologies and issued a broadly worded “America First Trade Policy” and an “America First Investment Policy” that seek to further restrict U.S. investments involving China (including possibly expanding technologies subject to investment restrictions and narrowing related exceptions (including those related to publicly traded securities)). We are closely monitoring potential changes in international trade policy and assessing the potential impact of such trade policy changes on our business operations and financial performance. In February 2025, the United States government imposed a 10% tariff on imports from China. Such tariff was further increased to 20% in March 2025. On April 2, 2025, the United States government imposed a reciprocal tariff of 34% on imports from China. Such reciprocal tariff was subsequently raised to 84% and further revised to 125% on April 8, 2025 and April 9, 2025, respectively (the “Additional Tariffs”). On May 12, 2025, the PRC government and U.S. government issued a joint announcement acknowledging that both parties will take actions to build a sustainable and long-term trade relationship, and the U.S.

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government is committed to take actions to, among others, (i) suspend the tariff duty of 24% for an initial period of 90 days; and (ii) remove all of the Additional Tariffs (the “Joint Statement”). On 13 May 2025, the U.S. government issued an executive order to confirm and implement the modifications stated in the Joint Statement. These policies have adversely affected the global economy and financial markets, such as significant declines in the global stock markets. We believe that such tariffs would not have a material imminent impact on our business operations, but as relevant policies are rapidly evolving, it may be difficult to evaluate their potential future impacts. Geopolitical conflicts like this may also lead to volatility in financial markets, fluctuations in currency exchange rates, increased procurement costs and declines in [REDACTED] prices of our Shares. In extreme cases, such conflicts could result in economic downturns that materially and adversely impact our operations. It is unclear whether these challenges and uncertainties will be contained or resolved, and what effects they may have on the global political and economic conditions in the long term and the ability of Chinese companies to raise capital from U.S.

There may be changes from time to time with respect to the legal systems of the markets where we operate, and any of our failure to comply with these laws and regulations could adversely affect us.

The legal systems in many of our markets vary significantly from jurisdiction to jurisdiction. Some jurisdictions, including China, have a civil law system based on written statutes and others are based on common law. Unlike the common law system, prior court decisions under the civil law system may be cited for reference but have limited precedential value.

Many of our markets have not developed a fully integrated legal system, and recently enacted laws and regulations may not sufficiently cover all aspects of economic activities in such markets. In particular, the interpretation and enforcement of these laws and regulations, as well as the related government policies and guidance, are constantly evolving and subject to change, and the application of some of these laws and regulations to our businesses is not settled. We cannot assure you that local administrative and court authorities may interpret the statutory provisions and contractual terms the same way we do, and it may be difficult to evaluate the outcome of administrative and court proceedings and the level of legal protection we have in many of the localities in which we operate. Foreign Judgments and arbitration awards may not be enforced by local courts. These circumstances may affect our judgment on the relevance of legal requirements and our ability to enforce our contractual rights or claims. In addition, the regulatory changes may be exploited through unmerited or frivolous legal actions, claims concerning the conduct of third parties, or threats in attempt to extract payments or benefits from us.

Furthermore, our interpretation of the laws and regulations and the compliance of our business models therewith may be challenged by regulators and court authorities. As a result, we may not be aware of our violation of certain policies and rules until sometime after the violation. In addition, any administrative and court proceedings in our markets may be protracted, resulting in substantial costs and diversion of resources and management attention.

In addition, we are subject to various anti-corruption laws that prohibit improper payments or offers of payments to governments and their officials for the purpose of obtaining or retaining business. Our business in these markets involve operations and agreements with third parties, which may experience corruption. We are subject to the risk of unauthorized payments or offers of payments by one of our employees,

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consultants or agents, as these parties are not always subject to our control. It is our policy to implement safeguards to discourage these practices by our employees, consultants or agents, yet our existing safeguards and any future improvements may prove to be less than effective, and our employees, consultants and agents may engage in conduct for which we might be held responsible. Violations of applicable anti-corruption laws may result in severe criminal or civil sanctions, and we may be subject to other liabilities, which could negatively affect our business, operating results and financial condition.

It is possible that a number of laws and regulations may be adopted or construed to apply to us in our geographic markets and elsewhere that could restrict our industries. Scrutiny and regulation of the industries in which we operate may further increase, and we may be required to devote additional legal and other resources to addressing this regulation. Changes in current laws or regulations or the imposition of new laws and regulations regarding our industries in our geographic markets may slow the growth of our industries and adversely affect our financial condition and results of operations.

Any failure to comply with PRC regulations regarding our employee share incentive plan may subject the PRC plan participants or us to fines and other legal or administrative sanctions.

Pursuant to the Notice on Issues Concerning the Foreign Exchange Administration for Domestic Individuals Participating in Stock Incentive Plan of Overseas Publicly Listed Company (《國家外匯管理局關於境內個人參與境外上市公司股權激勵計劃外匯管理有關問題的通知》), or SAFE Circular 7, issued by SAFE in February 2012, employees, directors, supervisors and other management members participating in any stock incentive plan of an overseas publicly listed company who are PRC citizens (including Hong Kong, Macau and Taiwan residents) or who are citizens of foreign countries residing in China for a continuous period of not less than one year (collectively, “Circular 7 Participants”), subject to limited exceptions, are required to register with SAFE through a domestic qualified agent, and complete certain other procedures. After our Company becomes an overseas listed company upon completion of this [REDACTED], we and our Directors, executive officers and other employees who are Circular 7 Participants and who have been granted options shall follow SAFE Circular 7 to register with SAFE. We will make efforts to comply with these requirements upon completion of our [REDACTED]. However, there can be no assurance that they can successfully register with SAFE in full compliance with the rules. Failure to complete the SAFE registrations may subject them to fines and legal sanctions and may also limit the ability to make payment under our share incentive plans or receive dividends or sales proceeds related thereto. Our ability to adopt additional share incentive plans for our Directors and employees who are PRC residents may also be restricted.

We are a PRC enterprise and we are subject to PRC tax on our global income, and any gains on the sales of our H Shares by [REDACTED] and dividends paid to [REDACTED] on our H Shares may be subject to PRC tax.

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

Non-PRC individuals are generally subject to PRC individual income tax under the Individual Income Tax Law of the PRC (《中華人民共和國個人所得稅法》) with respect to PRC source income or gains at a

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rate of 20%. We are required to withhold related tax from dividend payments paid to non-PRC resident individuals, unless specifically exempted by the tax authority of the State Council or reduced or eliminated by an applicable tax treaty. However, pursuant to the Circular on Certain Policy Questions Concerning Individual Income Tax issued by the MOF and SAT (《財政部、國家稅務總局關於個人所得稅若干政策問題的通知》) on May 13, 1994, dividends and bonuses income gained by foreign individuals from foreign-invested enterprises is exempted from individual income tax for the time being.

According to the Circular Declaring that Individual Income Tax Continues to Be Exempted over Individual Income from Transfer of Shares issued by the MOF and the STA (《財政部、國家稅務總局關於個人轉讓股票所得繼續暫免徵收個人所得稅的通知》) effective as of March 30, 1998, income from individuals’ transfer of stocks of listed companies continued to be temporarily exempted from individual income tax. On February 3, 2013, the State Council approved and promulgated the Notice of Suggestions to Deepen the Reform of System of Income Distribution (《國務院批轉發展改革委等部門關於深化收入分配制度改革若干意見的通知》). On February 8, 2013, the General Office of the State Council promulgated the Circular Concerning Allocation of Key Works to Deepen the Reform of System of Income Distribution (《國務院辦公廳關於深化收入分配制度改革重點工作分工的通知》). According to these two documents, the PRC government is planning to cease foreign individuals’ tax exemption for their dividends and bonuses income obtained from foreign-invested enterprises, and the MOF and the SAT should be responsible for making and implementing details of such plan. However, relevant implementation rules or regulations have not been promulgated by the MOF and the SAT. Considering the situations, non-resident individual H Shareholders should be aware that they may be obligated to pay PRC income tax on dividend and bonuses income realized from the H Shares.

As of the Latest Practicable Date, no aforesaid provisions had expressly provided whether individual income tax shall be levied from non-PRC individuals on the transfer of shares in PRC enterprises listed on overseas stock exchanges, and there is no assurance that the PRC tax authorities will not change these practices, which could result in levying income tax on non-PRC individuals on gains from the sale of our H Shares.

Regulations on currency exchange may limit our ability to utilize our cash effectively.

The PRC government imposes supervision on the convertibility of RMB into foreign currencies. Under the existing PRC foreign exchange regulations, payments of current account items, including profit distributions, interest payments and trade and service-related foreign exchange transactions, can be made in foreign currencies without prior SAFE approval by complying with certain procedural requirements. However, approval from or registration with competent government authorities is required where RMB is to be converted into foreign currency and remitted out of China to pay capital expenses such as the repayment of loans denominated in foreign currencies. We cannot assure you that the PRC government will not restrict access to foreign currencies for current account transactions in the future. In addition, any insufficiency of foreign exchange may restrict our ability to pay dividends to shareholders or to satisfy any other foreign exchange requirements, capitalize our capital expenditure plans, and even our results of operations, financial performance and business prospects may be affected.

We may be subject to the approval, filing or other requirements of the CSRC or other PRC governmental authorities in connection with capital raising activities.

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On July 6, 2021, the relevant PRC government authorities issued the Opinions on Strictly Cracking Down Illegal Securities Activities in Accordance with the Law (《關於依法從嚴打擊證券違法活動的意見》). These opinions emphasized the need to strengthen the administration over illegal securities activities and the supervision on overseas listings by China-based companies and proposed to take effective measures, such as promoting the construction of relevant regulatory systems to deal with the risks and incidents faced by China-based overseas-listed companies. See “Regulatory Overview — Regulations relating to Overseas Listing” for details.

On February 17, 2023, the CSRC promulgated the Overseas Listing Trial Measures, which have become effective on March 31, 2023. The Overseas Listing Trial Measures require, among others, that PRC domestic companies that seek to initially offer and list securities in overseas markets, either directly or indirectly, shall file the required documents with the CSRC within three business days after its application for overseas listing is submitted. See “Regulatory Overview — Regulations relating to Overseas Listing.” We will file with CSRC within a specific time limit as required by the Overseas Listing Trial Measures. However, we cannot assure you that we could complete such filing in a timely manner or at all, the failure of which may restrict our ability to complete the proposed [REDACTED].

On February 24, 2023, the CSRC and other relevant government authorities published the Provisions on Strengthening Confidentiality and Archives Administration of Overseas Securities Offering and Listing by Domestic Companies (《關於加強境內企業境外發行證券和上市相關保密和檔案管理工作的規定》) (the “Archives Rules”), which came into effect on March 31, 2023. The Archives Rules require that, in relation to the overseas securities offering and listing activities of domestic enterprises, either in direct or indirect form, such domestic enterprises, as well as securities companies and securities service institutions providing relevant securities services, are required to strictly comply with relevant requirements on confidentiality and archives management, establish a sound confidentiality and archives system, and take necessary measures to implement their confidentiality and archives management responsibilities. The interpretation and implementation of the Archives Rules may keep evolving, failure to comply with which may materially affect our business, results of operations or financial conditions.

We cannot assure you that new rules or regulations promulgated in the future will not impose additional requirements or restrictions on us, our shareholders or our financing activities. We or our shareholders may not be able to comply with such additional requirements in a timely manner. In addition, we or our shareholders may be subject to sanctions by the CSRC or other PRC regulatory authorities for failure to seek CSRC filing or other government authorization or approval for this [REDACTED] or any subsequent change in shareholding structure, it is uncertain whether we can or how long it will take us or our shareholders to obtain such approval or complete such administrative procedures and these regulatory may order to take corrective actions, give warnings, and impose fines on us or our shareholder or take other actions to restrict our financing activities, which could have a material adverse effect on our business.

We face exposure to foreign currency exchange rate fluctuations, and such fluctuations could adversely affect our financing arrangements, business operations, results of operations, and financial condition.

As we expand globally with our customers, we become increasingly exposed to the effects of fluctuations in currency exchange rates, especially its potential impact on our financing arrangements. The

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value of the Renminbi against the U.S. dollar and other currencies has fluctuated significantly in the past, and may in the future continue to do so, affected by, among other things, changes in political and economic conditions and the foreign exchange policy adopted by the PRC government. We recorded net foreign exchange gains of RMB43.3 million, and RMB42.0 million in 2022 and 2024, respectively, and we recorded net foreign exchange losses of RMB0.8 million in 2023, due to the fluctuation in foreign exchange rates. For details, see Note 40 to the Accountant’s Report set out in Appendix I to this Document.

We do not rely on any single currency as we earn revenue in different local currencies across our markets. However, fluctuations in the exchange rates among the various currencies that we use could cause fluctuations in our operational and financial results. Our expenses may become higher and our revenue and operating metrics may become lower than would be the case if exchange rates were stable or if we were operating and reporting in one currency. A significant amount of our revenue and some of our operating metrics are denominated in certain local currencies that have been subject to significant volatility in the past. Because fluctuations in the value of these local currencies are not necessarily correlated, our results of operations in any period may be adversely affected by such volatility. We may enter into derivatives transactions and incur relevant costs from time to time to manage our exposure to exchange rate risk. Such derivatives transactions, while intended to be nonspeculative, are designed to protect us against increases or decreases in exchange rates, but not both. If we have entered into derivatives transactions to protect against, for example, decreases in the value of a local currency and such local currency instead increases in value, we may incur financial losses. Such losses could materially and adversely affect our financial condition and results of operations.

It may be difficult to effect service of process upon us or our management that reside in China or to enforce against them or us in China any judgments obtained from foreign courts.

Some of our operating subsidiaries are incorporated in China. Some of our management reside in China. It may be difficult for [REDACTED] to effect service of process upon us or our management inside China. China has not entered into treaties or arrangements providing for the recognition and enforcement of judgments made by courts of many other jurisdictions. On July 3, 2008, the Supreme People’s Court promulgated the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region Pursuant to Choice of Court Agreements Between Parties Concerned (《關於內地與香港特別行政區法院相互認可和執行當事人協議管轄的民商事案件判決的安排》), or the Arrangement, pursuant to which a party with an enforceable final court judgment rendered by a Hong Kong Special Administrative Region court requiring payment of money in a civil and commercial case according to a choice of court agreement in writing may apply for recognition and enforcement of the judgment in Chinese court. Similarly, a party with an enforceable final judgment rendered by a Chinese court requiring payment of money in a civil and commercial case pursuant to a choice of court agreement in writing may apply for recognition and enforcement of such judgment in Hong Kong Special Administrative Region court. A choice of court agreement in writing is defined as any agreement in writing entered into between parties after the effective date of the Arrangement in which a Hong Kong Special Administrative Region court or a Chinese court in the mainland is expressly designated as the court having sole jurisdiction for the dispute.

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On January 25, 2024, the Supreme People’s Court promulgated issued the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region (《關於內地與香港特別行政區法院相互認可和執行民商事案件判決的安排》), or the New Arrangement, which seeks to establish a mechanism with further clarification on and certainty for recognition and enforcement of judgments in a wider range of civil and commercial matters between Hong Kong Special Administrative Region and the mainland China. The New Arrangement discontinued the requirements for a choice of court agreement for bilateral recognition and enforcement. The Arrangement was superseded upon the effectiveness of the New Arrangement on January 29, 2024.

Furthermore, China does not have treaties or agreements providing for the reciprocal recognition and enforcement of judgments awarded by courts of the U.S., the United Kingdom, or many other jurisdictions. Hence, the recognition and enforcement in China of judgments of a court in any of these jurisdictions in relation to any matter not subject to a binding arbitration provision may be difficult.

RISKS RELATED TO THE WVR STRUCTURE

The concentration of the voting power of our Shares limits our Shareholders’ ability to influence corporate matters.

Our Company will be controlled through weighted voting rights upon completion of the [REDACTED]. Immediately upon the completion of [REDACTED], the WVR Beneficiary will be Mr. Lin. Mr. Lin is expected to have an economic interest in the Company of approximately [REDACTED]%, representing approximately [REDACTED]% of the total voting power in general meetings of the Company (assuming the [REDACTED] is not exercised) with respect to Shareholders’ resolutions relating to matters other than the Reserved Matters and Special Matters. Mr. Lin therefore has significant influence over management and affairs of the Company and over certain matters requiring Shareholder approval, including the election of Directors (excluding the appointment, election or removal of any independent non-executive Director) and significant corporate transaction. In addition, because each Class B Ordinary Share carries only one-tenth of the voting rights of each Class A Share (except as required by applicable law and in relation to the Reserved Matters and Special Matters), the issuance of the Class B Ordinary Shares, including future stock-based acquisition transactions and employee equity incentive programs, could prolong the duration of the WVR Beneficiary’s ownership of our voting power immediately after the completion of the [REDACTED] and their ability to determine the outcome of most matters submitted to a vote of our Shareholders. For further details about our shareholding structure, see “Share Capital — Weighted Voting Rights Structure”. This concentrated control limits or severely restricts our Shareholders’ ability to influence corporate matters and, as a result, we may take actions that our Shareholders do not view as beneficial. As a result, the price of our Class B Ordinary Shares could be adversely affected. This concentrated control could discourage others from pursuing any potential merger, takeover, or other change of control transactions that holders of Class B Ordinary Shares may view as beneficial, and may also discourage, delay, or prevent a change of control of our Company, which could have the effect of depriving our other Shareholders of the opportunity to receive a premium for their Class B Ordinary Shares as part of a sale of our Company and may reduce the price of our Class B Ordinary Shares.

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Holder of our Class A Shares may exert substantial influence over us and may not act in the best interests of our other Shareholders.

Following the completion of the [REDACTED], Mr. Lin will be in a position to exert significant influence over the affairs of our Company and will be able to influence the outcome of any Shareholders’ resolutions, irrespective of how other Shareholders vote. The interests of the holder of our Class A Shares may not necessarily be aligned with the interests of our Shareholders as a whole, and this concentration of voting power may also have the effect of delaying, deferring or preventing a change in control of our Company.

RISKS RELATED TO THE [REDACTED] AND OUR SHARES

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

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

The price and [REDACTED] of our Shares may be volatile, which could result in substantial losses for [REDACTED] purchasing our Shares in the [REDACTED].

Factors such as fluctuations in our revenue, earnings, cash flows, new investments, regulatory development, additions or departures of key personnel, or actions taken by competitors could cause the [REDACTED] of our Shares or [REDACTED] of our Shares to change substantially and unexpectedly. In addition, stock prices have been subject to significant volatility in recent years. Such volatility has not always been directly related to the performance of the specific companies whose shares are traded. Such volatility, as well as general economic conditions, may materially and adversely affect the prices of shares, and as a result [REDACTED] in our Shares may incur substantial losses.

Subscribers and purchasers of our Shares under the [REDACTED] will experience immediate dilution and may experience further dilution if we issue additional Shares in the future.

The [REDACTED] of our Shares is higher than our net tangible assets value per Share immediately prior to the [REDACTED]. Therefore, subscribers and purchasers of our Shares under the [REDACTED] will experience an immediate dilution in [REDACTED] net tangible assets value per Share. In order to expand our business, we may consider [REDACTED] and issuing additional Shares in the future or to raise additional funds in the future to finance our business expansion, for existing operations or new acquisitions. If additional funds are raised through the issuance of new equity or equity-linked securities of our Company, other than on a pro rata basis to existing Shareholders, then (i) the percentage ownership of the existing Shareholders may be reduced, and they may experience subsequent dilution and reduction in their earnings per share, (ii) such newly issued securities may have rights, preferences or privileges superior to those of the Shares of the existing Shareholders and/or (iii) subscribers and purchasers of our Shares may

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experience dilution in the net tangible assets value per Share if we issue additional Shares in the future at a price which is lower than our net tangible assets value per Share.

Future sale or major divestment of Shares by any of our substantial Shareholders could adversely affect the prevailing [REDACTED] of our Shares.

The Shares held by certain Shareholders are subject to certain lock-up periods, the details of which are set out in the section headed [REDACTED] of this Document. However, we cannot give any assurance that after the restrictions of the lock-up periods expire, these Shareholders will not dispose of any Shares. Sale of substantial amounts of our Shares in the [REDACTED], or the perception that these sales may occur, may materially and adversely affect the prevailing [REDACTED] of our Shares.

[REDACTED] should not place undue reliance on facts, forecasts, estimates and other statistics in this Document relating to the economy and our industry obtained from official or other resources.

Facts, forecasts, estimates and other statistics in this Document relating to the economy and the industry in which we operate our business on have been collected from materials from official government sources. While we have exercised reasonable care in compiling and reproducing such information and statistics derived from government publications, we cannot assure you nor make any representation as to the accuracy or completeness of such information. The information and statistics from official government sources have not been independently verified by the Group, our Directors, the Joint Sponsors, the Overall Coordinators, the [REDACTED], the [REDACTED], the [REDACTED], the [REDACTED], the [REDACTED] or any other party involved in the [REDACTED], and no representation is given as to its accuracy.

Neither we or any of our respective affiliates or advisers, nor the [REDACTED] or any of its affiliates or advisers, have independently verified the accuracy or completeness of such information directly or indirectly derived from official government sources. In particular, due to possibly flawed or ineffective collection methods or discrepancies between published information and market practice, such information and statistics may be inaccurate or may not be comparable to information and statistics produced with respect to other countries. Statistics, industry data and other information relating to the economy and the industry derived from the official government sources used in this Document may not be consistent with other information available from other sources and therefore, [REDACTED] should not unduly rely upon such facts, forecasts, estimates and statistics while making [REDACTED] decisions.

If securities or industry analysts do not publish research reports about our business, or if they adversely change their recommendations regarding our Shares, the [REDACTED] and [REDACTED] of our Shares may decline.

The [REDACTED] market for our Shares will be influenced by the research and reports that industry or securities analysts publish about us or our business. If one or more of the analysts who cover us downgrade our Shares, the price of our Shares would likely decline. If one or more of these analysts cease coverage of our Company or fail to regularly publish reports on us, we could lose visibility in the financial markets, which in turn could cause our stock price or [REDACTED] to decline.

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We have no experience of operating as a public company.

We have no experience conducting our operations as a public company. After we become a public company, we may face enhanced administrative and compliance requirements, which may result in substantial costs. In addition, since we are becoming a public company, our management team will need to develop the expertise necessary to comply with the numerous regulatory and other requirements applicable to public companies, including requirements relating to corporate governance, listing standards and securities and [REDACTED] relationships issues. As a public company, our management will have to evaluate our internal controls system with new thresholds of materiality, and to implement necessary changes to our internal controls system. We cannot guarantee that we will be able to do so in a timely and effective manner. Failure to effectively manage these new demands could adversely impact our operational efficiency and financial health, affecting our business and market perception.

We may not be able to pay any dividends to our Shareholders.

We cannot guarantee when and in what form dividends will be paid on our Shares following the [REDACTED]. The declaration of dividends is proposed by the Board and is based on, and limited by, various factors, such as our business and financial performance, capital and regulatory requirements and general business and operation conditions. We may not have sufficient or any profits to enable us to make dividend distributions to our Shareholders in the future, even if our financial statements indicate that our operations have been profitable.

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

Our management may spend the net [REDACTED] from the [REDACTED] in ways you may not agree with or that do not yield a favorable return. For details of our intended use of [REDACTED], see “Future Plans and Use of [REDACTED]” in this Document. However, our management will have discretion as to the actual application of our net [REDACTED]. You are entrusting your funds to our management, upon whose judgment you must depend, for the specific uses we will make of the net [REDACTED] from this [REDACTED].

You should read the entire Document carefully and should not place any reliance on any information contained in press articles or other media regarding the [REDACTED].

There may have been, prior to the publication of this Document, and there may be, subsequent to the date of this Document but prior to the completion of the [REDACTED], press and media coverage regarding us and the [REDACTED], such as the profit estimate information. You should rely solely upon the information contained in this Document and any formal announcements made by us in Hong Kong in making your [REDACTED] decision regarding the [REDACTED]. We do not accept any responsibility for the accuracy or completeness of any information reported by the press or other media, nor the fairness or appropriateness of any estimates, views or opinions expressed by the press or other media regarding the [REDACTED] or us. We make no representation as to the appropriateness, accuracy, completeness or reliability of any such information or publication.

Accordingly, prospective [REDACTED] should not rely on any such information, reports or publications in making their decisions whether to [REDACTED] in the [REDACTED]. Prospective [REDACTED] in the [REDACTED]

RISK FACTORS

are reminded that, in making their decisions as to whether to purchase our Shares, they should rely only on the financial, operational and other information included in this Document. By applying to purchase our Shares in the [REDACTED], you will be deemed to have agreed that you will not rely on any information other than that contained in this Document.

Forward-looking information contained in this Document is subject to risks and uncertainties.

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

WAIVERS

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

WAIVER IN RESPECT OF MANAGEMENT PRESENCE IN HONG KONG

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

We do not have a sufficient management presence in Hong Kong for the purposes of satisfying the requirements under Rules 8.12 and 19A.15 of the Listing Rules. Our headquarters, senior management, business operations and assets are primarily based outside of Hong Kong. Our executive Directors ordinarily reside in the PRC and, given that they play very important roles in our Company’s business operations, it is in our best interests for them to continue to be based where our Group has significant operations; it would not be beneficial to or appropriate for our Group, and therefore not in the best interests of our Company or the Shareholders as a whole, to relocate any of our existing executive Directors to Hong Kong or appoint additional executive Directors ordinarily resident in Hong Kong.

Therefore, we have applied to the Hong Kong Stock Exchange for, and the Hong Kong Stock Exchange [has granted] us, a waiver from strict compliance with Rules 8.12 and 19A.15 of the Listing Rules. We will ensure that there is regular and effective communication between us and the Stock Exchange based on, among others, the following conditions:

- (i) pursuant to Rules 3.05 of the Listing Rules, we have appointed and will continue to maintain two authorized representatives, who will act as our principal channel of communication with the Stock Exchange and ensure that our Company complies with the Listing Rules at all times. The authorized representatives appointed are Mr. Lin and Mr. Chen Xiaojing (陳肖旌) (“**Mr. Chen**”) (the “**Authorized Representatives**”). Both of the Authorized Representatives will be readily contactable by telephone and email to deal promptly with enquiries from the Stock Exchange and will be available to meet with the Stock Exchange in Hong Kong within a reasonable time frame upon the request of the Stock Exchange. Our Company has provided contact details of the two Authorized Representatives to the Stock Exchange and will inform the Stock Exchange promptly in respect of any change in the Authorized Representatives;
- (ii) both Authorized Representatives have the means to contact all Directors (including the independent non-executive Directors) promptly at all times as and when the Stock Exchange wishes to contact our Directors on any matters. Our Company has implemented a policy whereby (i) each Director has provided their respective valid phone numbers or other means of communication to the Authorized Representatives; (ii) in the event that a Director expects to travel or is otherwise out of office, he/she will provide his/her phone number of the place of his/her accommodation to the Authorized Representatives or maintain an open line of communication via his/her mobile phone; and (iii) each Director has provided his/her mobile

WAIVERS

phone number, office phone number, email address and, where available, fax number to the Stock Exchange and will inform the Stock Exchange promptly if there are any changes to the contact details of the Directors;

- (iii) pursuant to Rule 3.20 of the Listing Rules, each Director has provided his/her contact information to the Stock Exchange and to the Authorized Representatives. This will ensure that the Stock Exchange and the Authorized Representatives should have means for contacting all Directors promptly at all times as and when required;
- (iv) all our Directors who are not ordinarily resident in Hong Kong have confirmed that they possess or can apply for valid travel documents to visit Hong Kong and will be able to meet with relevant members of the Stock Exchange in Hong Kong upon reasonable notice, when required;
- (v) pursuant to Rule 3A.19 and Rule 8A.33 of the Listing Rules, we have retained the services of our Compliance Adviser upon [REDACTED] commencing on the [REDACTED]. The Compliance Adviser will act as an additional channel of communication with the Stock Exchange and will be available to respond to enquiries from the Stock Exchange. The contact details of the Compliance Adviser have been provided to the Stock Exchange;
- (vi) our Authorized Representatives, Directors and other officers of our Company will promptly provide such information and assistance as the Compliance Adviser may reasonably require in connection with the performance of the Compliance Adviser’s duties as set forth in Chapter 3A of the Listing Rules. There will be adequate and efficient means of communication between our Company, Authorized Representatives, Directors and other officers of our Company and the Compliance Adviser, and, to the extent reasonably practicable and legally permissible, we will keep the Compliance Adviser informed of all communications and dealings between the Stock Exchange and us. Meetings between the Stock Exchange and our Directors may be arranged through our Authorized Representatives or the Compliance Adviser, or directly with our Directors within a reasonable time frame. We will inform the Stock Exchange as soon as practicable in respect of any change of Authorized Representatives and/or the Compliance Adviser;
- (vii) we will appoint other professional advisers (including legal advisers in Hong Kong) after the [REDACTED] to assist us in dealing with any questions which may be raised by the Stock Exchange and to ensure that there will be prompt and effective communication with the Stock Exchange; and
- (viii) our Company has designated staff members as the communication officers at our headquarters after the [REDACTED] who will be responsible for maintaining day-to-day communication with the Authorized Representatives and our Company’s professional advisers in Hong Kong, including our legal advisers in Hong Kong and the Compliance Adviser, to keep abreast of any correspondence with and/or enquiries from the Stock Exchange and report to our executive Directors to further facilitate communication between the Stock Exchange and our Company.

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WAIVER IN RESPECT OF JOINT COMPANY SECRETARIES

Pursuant to Rules 3.28 and 8.17 of the Listing Rules and Chapter 3.10 of the Guide for New Listing Applicants, a new applicant for listing on the Stock Exchange must appoint a company secretary who, by virtue of his/her academic or professional qualifications or relevant experience, is, in the opinion of the Stock Exchange, capable of discharging the functions of the company secretary.

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

- (i) a member of The Hong Kong Chartered Governance Institute;
- (ii) a solicitor or barrister as defined in the Legal Practitioners Ordinance (Chapter 159 of the Laws of Hong Kong); and
- (iii) a certified public accountant as defined in the Professional Accountants Ordinance (Chapter 50 of the Laws of Hong Kong).

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

- (i) length of employment with the issuer and other issuers and the roles he/she played;
- (ii) familiarity with the Listing Rules and other relevant laws and regulations including the SFO, the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Takeovers Code;
- (iii) relevant training taken and/or to be taken in addition to the minimum requirement under Rule 3.29 of the Listing Rules; and
- (iv) professional qualifications in other jurisdictions.

Our Company has appointed Mr. Chen and Mr. Wong Chun Wing Samuel (黃俊穎) (“**Mr. Wong**”) as our joint company secretaries. See “Directors and Senior Management — Joint Company Secretaries” for their biographical detail.

The Company believes that it would be in the best interests of the Company and the corporate governance of the Group to have a person such as Mr. Chen as its joint company secretary, who has been the Board secretary of our Company since June 2019 and has day-to-day knowledge of the Company’s affairs. Mr. Chen has the necessary nexus to the Board and close working relationship with management of the 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. However, Mr. Chen presently does not possess any of the qualifications under Rules 3.28 and 8.17 of the Listing Rules, and may not be able to solely fulfill the requirements of the Listing Rules. Therefore, we have appointed Mr. Wong, who is a member of The Hong Kong Chartered Governance Institute and fully meets the requirements stipulated under Rules 3.28 and 8.17

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of the Listing Rules, to act as the other joint company secretary and to provide assistance to Mr. Chen for an initial period of three years from the [REDACTED] to enable Mr. Chen to acquire the “relevant experience” under Note 2 to Rule 3.28 of the Listing Rules so as to fully comply with the requirements set forth under Rules 3.28 and 8.17 of the Listing Rules.

Accordingly, we have applied to the Stock Exchange for, and the Stock Exchange [has granted], a waiver from strict compliance with the requirements under Rules 3.28 and 8.17 of the Listing Rules such that Mr. Chen may be appointed as a joint company secretary of our Company.

The waiver is valid for an initial period of three years from the [REDACTED], and is granted on the condition that Mr. Wong, as a joint company secretary of our Company, will work closely with Mr. Chen to jointly discharge the duties and responsibilities as company secretaries and assist Mr. Chen in acquiring the relevant experience as required under Rules 3.28 and 8.17 of the Listing Rules. Mr. Wong will also assist Mr. Chen in organizing Board meetings and Shareholders’ meetings of our Company as well as other matters of our Company which are incidental to the duties of a company secretary. Mr. Wong is expected to work closely with Mr. Chen and will maintain regular contact with Mr. Chen, the Directors and the senior management of our Company. In addition, Mr. Chen will comply with the annual professional training requirement under Rule 3.29 of the Listing Rules and will enhance his knowledge of the Listing Rules during the three-year period from the [REDACTED]. Mr. Chen will also be assisted by (a) the Compliance Adviser, particularly in relation to compliance with the Listing Rules; and (b) the Hong Kong legal advisers of our Company, on matters concerning our Company’s ongoing compliance with the Listing Rules and the applicable laws and regulations.

Pursuant to Chapter 3.10 of the Guide for New Listing Applicants, the waiver will be revoked immediately if Mr. Wong ceases to provide assistance to Mr. Chen as a joint company secretary for the three-year period after the [REDACTED] or where there are material breaches of the Listing Rules by our Company.

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

WAIVER IN RELATION TO POST-TRACK RECORD PERIOD ACQUISITIONS

Rules 4.04(2) and 4.04(4) of the Listing Rules require that the new applicant include in its accountants’ report the results and balance sheet of any business or subsidiary acquired, agreed or proposed to be acquired, since the date to which its latest audited accounts have been made up, in respect of each of the three financial years immediately preceding the issue of this Document.

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Pursuant to note (4) of Rule 4.04(4) of the Listing Rules, the Stock Exchange may consider an application for a waiver of Rules 4.04(2) and 4.04(4) of the Listing Rules taking into account the following factors:

- (a) that all the percentage ratios (as defined under Rule 14.04(9) of the Listing Rules) are less than 5% by reference to the most recent audited financial year of the new applicant’s trading record period;
- (b) if the acquisition will be financed by the proceeds raised from a public offer, the new applicant has obtained a certificate of exemption from the SFC in respect of the relevant requirements under paragraphs 32 and 33 of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance; and
- (c)
 - (i) where a new applicant’s principal activities involve the acquisition of equity securities (the Stock Exchange may require further information where securities acquired are unlisted), the new applicant is not able to exercise any control, and does not have any significant influence over the underlying company or business to which Rule 4.04(2) and 4.04(4) of the Listing Rules relate, and has disclosed in its listing document the reasons for the acquisition and a confirmation that the counterparties and their respective ultimate beneficial owners are independent of the new applicant and its connected persons. In this regard, “control” means the ability to exercise or control the exercise of 30% (or any amount specified in the Hong Kong Code on Takeovers and Mergers as the level for triggering a mandatory general offer) or more of the voting power at general meeting, or being in a position to control the composition of a majority of the board of directors of the underlying company or business; or
 - (ii) with respect to an acquisition of a business (including acquisition of an associated company and any equity interest in a company other than in the circumstances covered under sub-paragraph (a) above) or a subsidiary by a new applicant, the historical financial information of such business or subsidiary is unavailable, and it would be unduly burdensome for the new applicant to obtain or prepare such financial information; and the new applicant has disclosed in its listing document information required for the announcement for a discloseable transaction under Rules 14.58 and 14.60 of the Listing Rules on each acquisition. In this regard, “unduly burdensome” will be assessed based on each new applicant’s specific facts and circumstances (e.g. why the financial information of the acquisition target is not available and whether the new applicant or its controlling shareholder has sufficient control or influence over the seller to gain access to the acquisition target’s books and records for the purpose of complying with the disclosure requirements under Rules 4.04(2) and 4.04(4) of the Listing Rules).

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Background

Investment in Hangzhou Tengzong

In April 2024, we entered into an agreement in relation to our acquisition of the 7.5% equity interests in Hangzhou Tengzong Technology Co., Ltd. (杭州騰縱科技有限公司, “**Hangzhou Tengzong**”) by way of capital injection in Hangzhou Tengzong at a consideration of RMB3.75 million based on arm’s length negotiation. Hangzhou Tengzong is a company established in the PRC which is primarily engaged in the provision of internet services in the retail sector. After completion of the acquisition, the remaining 92.5% equity interests in Hangzhou Tengzong will be held by Independent Third Parties. The consideration is expected to be fully paid up in the fourth quarter of 2025 with our internal resources. After completion of the aforesaid investment, Hangzhou Tengzong will not be accounted as our associated company or subsidiary.

According to the unaudited management accounts of Hangzhou Tengzong, (i) its total assets as of December 31, 2024 was approximately RMB7.4 million, (ii) its revenue was RMB13.8 million for the year ended December 31, 2024, and (iii) it recorded a net loss of approximately RMB0.67 million for the year ended December 31, 2024.

Investment in Shanghai Luma

We entered into an agreement in relation to our acquisition of the 1.2% equity interests in Luma Intelligent Technology (Shanghai) Co., Ltd. (鹿馬智能科技(上海)有限公司, “**Shanghai Luma**”) by way of capital injection at a consideration of RMB6 million based on arm’s length negotiation in May 2025. Shanghai Luma is a company established in the PRC which is primarily engaged in the provision of digital solutions to hotels. After completion of the acquisition, the remaining 98.8% equity interests in Shanghai Luma will be held by Independent Third Parties. The consideration of the aforesaid acquisition will be fully paid by end of 2025. After completion of the aforesaid investment, Shanghai Luma will not be accounted as our associated company or subsidiary.

According to the unaudited management accounts of Shanghai Luma, (i) its total assets as of December 31, 2024 was approximately RMB17.5 million, (ii) its revenue was RMB21.5 million for the year ended December 31, 2024, and (iii) it recorded a net loss of approximately RMB17.7 million for the year ended December 31, 2024.

Reasons and Benefits

The Company believes that the investment in Hangzhou Tengzong and Shanghai Luma (the “**Post-TRP Acquisitions**”) will contribute to our strategic expansion into the digital services in the retail and hospitality sector, and will also strengthen the Group’s long-term business development through cooperation with our business partners. Our Directors considered that the Post-TRP Acquisitions are on normal commercial terms, fair and reasonable and in the interest of our Company and the Shareholders as a whole.

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Conditions to the waiver granted by the Stock Exchange

We have applied to the Stock Exchange for, and the Stock Exchange [has granted] a waiver from strict compliance with Rules 4.04(2) and 4.04(4) of the Listing Rules in respect of the Post-TRP Acquisitions on the following grounds:

(a) *Immateriality*

Under Rule 14.04(9) of the Listing Rules, all the applicable percentage ratios under Rule 14.07 of the Listing Rules in relation to the Post-TRP Acquisitions are below 5% by reference to the most recent audited financial year of the Track Record Period. We consider the Post-TRP Acquisitions to be immaterial in the context of our Company’s operations as a whole and therefore a waiver from strict compliance with Rules 4.04(2) and 4.04(4) of the Listing Rules will not affect potential [REDACTED] assessment of our business and future prospects when considering an [REDACTED] in our Company.

(b) *Acquisition of minority interests only and absence of control for Hangzhou Tengzong and Shanghai Luma*

We only acquired less than 10% equity interest in Hangzhou Tengzong and Shanghai Luma after the completion of the Post-TRP Acquisitions. As is typical for minority investments, we will not be able to control a majority of their board of directors and will not be involved in their daily management. In addition, Hangzhou Tengzong and Shanghai Luma have independent management and operations teams, in which our Group has no participation. Hangzhou Tengzong and Shanghai Luma will not be treated as our Company’s subsidiary upon completion of the Post-TRP Acquisitions as we will not control Hangzhou Tengzong or Shanghai Luma. As Hangzhou Tengzong and Shanghai Luma will not become subsidiaries of our Company, their financial information will not be consolidated into our Company’s financial information.

(c) *Impracticality and undue burden*

As we have not controlled and will not control Hangzhou Tengzong and Shanghai Luma, we are unable to provide our reporting accountant with full access to their financial record, provide them opportunities to fully familiarize with Hangzhou Tengzong and Shanghai Luma’s accounting policies or to gather and compile the necessary financial information and supporting documents to prepare the financial information required under the Listing Rules. As such, it would be impracticable and unduly burdensome for us to disclose the financial information of Hangzhou Tengzong and Shanghai Luma in strict compliance with Rules 4.04(2) and 4.04(4) of the Listing Rules.

(d) *Alternative disclosure in this Document*

We have provided alternative information in this Document in connection with the Post-TRP Acquisitions required for the announcement for a discloseable transaction under Chapter 14 of the Listing Rules including, among other things, (i) the reasons for the Post-TRP Acquisitions, (ii) description of the principal business of Hangzhou Tengzong and Shanghai Luma, (iii) descriptions of the counterparties of the

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Post-TRP Acquisitions and a confirmation that they are Independent Third Parties, (iv) the considerations for the Post-TRP Acquisitions and how they were or expected to be satisfied, (v) basis on which the considerations for the Post-TRP Acquisitions were determined, and (vi) key financial information of Hangzhou Tengzong and Shanghai Luma.

INFORMATION ABOUT THIS DOCUMENT AND THE [REDACTED]

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[REDACTED]

INFORMATION ABOUT THIS DOCUMENT AND THE [REDACTED]

[REDACTED]

INFORMATION ABOUT THIS DOCUMENT AND THE [REDACTED]

[REDACTED]

DIRECTORS AND PARTIES INVOLVED IN THE [REDACTED]

DIRECTORS

Name	Address	Nationality
Executive Directors		
Mr. Lin Zhe (林喆)	Room 102, No. 163 University Road Yangpu District Shanghai PRC	Chinese
Mr. Chen Xiaojing (陳肖旌)	602, Building 405, Shanghai Yard, Lane 399, Jiangwancheng Road Yangpu District Shanghai PRC	Chinese
Mr. Zhang Jinpu (張金普)	No.107 Guoxiang Road, Yangpu District, Shanghai PRC	Chinese
Mr. Chen Guihong (陳桂鴻)	Room 1003, No.6 Lane 98, Songtang Road, Baoshan District, Shanghai PRC	Chinese
Non-Executive Directors		
Mr. Wang Huan (王歡)	Room 2801, No.6 Lane 299, Dapu Road, Huangpu District, Shanghai PRC	Chinese
Ms. Zhang Yi (張一)	Xiaomi Science and Technology Park A10 003 No. 33 Xierqi Middle Road Haidian District Beijing PRC	Chinese

DIRECTORS AND PARTIES INVOLVED IN THE [REDACTED]

Name	Address	Nationality
Independent Non-Executive Directors		
Mr. Li Shihong (李詩鴻)	No. 1575, Wanhangu Road Changning District Shanghai PRC	Chinese
Ms. Wang Xia (王霞)	Room 201, No. 24 Lane 788, Wanyuan Road Minhang District Shanghai PRC	Chinese
Mr. Poon Wing Shing, Anthony (潘永誠)	Room 6A, Tower 1, Tregunter 14 Tregunter Path Mid-Levels Central Hong Kong	Chinese

For further details of our Directors, see the section headed “Directors and Senior Management” in this Document.

PARTIES INVOLVED IN THE [REDACTED]

Joint Sponsors

Deutsche Securities Asia Limited
Level 60, International Commerce Centre
1 Austin Road West, Kowloon,
Hong Kong

CITIC Securities (Hong Kong) Limited
18/F, One Pacific Place,
88 Queensway, Hong Kong

ABCI Capital Limited
11/F, Agricultural Bank of China Tower,
50 Connaught Road Central,
Hong Kong

Sponsor-Overall Coordinators and Overall-Coordinators

Deutsche Bank AG, Hong Kong Branch
Level 60, International Commerce Centre
1 Austin Road West, Kowloon,
Hong Kong

CLSA Limited
18/F, One Pacific Place,
88 Queensway, Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE [REDACTED]

ABCI Capital Limited

11/F, Agricultural Bank of China Tower,
50 Connaught Road Central,
Hong Kong

[REDACTED]

DIRECTORS AND PARTIES INVOLVED IN THE [REDACTED]

[REDACTED]

Legal Advisers to our Company

As to Hong Kong and U.S. laws

Davis Polk & Wardwell

10/F, The Hong Kong Club Building
3A Chater Road
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As to PRC laws

Jingtian & Gongcheng

45/F, K.Wah Center,
1010 Huaihai Road(M),
Shanghai
PRC

**Legal Advisers to the Joint Sponsors and
the [REDACTED]**

As to Hong Kong and U.S. laws

Cleary Gottlieb Steen & Hamilton (Hong Kong)

37th Floor, Hysan Place,
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Hong Kong

As to PRC laws

Commerce & Finance Law Offices

12-15th Floor, China World Office 2
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Beijing
PRC

Reporting Accountants and Auditor

Deloitte Touche Tohmatsu

Certified Public Accountants
Registered Public Interest Entity Auditor
35/F, One Pacific Place,
88 Queensway,
Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE [REDACTED]

Industry Consultant

China Insights Consultancy

10F, Block B,
Jing'an International Center,
88 Puji Road,
Shanghai,
PRC

Compliance Adviser

Rainbow Capital (HK) Limited

Office No. 710, 7/F Wing On House
71 Des Voeux Road Central
Central
Hong Kong

[REDACTED]

CORPORATE INFORMATION

Registered Office, Headquarters and Principal Place of Business in the PRC	Floor 6, Building 7, No. 388, Songhu Road Yangpu District Shanghai PRC
Principal Place of Business in Hong Kong	31/F., Tower Two Times Square 1 Matheson Street Causeway Bay Hong Kong
Company’s Website	https://www.sunmi.com <i>(information contained on this website does not form part of this Document)</i>
Joint Company Secretaries	Mr. Chen Xiaojing (陳肖旌) 602, Building 405, Shanghai Yard, Lane 399, Jiangwancheng Road Yangpu District Shanghai PRC Mr. Wong Chun Wing Samuel (黃俊穎) 31/F., Tower Two Times Square 1 Matheson Street Causeway Bay Hong Kong
Authorized Representatives	Mr. Lin Zhe (林喆) Room 102, No. 163 University Road Yangpu District Shanghai PRC Mr. Chen Xiaojing (陳肖旌) 602, Building 405, Shanghai Yard, Lane 399, Jiangwancheng Road Yangpu District Shanghai PRC
Audit Committee	Ms. Wang Xia (王霞) (<i>Chairman</i>) Mr. Li Shihong (李詩鴻) Mr. Poon Wing Shing, Anthony (潘永誠)

CORPORATE INFORMATION

Nomination Committee	Mr. Li Shihong (李詩鴻) (<i>Chairman</i>) Mr. Zhang Jinpu (張金普) Ms. Wang Xia (王霞)
Remuneration Committee	Mr. Poon Wing Shing, Anthony (潘永誠) (<i>Chairman</i>) Mr. Lin Zhe (林喆) Mr. Li Shihong (李詩鴻)
Corporate Governance Committee	Mr. Li Shihong (李詩鴻) (<i>Chairman</i>) Ms. Wang Xia (王霞) Mr. Poon Wing Shing, Anthony (潘永誠)
H Share Registrar	Computershare Hong Kong Investor Services Limited Shops 1712-1716, 17th Floor Hopewell Centre 183 Queen’s Road East Wan Chai Hong Kong
Principal Bank	Industrial Bank Co., Ltd. Shanghai Wujiaochang Sub-branch 1/F, Building 10, Chuangzhi Tiandi Plaza, No. 290 Songhu Road Yangpu District Shanghai PRC

INDUSTRY OVERVIEW

The information and statistics set out in this section and other sections of this document were extracted from a report prepared by CIC under our commission, various official government publications and other publicly available sources. We engaged CIC to prepare an independent industry report, or the CIC Report, in connection with the [REDACTED]. The information from official government sources has not been independently verified by us, or any of our Directors and advisors, or any other persons or parties involved in the [REDACTED], and no representation is given as to its accuracy.

Emergence and Evolvment of BIoT Industry

The Business Internet of Things (BIoT) refers to the integration of IoT technologies for commercial use. These solutions include terminal hardware equipped with an operating system, complemented by supporting software developed based on the hardware.

As a cornerstone of commercial digital infrastructure, BIoT has revolutionized the way businesses operate. It empowers merchants to operate more efficiently, make data-driven decisions, and respond to consumer needs in real time through advanced technologies and smart products. In response to these developments, the BIoT industry has undergone three stages of evolution:

- BIoT 1.0 marked the beginning, with hardware and software developed for narrowly defined, single-function use cases. The focus was on building basic digital capabilities for specific commercial scenario.
- BIoT 2.0 is the stage where intelligent operating systems redefined the value of hardware to enable diverse applications. In this stage, BIoT terminals evolved from simple point-of-sale devices into smarter BIoT devices. This evolution laid the foundation for more adaptable and scalable business solutions.
- BIoT 3.0 characterized cloud-edge collaboration and AI-enabled low-code/no-code development , accelerates the digitalization of real-world business scenarios. Human-centric interfaces, seamless cross-scenario connectivity, and intelligent automation have emerged as key differentiators in this new landscape.

As the industry has evolved, the BIoT ecosystem has expanded to include players from different stages, ranging from BIoT 1.0 providers to BIoT 3.0 providers.

BIoT 3.0 emerges as the digital gateway for businesses, significantly lowering the barriers to digital transformation. It offers cost-effective, integrated solutions that were once accessible only to large enterprises. This democratization of technology enables small and medium-sized businesses to build digital capabilities comparable to those of major corporations, broadening the benefits of digitalization to a much larger base of businesses.

INDUSTRY OVERVIEW

BIoT 3.0 players are reshaping the industry by enabling intelligent convergence, integrating software and hardware to create an interconnected, adaptive commercial ecosystem, transforming devices into ecosystem hubs. Among these players, SUNMI stands out as a representative of BIoT 3.0. By offering lower development costs and broader scenario coverage, SUNMI and other BIoT 3.0 players are poised to lead the next generation of BIoT development.

Challenges in the Development of the BIoT Industry

As the BIoT industry continues to grow, it faces a range of challenges, including the following:

- ***Prolonged Iteration and Digital Penetration Process.*** The promotion cycle for new technologies and products is lengthy. Companies in different industries exhibit significant disparities in adopting digital commercial solutions. For instance, the digital penetration rates in the retail and F&B industries are relatively high, while digital transformation in other sectors remains at an early stage. Moreover, within the same industry, the adoption of commercial digital solutions varies noticeably across different functional modules. At the same time, the level of digitization among companies of different sizes within the industry also shows a gradient differentiation. Typically, leading companies take the lead in initiating innovative pilot projects and establishing replicable success cases, which then propels other companies to follow. Overall, the development process of commercial digitalization demonstrates a gradual progression, resulting in a prolonged iteration and penetration process for BIoT solutions.
- ***Highly Fragmented Demand and High Customization Costs.*** BIoT hardware and software need to be adapted to a wide range of non-standardized application scenarios, such as electronic medical records for veterinary clinics or ingredient traceability for bakeries. Under traditional customized development models, creating industry-specific applications can incur development and maintenance costs in the millions of RMB. For small and medium-sized enterprises with long-tail needs, such investments are often unaffordable. Furthermore, these businesses face difficulties in assessing the tangible benefits and long-term sustainability of such systems. Consequently, the market urgently calls for lower-cost, more agile, and sustainable BIoT solutions.
- ***Low Efficiency of Industry-Wide Collaboration.*** BIoT hardware and software lack uniform standards, and merchants often need to interface with multiple equipment, cloud services and business tools providers, facing problems such as incompatible data formats and API silos. Furthermore, systems provided by different vendors often cannot interoperate, making cross-scenario integration and collaboration difficult. There is an urgent market need for standardized, cost-effective hardware and PaaS with robust integration capabilities, enabling business digital systems to upgrade from siloed architectures to an open collaborative ecosystem, thereby promoting efficient collaboration and sustainable development among diverse players within the ecosystem.

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Opportunities Emerging with BIoT 3.0

One of the main challenges in developing the BIoT industry is finding a balance between the traditionally closed nature of IT systems and the growing need for openness in business digitalization. As a key component of digital infrastructure for businesses, BIoT solutions are helping reshape the way businesses operate while also supporting a growing developer ecosystem. BIoT 3.0 addresses these challenges by promoting openness, enabling tighter software–hardware integration, and making better use of cloud-based intelligence. The goal is to build a more collaborative ecosystem, one that rests on shared standards and supports a wide range of applications.

By offering integrated hardware platforms and open-source PaaS components and development templates, BIoT 3.0 lowers the barrier to entry for developers and partners. These tools not only reduce development costs but also give partners more flexibility to build and customize their own solutions. As more developers contribute new applications and services, the ecosystem continues to grow, creating a positive cycle of innovation that helps make digital commerce more accessible to businesses of all sizes. Key opportunities include:

- ***Smart Devices as Ecosystem Hubs.*** With AI technologies becoming more widely used across industries, smart devices are emerging as ecosystem hubs. These devices can combine AI processing, edge computing, and sensor networks, allowing different systems to work together more seamlessly. This interconnectivity enables the development of more intelligent solutions and allows developers to adapt tools to a wider variety of industries and use cases.
- ***PaaS and Software Integration.*** BIoT 3.0 supports a modular PaaS structure that simplifies the development of applications. By offering reusable solution components, this approach helps developers to develop and launch software faster, especially for niche or long-tail business needs, without having to build everything from scratch.
- ***Android-Based Open Architecture.*** By predominantly building on the Android operating system, BIoT 3.0 offers a flexible and cost-effective alternative to more closed-source or expensive platforms like Windows or iOS. This open environment allows developers to create a broader range of applications while keeping development and maintenance costs lower.
- ***Unified Cloud-Enabled Infrastructure.*** With real-time cloud connectivity built into its architecture, BIoT 3.0 supports features like remote updates, cloud-based training, and functional expansion. This helps devices become smarter over time and gives businesses more agility in how they respond to changing needs or scenarios.
- ***Continuous Data-Driven Improvement.*** The data generated through BIoT deployments plays a vital role in improving commercial operations. Solution providers can use this data to refine AI models and enhance analytics capabilities, creating a self-reinforcing loop that continuously improves product performance and decision-making over time.

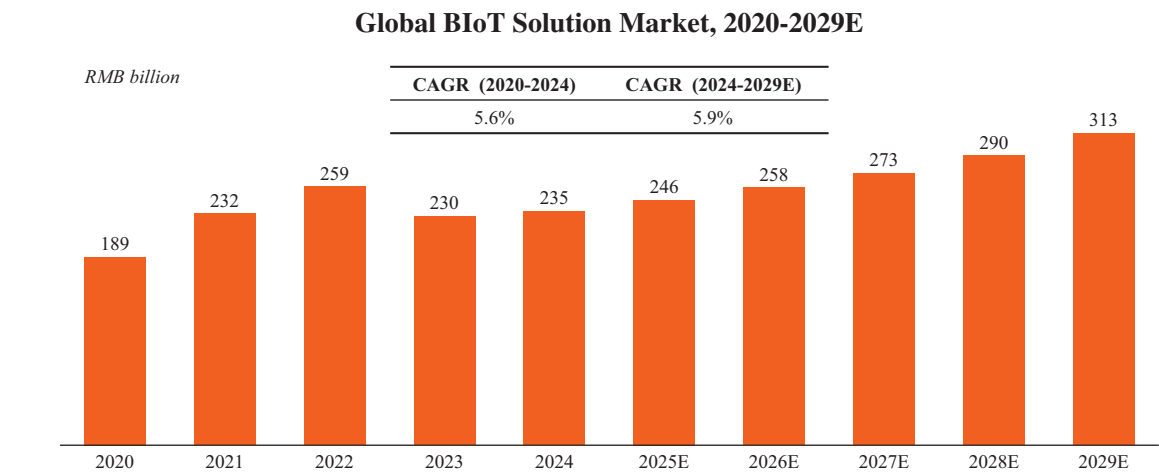
Global BIoT Solution Market Size

The global BIoT solution market has experienced steady growth, expanding from approximately RMB189 billion in 2020 to around RMB235 billion in 2024, representing a CAGR of approximately 5.6% over the period. BIoT solutions are widely used in high-frequency commercial sectors, such as retail and

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food services. As digital transformation gains momentum across more industries, such as healthcare, education, and tourism, BIoT adoption is expected to penetrate across a broader range of industry sectors. In addition, ongoing upgrades of existing devices and systems are expected to further drive market growth. The global BIoT solution market is projected to reach RMB313 billion by 2029 at a CAGR of approximately 5.9% from 2024 to 2029. This indicates continued demand and substantial room for continued development and adoption across industries worldwide.

From 2020 to 2022, the COVID-19 pandemic accelerated demand for contactless services. This shift led to rapid adoption of BIoT solutions in areas such as food delivery and self-service operations. By 2023, as the pandemic eased and economic activities normalized, the global BIoT solution market transitioned from rapid, pandemic-driven growth to a phase of steady, sustained development.



Source: CIC

Global Android-based BIoT Solution Market Overview

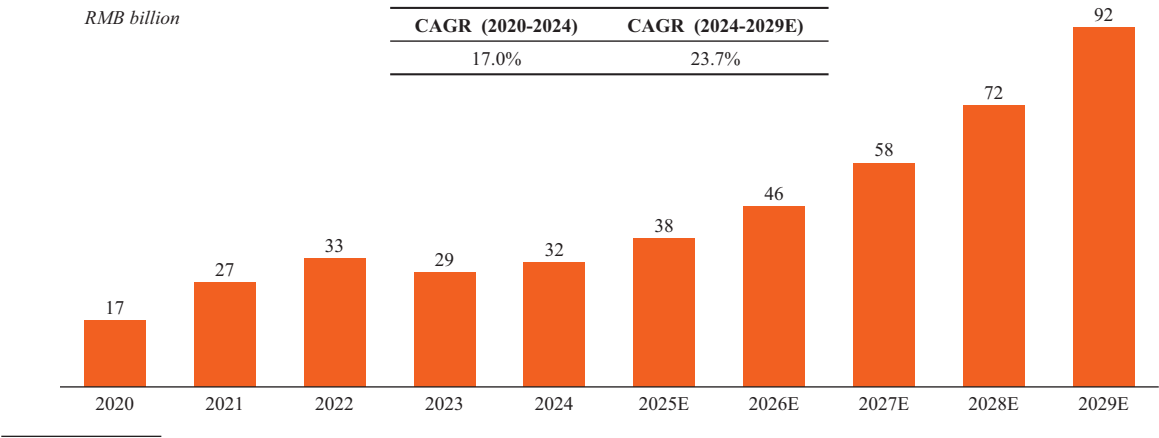
Android-based BIoT solutions refer to the integration of IoT, AI, and big data technologies into hardware and software systems for commercial use. These solutions help businesses streamline operations, improve operational efficiency, and enhance user experience in day-to-day interactions. SUNMI pioneered the world’s first Android-based POS terminal, and has built a full ecosystem that integrates intelligent operating systems, cloud-based services, with a robust developer platform tailored to its smart devices. Businesses using SUNMI’s solutions have benefited from their wide-ranging functionality and performance, accelerating the adoption and penetration of Android-based BIoT solutions across multiple industries.

Global Android-based BIoT Solution Market Size

The global market size of Android-based BIoT solutions was approximately RMB32 billion in 2024. It is projected to reach approximately RMB92 billion by 2029, at a CAGR of 23.7% from 2024 to 2029. Android’s open development ecosystem allows global developers to build customized solutions. Its high level of compatibility supports a wide range of functions, which has helped speed up its use in many commercial settings. The penetration rate of Android-based BIoT solutions in the global market, measured by the global market size of Android-based BIoT solutions over the global market size of BIoT solutions, is expected to increase from approximately 14% in 2024 to around 29% by 2029.

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Global Android-based BIoT Solution Market Size, 2020-2029E



Source: CIC

With the advent of Android-based BIoT solutions and AI technologies, smart devices have evolved from basic execution tools into serving as the ecosystem hubs. Integrated systems can support a wide variety of applications, gather and process valuable data, and help businesses improve operational efficiencies across different industries and geographies.

As a key entry point to business digitalization, BIoT 3.0 participants are actively building themselves as the ecosystem hubs. By making better use of resources generated in the ecosystem hubs, they are well-positioned to enable merchants to improve day-to-day operations and expand into new verticals or geographic markets more efficiently. The total global addressable market for Android-based BIoT solution providers (including companies such as SUNMI) is estimated at approximately RMB3.4 trillion. This includes areas such as software subscriptions, acquiring services, and the business intelligence solutions.

Competitive Landscape

Competitive Landscape of Global Android-based BIoT Solution Market

The BIoT industry is still in the early stage of its digital transformation. The competitive landscape includes a wide mix of players varying from BIoT 1.0 to BIoT 3.0. Many solution providers still operate within the earlier stages of BIoT (i.e. BIoT 1.0 or 2.0), particularly those focused on specific functions such as card payments. These companies have begun adopting Android systems, recognizing the growing importance of flexible, connected ecosystems. However, their use of Android often remains limited to isolated use cases (such as card payment) rather than full integration into broader business operations.

BIoT 3.0 players are focused on addressing more complex, fragmented, and long-tail digital challenges. By offering open ecosystems and smarter product experiences, they have a competitive edge over traditional vertical-focused hardware providers and are well positioned to penetrate digital application scenarios at scale.

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Emerging BIoT 3.0 players, such as SUNMI, are developing platforms that support full-scenario applications. Rather than merely supplying hardware for individual functions, they aim to develop software-hardware integrated solutions to manage merchants’ day-to-day operations and solve more sophisticated digital challenges. Compared to traditional vendors, their approach is more adaptive, transformative and accessible, focusing on continuous improvements in product intelligence and interconnectivity within an open ecosystem.

SUNMI is the world’s largest Android-based BIoT solution provider in terms of revenue in 2024. SUNMI also has the broadest coverage of application verticals, the widest range of sub-verticals, and the most extensive global presence. As a representative of BIoT 3.0, SUNMI has launched a series of innovative products that have accelerated the evolution of the industry. SUNMI achieved market leadership within a relatively short period, surpassing competitors that have operated in the industry for decades.

The global market landscape is expected to gradually consolidate, with players capable of scaling across multiple verticals and geographies expected to gain a lasting competitive edge.

Competitive Landscape of Global Android-based BIoT Solution Providers, 2024

Player	Founding year	Revenue in 2024 (RMB in billions)	Market share in terms of revenue (%)	Geographical coverage	Vertical coverage
The Company	2013	~3.5	~11%	over 200 countries and regions	15
Company A	2000	~3.2	~10%	~120 countries and regions	4
Company B	1969	~2.4	~8%	~170 countries and regions	6
Company C	1984	~2.0	~6%	~11 countries and regions	2
Company D	1980	~1.4	~4%	~120 countries and regions	6

Source: CIC

Note:

- (1) Company A is a leading global E-payment terminal solutions provider that provides a wide range of payment terminals, PIN pads, and point-of-sale hardware and software, generating over 90% of its revenue from card payment solutions. Company A, established in 2000 and headquartered in China, is listed on the Hong Kong Stock Exchange.
- (2) Company B is a global leader in the automatic identification and data capture industry, focusing on the design, production and sales of AIDC offerings. Company B, established in 1969 and headquartered in the U.S., is listed on the NASDAQ Stock Exchange.
- (3) Company C is a global fintech and payments company with solutions for banking, merchant acquiring, global commerce, billing and payments, and point-of-sale. Company C, established in 1984 and headquartered in the U.S., is listed on the New York Stock Exchange.
- (4) Company D is a merchant services technology company with expertise in secure payment solutions. Company D is a private company established in 1980 and headquartered in France.

INDUSTRY OVERVIEW

Historical Prices of Main Materials

The core components of BIoT devices primarily include LCD screens, casings, and a range of chips and electronic elements that enable device functionality. Due to differences in design among industry participants, the specific components used in devices may vary. Overall, the prices of LCD screens and DRAM memory in BIoT devices are relatively comparable across the industry. Prices of LCD screens vary by size and fluctuate in response to supply and demand dynamics. Since 2020, the unit price of 11.6-inch LCD screens has ranged between RMB150 and RMB300, while that of 17.3-inch LCD screens has ranged between RMB250 and RMB400. Similarly, DRAM memory prices vary depending on capacity and are affected by factors, such as supply and demand and the semiconductor industry cycle. For example, since 2020, the price of DDR4 (8Gb (1Gx8), 2133Mbps, 8G capacity) has fluctuated between RMB10 and RMB26 per unit.

SOURCE OF INFORMATION

We engaged CIC, an independent market research and consulting company that provides industry consulting services, commercial due diligence, and strategic consulting, to conduct detailed research on and analysis of the global BIoT Solution industry. We have agreed to pay a fee of RMB0.5 million to CIC in connection with the preparation of the CIC Report. We have incorporated certain information from the CIC Report into this section, as well as into “Summary,” “Business,” “Financial Information,” and elsewhere in this document to provide potential [REDACTED] with a comprehensive presentation of the industries where we operate.

During the preparation of the CIC Report, CIC conducted both primary and secondary research, and gathered knowledge, statistics, information, and insights on industry trends within the target research markets. The primary research involved interviews with key industry experts and leading industry participants. The secondary research consisted of analyzing data from various publicly available sources, such as the National Bureau of Statistics.

The CIC Report was compiled based on the following assumptions: (i) the overall social, economic, and political environment in globally is expected to remain stable during the forecast period; (ii) related key industry drivers are likely to propel continued growth in the global BIoT Solution industry throughout the forecast period, including the increasing demand in digitalization in verticals and the advancement of BIoT related technologies; and (iii) there will be no extreme force majeure or unforeseen industry regulations in which the market may be affected in either a dramatic or fundamental way during the forecast period.

REGULATORY OVERVIEW

REGULATIONS RELATING TO CORPORATION AND FOREIGN INVESTMENT

The establishment, operation and management of corporate entities in the PRC is governed by the Company Law of the PRC (《中華人民共和國公司法》), which was promulgated by the Standing Committee of the National People’s Congress of the PRC (the “SCNPC”) on December 29, 1993 and came into effect on July 1, 1994, and was last amended on December 29, 2023 and became effect on July 1, 2024. The Company Law of the PRC generally governs two types of companies, namely limited liability companies and joint stock limited companies. Both types of companies have the status of legal persons, and the liability of shareholders of a limited liability company or a joint stock limited company is limited to the amount of registered capital they have contributed. The Company Law of the PRC shall also apply to foreign invested companies in form of limited liability company or joint stock limited company. Where laws on foreign investment have other stipulations, such stipulations shall apply.

On January 1, 2020, the Foreign Investment Law of the PRC (《中華人民共和國外商投資法》) (the “FIL”) and the Regulations on the Implementation of the Foreign Investment Law of the PRC (《中華人民共和國外商投資法實施條例》) became effective and simultaneously replaced the trio of prior laws regulating foreign investment in China, namely, the Sino-foreign Equity Joint Venture Enterprise Law of the PRC (《中華人民共和國中外合資經營企業法》), the Sino-foreign Cooperative Joint Venture Enterprise Law of the PRC (《中華人民共和國中外合作經營企業法》) and the Wholly Foreign-invested Enterprise Law of the PRC (《中華人民共和國外資企業法》), together with their implementation rules and ancillary regulations. The FIL sets out the definition of foreign investment and the framework for promotion, protection and administration of foreign investment activities. On December 30, 2019, the Ministry of Commerce of the PRC (the “MOFCOM”) and the State Administration for Market Regulation jointly promulgated the Measures for Reporting of Information on Foreign Investment (《外商投資信息報告辦法》), which came into effect on January 1, 2020, pursuant to which, the establishment of the foreign invested enterprises by foreign investors and establishment through purchasing the equities of a non-foreign invested enterprise and its subsequent changes are required to submit an initial or change report through the Enterprise Registration System.

Pursuant to the FIL, China has adopted a system of national treatment which includes a negative list with respect to foreign investment administration. The negative list will be issued by, amended or released upon approval by the State Council, from time to time. The negative list will set forth industries in which foreign investments are prohibited and industries in which foreign investments are restricted. Foreign investment in prohibited industries is not allowed, while foreign investment in restricted industries must satisfy certain conditions stipulated in the negative list. Foreign investments and domestic investments in industries outside the scope of the prohibited industries and restricted industries stipulated in the negative list will be treated equally. The Special Administrative Measures (Negative List) for the Access of Foreign Investment (2024 Version) (《外商投資准入特別管理措施(負面清單)(2024年版)》) (the “Negative List”), which were promulgated by the NDRC and the MOFCOM on September 6, 2024 and became effective on November 1, 2024 and the Catalog of Industries for Encouraging Foreign Investment (2022 Version) (《鼓勵外商投資產業目錄(2022年版)》) (the “Encouraging Catalog”), which was promulgated by the NDRC and the MOFCOM on October 26, 2022 and became effective on January 1, 2023, listed the categories of encouraged, restricted, and prohibited industries. Any industry not included in the Negative List shall be administered under the principle of equal treatment to domestic and foreign investment. According to the

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Negative List and the Encouraging Catalog, as of the Latest Practicable Date, our business does not fall within the scope of the Negative List and is not subject to special management measures thereunder.

REGULATIONS RELATING TO OVERSEAS DIRECT INVESTMENT

Pursuant to the Measures for the Administration of Outbound Investment by Enterprises (《企業境外投資管理辦法》), which was promulgated by the National Development and Reform Commission on December 26, 2017 and came into effect on March 1, 2018. Under these Measures, “outbound investment” refers to investment activities conducted directly by enterprises within China (the “investors”) or through their controlled overseas enterprises, by contributing assets or equity interests, or providing financing or guarantees, to obtain overseas ownership, control rights, management rights and other related interests. When making outbound investments, investors shall complete approval or filing procedures for outbound investment projects, report relevant information and cooperate with supervision and inspection.

The Measures for the Administration of Outbound Investment (《境外投資管理辦法》), which was originally promulgated by the MOFCOM on March 16, 2009 and effective as of May 1, 2009, with the latest revision promulgated on September 6, 2014 and effective as of October 6, 2014. Under these Measures, outbound investment refers to activities conducted by enterprises established in China in accordance with law to establish or acquire ownership, control rights, management rights or other interests in non-financial enterprises overseas through greenfield investment, mergers and acquisitions or other means. The Ministry of Commerce and provincial commerce authorities implement either approval or filing administration depending on the nature of the outbound investment, with investments involving sensitive countries or sensitive industries subject to approval while other investments subject to filing requirements. The competent authorities shall process applications efficiently in accordance with law through the “Outbound Investment Management System” and issue uniformly coded “Outbound Investment Certificates” to qualified enterprises, which serve as proof of completion of the approval or filing procedures and are issued based on the ultimate destination of the investment.

REGULATIONS RELATING TO PRODUCT LIABILITY AND CONSUMER PROTECTION

Pursuant to the PRC Product Quality Law (《中華人民共和國產品質量法》), which was promulgated on February 22, 1993 and amended on July 8, 2000, August 27, 2009, and December 29, 2018, a manufacturer is prohibited from producing or selling industrial products that do not meet applicable standards and requirements for safeguarding human health and ensuring human and property safety. Products must be free from unreasonable dangers threatening human and property safety. Where a defective product causes personal injury or property damage, the aggrieved party may make a claim for compensation from the manufacturer or the seller of the product. Manufacturers and sellers of non-compliant products may be ordered to cease the production or sale of the products and could be subject to confiscation of the products and fines. Earnings from sales in violation of such standards or requirements may also be confiscated, and in severe cases, an offender’s business license may be revoked.

On May 28, 2020, the National People’s Congress promulgated the Civil Code of the People’s Republic of China (《中華人民共和國民法典》), or the PRC Civil Code, which took effect on January 1, 2021. Under the PRC Civil Code, if a product is found to be defective and to compromise the personal and property security of others, the victim may require compensation to be made by the manufacturer or the seller of the product. Where any manufacturer or seller knowingly produces or sells defective products or

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fails to take effective remedial measures in accordance with the PRC Civil Code and thus causes death or serious damage to the health of others, such person shall be entitled to claim punitive damages. If the transporter, storekeeper or any other third party is responsible for the defect, the manufacturer or seller shall have the right to demand compensation for its losses from such third party.

On October 31, 1993, the Consumer Protection Law of the People’s Republic of China (《中華人民共和國消費者權益保護法》) was promulgated by the SCNPC, which was amended on October 25, 2013, to protect consumers’ rights when they purchase or use goods and accept services. All business operators must comply with this law when they manufacture or sell goods and/or provide services to customers. According to the amendment, all business operators shall pay high attention to protect the customers’ personal information which they obtain during the business operation.

REGULATIONS RELATING TO IMPORT AND EXPORT OF GOODS

Pursuant to the Regulations of the PRC on the Administration of Import and Export of Goods (《中華人民共和國貨物進出口管理條例》) promulgated by the State Council on December 10, 2001 which came into effect on January 1, 2002 and was latest amended on March 10, 2024, the Foreign Trade Law of the PRC (《中華人民共和國對外貿易法》) promulgated by the SCNPC on May 12, 1994 which came into effect on July 1, 1994 and was latest amended on December 30, 2022, the Customs Law of the PRC (《中華人民共和國海關法》) promulgated by the SCNPC on January 22, 1987 which came into effect on July 1, 1987 and was latest amended on April 29, 2021, the Measures for Record Filing and Registration by Foreign Trade Dealer (《對外貿易經營者備案登記辦法》) promulgated by MOFCOM on June 25, 2004, which came into effect on July 1, 2004 and was latest amended on May 10, 2021 and the Administrative Provisions 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 of the PRC on November 19, 2021 which came into effect on January 1, 2022, foreign trade business operators engaging in the import or export of goods or technology must go through the record filing and registration formalities with the MOFCOM or the agency entrusted by the MOFCOM. Unless otherwise provided by laws and regulations, the PRC government allows free export and import of goods and technologies, and protects the intellectual property rights associated with international trade. Unless otherwise provided for, the declaration of import or export goods and the payment of duties may be made by the consignees or consignors themselves, or by entrusted customs brokers that have been registered with the customs. Consignees and consignors of import and export goods and customs declaration enterprises that apply for record-filing shall obtain the qualification as market players; among them, consignees and consignors of import and export goods that apply for such aforementioned record-filing shall also obtain record-filing as foreign trade dealers.

REGULATIONS RELATING TO VALUE-ADDED TELECOMMUNICATIONS BUSINESS AND APPS STORE

The Telecommunications Regulations of the People’s Republic of China (《中華人民共和國電信條例》), or the Telecommunications Regulations, promulgated by the State Council on September 25, 2000, and most recently amended on February 6, 2016, stipulate that telecommunications service providers must obtain a Telecommunications Business Operating License before engaging in telecommunications business activities. The Telecommunications Regulations categorize telecommunications businesses into basic telecommunications businesses and value-added telecommunications businesses, according to the Catalog of Telecommunications

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Business (《電信業務分類目錄》), attached to the Telecommunications Regulations and last amended by the Ministry of Industry and Information Technology (“MIIT”) on June 6, 2019.

According to the Administrative Provisions on Mobile Internet Applications Information Services (《移動互聯網應用程序信息服務管理規定》), which was promulgated by the Cyberspace Administration of China (the “CAC”) on June 28, 2016, amended on June 14, 2022 and became effect on August 1, 2022, an Apps distribution platform shall undergo the recordation formalities with the cyberspace administration of the province, autonomous region, or municipality directly under the Central Government where it is located within 30 days of its online operation.

REGULATIONS RELATING TO FOOD OPERATION

According to the Administrative Measures for Food Operation Licensing and Record Filing (the “Food Operation Measures”)《食品經營許可和備案管理辦法》, which was promulgated by the State Administration for Market Regulation (the “SAMR”), on June 15, 2023 and became effective on December 1, 2023, entities and/or individuals engaging in the operation of food shall obtain a food operation license. Applicants for a food operation license shall meet various conditions set out in the Food Operation Measures. The food operation license is issued by administration for market regulation at or above the county level and is valid for five years. Those who engage in food operation activities but fail to obtain a required food operation license shall be punished by the local market regulatory authorities at or above the county level according to the Food Safety Law of the PRC (《中華人民共和國食品安全法》).

REGULATIONS RELATING TO ANTI-UNFAIR COMPETITION

According to the Anti-Unfair Competition Law of the PRC (《中華人民共和國反不正當競爭法》), or the Anti-Unfair Competition Law, which was passed by the SCNPC on September 2, 1993, became effective on December 1, 1993 and was most recently amended on April 23, 2019, unfair competition refers to that the operator disrupts the market competition order and damages the legitimate rights and interests of other operators or consumers in violation of the provisions of the Anti-unfair Competition Law in the production and operating activities. Pursuant to the Anti-unfair Competition Law, operators shall abide by the principle of voluntariness, equality, impartiality, integrity, and adhere to laws and business ethics during market transactions. Operators in violation of the Anti-unfair Competition Law shall bear corresponding civil, administrative or criminal liabilities depending on the specific circumstances.

Pursuant to the PRC Anti-Monopoly Law (Revised in 2022) (《中華人民共和國反壟斷法》) promulgated by the SCNPC on June 24, 2022 and took effect on August 1, 2022, prohibited monopolistic conducts including monopoly agreements, abuse of dominant market position and concentration of business operators that may have the effect of eliminating or restricting competition.

According to the Interim Provisions on the Prohibition of Commercial Bribery (《關於禁止商業賄賂行為的暫行規定》), or the Prohibition Commercial Bribery Provisions, which was promulgated by the former State Administration for Industry and Commerce (now the SAMR) on November 15, 1996, commercial bribery refers to an act of offering money or property or using other means by an operator to the other entity or individual for the purposes of selling or buying goods, among which “other means” refer to the means used to provide any types of benefits other than money or property, such as offering overseas or domestic travel.

REGULATORY OVERVIEW

According to the Anti-Unfair Competition Law and the Prohibition Commercial Bribery Provisions, regulatory authorities may impose fines depending on the seriousness of the cases and if there is any illegal income, such income shall be confiscated.

REGULATIONS RELATING TO LEASING

Pursuant to the Law on Administration of Urban Real Estate of the People’s Republic of China (《中華人民共和國城市房地產管理法》) promulgated by the SCNPC on July 5, 1994 and last amended on August 26, 2019 and became effective on January 1, 2020, when leasing premises, the lessor and lessee are required to enter into a written lease contract, containing such provisions as the leasing term, use of the premises, rental and repair liabilities, and other rights and obligations of both parties. Both lessor and lessee are also required to register the lease with the real estate administration department.

On December 1, 2010, the Ministry of Housing and Urban-Rural Development promulgated the Administrative Measures for Leasing of Commodity Housing (《商品房屋租賃管理辦法》), which became effective on February 1, 2011. According to such measures, landlords and tenants are required to enter into lease contracts which should generally contain specified provisions, and lease contracts should be registered with the relevant construction or property authorities at municipal or county level within 30 days after its conclusion. If the landlords and tenants fail to go through the registration procedures, both landlords and tenants may be subject to fines.

REGULATIONS RELATING TO PRODUCTION SAFETY

Pursuant to the Production Safety Law of the PRC (《中華人民共和國安全生產法》) amended by the SCNPC on June 10, 2021, and taking into effect on September 1, 2021, an enterprise shall provide production safety conditions as stipulated in this law and other relevant laws, administrative regulations, national and industry standards, establish the responsibility system and rules and regulations for production safety, and develop production safety standards to ensure production safety. Any entity that fails to provide required production safety conditions is prohibited from engaging in production activities.

REGULATIONS RELATING TO ENVIRONMENTAL PROTECTION

Pursuant to the PRC Environmental Protection Law (《中華人民共和國環境保護法》) promulgated by the SCNPC on December 26, 1989, amended on April 24, 2014, and became effective on January 1, 2015, any entity which discharges or will discharge pollutants during the course of operations or other activities must implement effective environmental protection safeguards and procedures to control and properly treat waste gas, waste water, waste residue, dust, malodorous gases, radioactive substances, noise, vibrations, electromagnetic radiation, and other hazards produced during such activities. Environmental protection authorities impose various administrative penalties on persons or enterprises in violation of the Environmental Protection Law. Such penalties include warnings, fines, orders to rectify within a prescribed period, orders to cease construction, orders to restrict or suspend production, orders to make recovery, orders to disclose relevant information or make an announcement, imposition of administrative action against relevant responsible persons, and orders to shutdown enterprises. Any person or entity that pollutes the environment resulting in damage could also be held liable under the PRC Civil Code. In addition, environmental organizations may also bring lawsuits against any entity that discharges pollutants detrimental to the public welfare.

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According to the Law of the People’s Republic of China on Environmental Impact Assessment (《中華人民共和國環境影響評價法》) promulgated by the SCNPC on October 28, 2002 and amended on July 2, 2016 and December 29, 2018, for construction projects that have an impact on the environment, entities shall prepare an environmental impact report, report form or registration form in accordance with the severity of the impact that the project may have on the environment.

REGULATIONS RELATING TO POLLUTION PERMIT

Pursuant to the Regulations on the Administration of Pollutant Discharge Permits (《排污許可管理條例》), which became effective on March 1, 2021, business operators that are subject to pollutant discharge permit administration in accordance with laws shall apply to the competent department of ecology and environment under the local people’s government at or above the level of city divided into districts where its production and business premises are located for a pollutant discharge permit. The entities that fail to obtain a pollutant discharge permit shall not discharge any pollutants. Enterprises, public institutions and other production and operation entities that produce and discharge little amount of pollutants with little impact on the environment shall fill in the pollutant discharge registration form, and are not required to apply for a pollutant discharge permit.

Pursuant to the Measures for the Administration of Pollutant Discharge Permits (《排污許可管理辦法》), which became effective on July 1, 2024, pollutant discharging entities that are included in the category-based administration catalogue of pollutant discharge licensing for stationary pollution sources shall apply for and obtain a pollutant discharge license within the prescribed time limit; pollutant discharging entities not included in the said catalogue are not required to apply for a pollutant discharge license temporarily.

Pursuant to the Classification Management List for Fixed Source Pollution Permits (2019 Edition) (《固定污染源排污許可分類管理名錄(2019年版)》), which became effective on December 20, 2019, the state implements focused management, simplified management and registration management of emission permits based on the pollutant-discharging enterprises and other manufacturing businesses’ (“pollutant discharging entities”) amount of pollutants, emissions and the extent of environmental damage. Pollutant discharging entities that implements registration management does not need to apply for a pollutant discharge permit. It should fill in a pollutant discharge registration form on the National Pollutant Discharge Permit Management Information Platform to register basic information, pollutant discharge destinations, implemented pollutant discharge standards, pollution prevention measures taken and other information.

REGULATIONS ON FIRE PREVENTION

Pursuant to the PRC Fire Safety Law (《中華人民共和國消防法》), which was promulgated by the SCNPC on April 29, 1998, and most recently amended on April 29, 2021, and the Interim Provisions on Administration of Fire Control Design Review and Acceptance of Construction Project (《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 April 1, 2020, which became effective on June 1, 2020 and was amended on August 21, 2023, special construction projects that fail to undergo or pass the fire protection acceptance check are prohibited from being put into use. Construction projects other than special construction projects shall go through the fire safety acceptance filing, and the competent housing and urban-rural development authorities shall conduct random inspections on the fire safety acceptance of other construction projects filed. If the construction projects fail to pass the random inspection on fire safety acceptance, such projects shall be suspended from

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use. Any special construction projects put into use without passing the fire protection acceptance check, or failure to suspend the use of any construction projects other than special construction projects which fail to pass the random inspection on fire safety acceptance, shall be ordered to discontinue the construction, use, production or operation and be fined not less than RMB30,000 but not more than RMB300,000. Any constructing entity fails to go through the fire safety acceptance filing for any construction projects other than special construction projects shall be ordered to make corrections and imposed a fine of not more than RMB5,000 by the competent housing and urban-rural development authorities.

REGULATIONS RELATING TO DATA PRIVACY AND CYBERSECURITY

Cyber Security

On June 1, 2017, the Cyber Security Law of the People’s Republic of China (《中華人民共和國網絡安全法》), or the Cyber Security Law, promulgated by SCNPC, which is formulated to maintain the network security, safeguard the cyberspace sovereignty, national security and public interests, protect the lawful rights and interests of citizens, legal persons and other organizations, and requires that a network operator, which includes, among others, internet information services providers, take technical measures and other necessary measures to safeguard the safe and stable operation of the networks, effectively respond to the network security incidents, prevent illegal and criminal activities, and maintain the integrity, confidentiality and availability of network data. The Cyber Security Law reaffirms the basic principles and requirements set forth in other existing laws and regulations on personal information protections and strengthens the obligations and requirements of internet service providers, which include but are not limited to: (i) keeping all user information collected strictly confidential and setting up a comprehensive user information protection system; (ii) abiding by the principles of legality, rationality and necessity in the collection and use of user information and disclosure of the rules, purposes, methods and scopes of collection and use of user information; and (iii) protecting users’ personal information from being leaked, tampered with, destroyed or provided to third parties. Any violation of the provisions and requirements under the Cyber Security Law and other related regulations and rules may result in administrative liabilities such as warnings, fines, confiscation of illegal gains, revocation of licenses, suspension of business, and shutting down of websites, or, in severe cases, criminal liabilities.

On December 28, 2021, the CAC, together with other relevant administrative departments, jointly promulgated the Cybersecurity Review Measures (2021) (《網絡安全審查辦法 (2021)》) which became effective from February 15, 2022. According to the Cybersecurity Review Measures (2021), operators of critical information infrastructure who purchase network products and services and network platform operators who carry out data processing activities that affect or may affect national security shall be subject to cybersecurity review. In addition, an Internet platform operator who possesses personal information of more than 1 million users shall apply for cybersecurity review before listing of the Internet platform operator’s securities in a foreign country, and the relevant governmental authorities may initiate cybersecurity review if such governmental authorities consider relevant network products or services and data processing affect or may affect national security.

On July 30, 2021, the State Council promulgated the Critical Information Infrastructure Security Protection Regulations (《關鍵信息基礎設施安全保護條例》) (“Critical Information Infrastructure Regulations”), effective from September 1, 2021. According to Critical Information Infrastructure

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Regulations, Critical information infrastructure refers to important network infrastructure, information systems, etc., in important industries and sectors such as public telecommunications and information services, energy, transportation, water, finance, public services, e-government, national defense science, technology, and industry, etc., as well as where their destruction, loss of functionality, or data leakage may gravely harm national security, the national economy and people’s livelihood, or the public interest. According to the Critical Information Infrastructure Regulations, protection work departments are responsible for organizing the identification of CII within their industries and sectors and notifying operators about the identification results.

Data Security

On June 10, 2021, the SCNPC promulgated the Data Security Law of People’s Republic of China (《中華人民共和國數據安全法》), which become effective on September 1, 2021. It is formulated so as to regulate the handling of data, ensure data security, promote the development and exploitation of data, protect the legitimate rights and interests of citizens and organizations, and preserve state sovereignty, security, and development interests. The law stipulates that the carrying out of data handling activities shall obey laws and regulations, respect social mores and ethics, comply with commercial ethics and professional ethics, be honest and trustworthy, perform obligations to protect data security, and undertake social responsibility; it must not endanger national security, the public interest, or individuals’ and organizations’ lawful rights and interests. Furthermore, the Opinions on Strictly Cracking Down on Illegal Securities Activities in Accordance with the Law (《關於依法從嚴打擊證券違法活動的意見》), or the Opinions on Strictly Cracking Down on Illegal Securities Activities, which were issued by the General Office of the State Council and another authority on July 6, 2021, require the speedup of the revision of the provisions on strengthening the confidentiality and archives coordination between regulators related to overseas issuance and listing of securities, and improvement to the laws and regulations related to data security, cross-border data flow, and management of confidential information.

On July 7, 2022, the CAC promulgated the Measures on Security Assessment of Cross-border Data Transfer (《數據出境安全評估辦法》) which came into effect on September 1, 2022. According to which, a data processor shall declare security assessment for its outbound data transfer to the CAC through the local cyberspace administration at the provincial level to provide data abroad under any of the following circumstances: (i) where a data processor provides important data outside the territory of the PRC; (ii) where a critical information infrastructure operator or a data processor processing the personal information of more than one million individuals provides personal information outside the territory of the PRC; (iii) where a data processor has provided personal information of 100,000 individuals or sensitive personal information of 10,000 individuals in total outside the territory of the PRC since January 1 of the previous year; and (iv) other circumstances prescribed by the CAC for which declaration for security assessment for cross-border data transfers is required.

The Provisions on Facilitating and Regulating Cross-Border Data Flows (《促進和規範數據跨境流動規定》), which was promulgated by the CAC and took effect on March 22, 2024, redefines the subjects and circumstances that require security assessment of cross-border data transfer, signing and filing standard contracts, and applying for protection certification, stipulates the conditions for data cross-border transfer that are exempted from declaring the security assessment, signing and filing standard contracts, and applying for protection certification, and establishes a negative list system for pilot free trade zones, to promote the free flow of data in an orderly manner in accordance with the law.

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The Administrative Regulations on Cyber Data Security (《網絡數據安全管理條例》), which was promulgated by the State Council and took effect on January 1, 2025, stipulates that network data processors engaging in network data processing activities that affect or may affect national security, shall be subject to national security review pursuant to the relevant government regulations. Moreover, the Administrative Regulations on Cyber Data Security also sets forth other specific requirements regarding data processing activities by network data processors in aspects of personal data protection, security of important data, security management of cross-border data and obligations of internet platform service providers.

Privacy Protection

Pursuant to the Notice on Lawfully Punishing Criminal Activities Infringing upon Citizens’ Personal Information (《關於依法懲處侵害公民個人信息犯罪活動的通知》) issued by the Supreme People’s Court, the Supreme People’s Procuratorate and the MPS on April 23, 2013, and the Interpretation on Several Issues Concerning the Application of Law in the Handling of Criminal Cases of Infringement upon Citizens’ Personal Information (《關於辦理侵犯公民個人信息刑事案件適用法律若干問題的解釋》) issued on May 8, 2017 and effective on June 1, 2017, the following activities may constitute criminal offenses of infringing upon citizens’ personal information: (i) providing citizens’ personal information to specific persons or publishing citizens’ personal information through information networks or other means in violation of relevant state regulations; (ii) providing legally collected citizens’ personal information to others without the consent of the individuals whose information was collected, except where the information has been processed to make specific individuals unidentifiable and non-recoverable; (iii) collecting citizens’ personal information in the course of performing duties or providing services in violation of applicable rules and regulations; or (iv) obtaining citizens’ personal information through purchase, receipt, exchange or other means in violation of applicable rules and regulations. According to the Civil Code, the collection, storage, use, processing, transmission, provision and disclosure of personal information shall comply with the principles of legality, legitimacy and necessity.

On August 20, 2021, the Standing Committee of the National People’s Congress promulgated the Personal Information Protection Law 《中華人民共和國個人信息保護法》 of the People’s Republic of China (the “Personal Information Protection Law”), which came into effect on November 1, 2021. The Law aims to protect the rights and interests relating to personal information and regulate personal information processing activities. The Personal Information Protection Law defines several important concepts concerning the processing of personal information: (i) “personal information” refers to various kinds of information recorded electronically or otherwise related to identified or identifiable natural persons, excluding information that has been anonymized; (ii) “processing of personal information” includes the collection, storage, use, processing, transmission, provision, disclosure and deletion of personal information; and (iii) “personal information processor” refers to an organization or individual that autonomously determines the purposes and means of processing in personal information processing activities.

The Personal Information Protection Law also stipulates obligations in the context of entrusting the processing of personal information. Where a personal information processor entrusts others to process personal information, (i) the processor shall agree with the entrusted party on the purposes, duration, methods, categories of personal information and protection measures of the entrusted processing, among other important matters, and supervise the processing activities of the entrusted party; and (ii) the entrusted

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party shall strictly process personal information within the agreed scope, ensure the security of the processed personal information, and assist the processor in fulfilling its legal obligations.

REGULATIONS RELATING TO INTELLECTUAL PROPERTY

Trademark

According to the Trademark Law of the People’s Republic of China (《中華人民共和國商標法》) promulgated by the SCNPC on August 23, 1982, and amended on February 22, 1993, October 27, 2001, August 30, 2013 and April 23, 2019 respectively, the Trademark Office of the SAMR, under the State Council is responsible for the registration and administration of trademarks in China. The SAMR under the State Council has established a Trademark Review and Adjudication Board for resolving trademark disputes. Registered trademarks are valid for ten years from the date the registration is approved. A registrant may apply to renew a registration within twelve months before the expiration date of the registration. If the registrant fails to apply in a timely manner, a grace period of six additional months may be granted. If the registrant fails to apply before the grace period expires, the registered trademark shall be deregistered. Renewed registrations are valid for ten years. On April 29, 2014, the State Council issued the revised Implementing Regulations of the Trademark Law of the People’s Republic of China (《中華人民共和國商標法實施條例》), which specifies the requirements of applying for trademark registration and renewal.

Patent

According to the Patent Law of the People’s Republic of China (《中華人民共和國專利法》), or the Patent Law, promulgated by the SCNPC on March 12, 1984 and amended on September 4, 1992, August 25, 2000, December 27, 2008, and October 17, 2020, the latest amendment took effect on June 1, 2021, respectively, and the Implementation Rules of the Patent Law of the People’s Republic of China (《中華人民共和國專利法實施細則》), or the Implementation Rules of the Patent Law, promulgated by the State Council on June 15, 2001, last amended on December 11, 2023 and came into effect on January 20, 2024, respectively, the patent administrative department under the State Council is responsible for the administration of patent-related work nationwide and the patent administration departments of provincial or autonomous regions or municipal governments are responsible for administering patents within the irrelative administrative areas. The Patent Law and Implementation Rules of the Patent Law provide for three types of patents, namely “inventions,” “utility models” and “designs.” Invention patents are valid for twenty years, while utility model patents are valid for ten years, and design patents are valid for fifteen years, in each case from the date of application. The Chinese patent system adopts a “first come, first file” principle, which means that where more than one person files a patent application for the same invention, a patent will be granted to the person who files the application first. An invention or a utility model must possess novelty, inventiveness and practical applicability to be patentable. Third Parties must obtain consent or a proper license from the patent owner to use the patent. Otherwise, the unauthorized use constitutes an infringement on the patent rights.

Copyright

On September 7, 1990, the SCNPC promulgated the Copyright Law of the People’s Republic of China (《中華人民共和國著作權法》), or the Copyright Law, effective on June 1, 1991 and amended on

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October 27, 2001, February 26, 2010 and November 11, 2020, and the latest amendment took effect on June 1, 2021. The amended Copyright Law extends copyright protection to internet activities, products disseminated over the internet and software products. In addition, there is a voluntary registration system administered by the Copyright Protection Centre of China. According to the Copyright Law, Chinese citizens, legal persons, or other organizations shall, whether published or not, own copyright in their copyrightable works, which include, among others, works of literature, art, natural science, social science, engineering technology and computer software. Copyright owners enjoy certain legal rights, including right of publication, right of authorship and right of reproduction. An infringer of the copyrights shall be subject to various civil liabilities, which include ceasing infringement activities, apologizing to the copyright owners and compensating the loss of copyright owner. Infringers of copyright may also subject to fines and/or administrative or criminal liabilities in severe situations.

In order to further implement the Regulations on Computer Software Protection (《計算機軟件保護條例》), promulgated by the State Council on December 20, 2001 and amended on January 8, 2011 and January 30, 2013, respectively, the National Copyright Administration issued the Measures for the Registration of Computer Software Copyright (《計算機軟件著作權登記辦法》) on February 20, 2002, which specify detailed procedures and requirements with respect to the registration of software copyrights.

Domain Names

Domain names are protected under the Administrative Measures on the Internet Domain Names (《互聯網域名管理辦法》) which was promulgated by MIIT on August 24, 2017 and became effective on November 1, 2017. MIIT is the major regulatory body responsible for the administration of the PRC internet domain names. The registration of domain names generally adopts the “first to file” principle. On November 27, 2017, MIIT promulgated 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 became effective on January 1, 2018. Pursuant to the notice, the domain name used by an internet-based information service provider in providing internet-based information services must be registered and owned by such provider in accordance with the law. If the internet-based information service provider is an entity, the domain name registrant must be the entity (or any of the entity’s shareholders), or the entity’s principal or senior manager.

REGULATIONS RELATING TO FOREIGN EXCHANGE

The Regulations on the Control of Foreign Exchange of the PRC (《中華人民共和國外匯管理條例》), which was promulgated by the State Council on January 29, 1996, became effective on April 1, 1996 and was last amended and took effect on August 5, 2008, set out that foreign exchange receipts of domestic institutions or individuals may be remitted back to the PRC or deposited abroad and that SAFE shall specify the conditions relating to the requirements, time periods and other aspects of such remittance and deposits in accordance with the international receipts, payments status and requirements of foreign exchange administration. Domestic institutions or individuals that make direct investments abroad or are engaged in the distribution or sale of valuable securities or derivative products overseas shall register according to SAFE regulations. Such institutions or individuals subject to prior approval or record-filing with other competent authority shall complete the required approval or record-filing prior to foreign exchange registration. The exchange rate for RMB follows a managed floating exchange rate system based on market demand and supply.

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The Regulations on the Administration of the Settlement, Sale and Payment of Foreign Exchange (《結匯、售匯及付匯管理規定》), which was promulgated by the People’s Bank of China on June 20, 1996 and came into effect on July 1, 1996, provides that foreign exchange earnings under the current account of FIEs may be retained to the fullest extent specified by the relevant foreign exchange bureau. Any portion in excess of such amount shall be sold to a designated foreign exchange bank or through a foreign exchange swap centre.

According to the Notice of the State Administration of Foreign Exchange 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》) promulgated by the SAFE on December 26, 2014, a domestic company shall, within 15 working days after the completion of its overseas listing, go through the registration of overseas listing with the foreign exchange bureau at its place of registration. A domestic issuer may transfer the capital raised through overseas listing to its local bank account or deposit at its overseas account. The use of proceeds shall be consistent with the purposes disclosed in this document or other public documents.

According to the Circular of the State Administration of Foreign Exchange on Reforming and Regulating Policies for the Administration over Foreign Exchange Settlement of Capital Accounts (《國家外匯管理局關於改革和規範資本項目結匯管理政策的通知》) announced by SAFE and effective on June 9, 2016, and the Notice of the State Administration of Foreign Exchange on Further Deepening Reform to Promote Cross-border Trade and Investment Facilitation (《國家外匯管理局關於進一步深化改革促進跨境貿易投資便利化的通知》) announced and effective on December 4, 2023, the foreign exchange receipts under capital accounts of domestic institutions are subject to discretionary settlement policies. The foreign exchange receipts under capital accounts (including foreign exchange capital, foreign debts, and repatriated funds raised through overseas listing) subject to discretionary settlement as expressly prescribed in the relevant policies may be settled with banks according to the actual need of the domestic institutions for business operation. Domestic institutions may, at their discretion, settle up to 100% of foreign exchange receipts under capital accounts for the time being. SAFE may adjust the above proportion in due time according to the balance of payments. While eligible for the discretionary settlement of foreign exchange receipts under capital accounts, domestic institutions may also opt to use their foreign exchange receipts according to the payment-based settlement system. A bank shall, in handling each transaction of foreign exchange settlement for a domestic institution according to the principle of payment-based settlement, review the authenticity and compliance of the use of the funds settled in the previous foreign exchange settlement (including discretionary settlement and payment-based settlement) of such domestic institution. Domestic institutions’ foreign exchange receipts under the capital account and the Renminbi funds obtained from the settlement thereof shall not, directly or indirectly, be used for expenditure beyond the enterprise’s business scope or expenditure prohibited by laws and regulations of the state. Unless otherwise specified, the funds shall not, directly or indirectly, be used for investments in securities or other investments or wealth management other than banks’ principal-secured products. The funds shall not be used for the granting of loans to non-affiliated enterprises, except where it is expressly permitted in the business scope. The funds shall not be used for the construction or purchase of real estate for purposes other than self-use (except for real estate enterprises).

REGULATIONS RELATING TO DIVIDEND DISTRIBUTIONS

The principal laws, rules and regulations governing dividends distribution by companies in the PRC are the Company Law, which applies to both PRC domestic companies and foreign-invested companies,

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and the Foreign Investment Law and the implementing rules, which apply to foreign- invested companies. Under these laws, regulations and rules, both domestic companies and foreign- invested companies in the PRC are required to set aside as general reserves at least 10% of their after-tax profit, until the cumulative amount of their reserves reaches 50% of their registered capital. Companies are not permitted to distribute any profits until any losses from prior fiscal years have been offset. Profits retained from prior fiscal years may be distributed together with distributable profits from the current fiscal year.

REGULATIONS RELATING TO STOCK INCENTIVE PLANS

According to the Notice of the State Administration of Foreign Exchange on Issues Relating to the Foreign Exchange Administration for Domestic Individuals Participating in Stock Incentive Plan of Overseas Listed Company (《國家外匯管理局關於境內個人參與境外上市公司股權激勵計劃外匯管理有關問題的通知》), or the Share Incentive Rules, which was issued on February 15, 2012 and other regulations, directors, supervisors, senior management and other employees participating in any share incentive plan of an overseas publicly-listed company who are PRC citizens or non-PRC citizens residing in China for a continuous period of not less than one year, subject to certain exceptions, are required to register with SAFE. All such participants need to authorize a qualified PRC agent, to register with SAFE and handle foreign exchange matters such as opening accounts, and transfer and settlement of the relevant proceeds. The Share Incentive Rules further require an offshore agent to be designated to handle matters in connection with the exercise of share options and sales of proceeds for the participants of the share incentive plans. Failure to complete the said SAFE registrations may subject the participating directors, supervisors, senior management and other employees to fines and other legal sanctions.

The State Administration of Taxation has promulgated several notices concerning employee stock options and restricted shares, including the Notice on Individual Income Tax Issues Related to Equity Incentives (《關於股權激勵有關個人所得稅問題的通知》) promulgated and effective on August 24, 2009, and the Notice of the State Administration of Taxation on Several Measures for Further Deepening the Reform of “Streamlining Administration, Delegating Powers, Improving Regulation, and Upgrading Services” in the Tax Field to Cultivate and Stimulate Market Vitality (《國家稅務總局關於進一步深化稅務領域 放管服 改革培育和激發市場主體活力若干措施的通知》) promulgated and effective on October 12, 2021. Pursuant to Circular 461 and other relevant laws and regulations, employees working in China who exercise stock options or are granted restricted shares are subject to Chinese individual income tax, and Chinese subsidiaries of overseas listed companies are required to file relevant documents with competent tax authorities and withhold individual income tax for such employees. Failure to comply with these tax obligations may subject the Chinese subsidiaries to sanctions imposed by tax authorities or other Chinese government departments.

REGULATIONS RELATING TO TAXATION

Income tax

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》), or the EIT Law, which was promulgated on March 16, 2007, became effective from January 1, 2008 and amended on February 24, 2017 and December 29, 2018, respectively, an enterprise established outside the PRC with de facto management bodies within the PRC is considered a resident

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enterprise for PRC enterprise income tax purposes and is generally subject to a uniform 25% enterprise income tax rate on its worldwide income. The Implementing Rules of the Enterprise Income Law of the People’s Republic of China (《中華人民共和國企業所得稅法實施條例》), or the Implementing Rules of the EIT Law defines a de facto management body as a managing body that in practice exercises “substantial and overall management and control over the production and operations, personnel, accounting, and properties” of the enterprise. Non-PRC resident enterprises without any branches in the PRC pay an enterprise income tax in connection with their income originating from the PRC at the tax rate of 10%.

According to the Announcement on Issues Related to the Implementation of Preferential Income Tax Policies for High-Tech Enterprises (《關於實施高新技術企業所得稅優惠政策有關問題的公告》) promulgated by SAT on June 19, 2017, and Administrative Measures for the Certification of High-tech Enterprises (《高新技術企業認定管理辦法》) amended by Ministry of Science and Technology, MOF and SAT on January 29, 2016 and came into effect since January 1, 2016, upon the accreditation of the qualification of High-tech enterprises, such enterprises may apply for the entitlement of the preferential enterprise income tax treatment since the current year beginning from the valid period approved by the accreditation. Enterprises with “High-Tech Enterprise Certificate” along with its copies and relevant information may apply to competent tax authorities for tax reduction or exemption. Upon the fulfillment of those procedures, the high and new technology enterprise can make advance enterprise income tax declaration at a tax rate of 15% or enjoy a transitional preferential tax treatment.

Tax on dividend distribution

For Individual Investors

According to the Individual Income Tax Law of the PRC (《中華人民共和國個人所得稅法》), or the Individual Income Tax Law, amended by the SCNPC on August 31, 2018 and effective on January 1, 2019, and the Implementation Rules of the Individual Income Tax Law of the PRC (《中華人民共和國個人所得稅法實施條例》) amended by the State Council on December 18, 2018 and effective on January 1, 2019, dividends paid by PRC companies to individual investors are ordinarily subject to a withholding income tax levied at a flat rate of 20%. Meanwhile, according to the Notice on Issues Concerning Differentiated Individual Income Tax Policies on Dividends and Bonus of Listed Companies (《關於上市公司股息紅利差別化個人所得稅政策有關問題的通知》) issued by the MOF, the SAT and the CSRC on September 7, 2015 and effective on September 8, 2015, where an individual holds the shares of a listed company obtained from the public offering for more than one year and transfers the stock of the listed company on the stock market, the dividend and bonus income shall be temporarily exempted from individual income tax. Where an individual acquires shares of a listed company from the public offering and transfers the stock of the listed company on the stock market, if the holding period is within one month (inclusive), the dividend income shall be included in the taxable income in full; if the holding period is more than one month but less than one year (inclusive), the dividend income shall be included in the taxable income at the rate of 50%; the aforesaid income shall be subject to individual income tax at a uniform rate of 20%.

For Enterprise Investors

Pursuant to the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法》), or the EIT Law, amended by the SCNPC and effective on December 29, 2018, and the Implementation Rules of

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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》), or the Implementation Rules of the EIT Law, last amended by the State Council on December 6, 2024 and effective on January 20, 2025, a non-resident enterprise is subject to a reduced rate of 10% enterprise income tax on PRC-sourced income, including dividends paid by a PRC resident enterprise that issues and lists shares in Hong Kong, if such non-resident enterprise does not have an establishment or place of business in the PRC or has an establishment or place of business in the PRC but the PRC-sourced income is not actually connected with such establishment or place of business in the PRC. The aforesaid income tax payable by non-resident enterprises shall be withheld at source, and the payer shall be the withholding agent, and the tax shall be withheld by the withholding agent from the payment or due payment every time it is paid or due. Such tax may be reduced or exempted pursuant to an applicable treaty for the avoidance of double taxation.

Pursuant to the Notice on the Issues Concerning Withholding the Enterprise Income Tax on the Dividends Paid by Chinese Resident Enterprises to H Share Holders Which Are Overseas Non-resident Enterprises (《關於中國居民企業向境外H股非居民企業股東派發股息代扣代繳企業所得稅有關問題的通知》) issued by the SAT and effective on November 6, 2008, a PRC resident enterprise is required to withhold enterprise income tax at a rate of 10% on dividends paid to non-PRC resident enterprise holders of H Shares which are derived out of profit generated since 2008. The Reply on the Collection of Enterprise Income Tax on Dividends Received by Non-resident Enterprises from Holding B Shares and Other 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》) promulgated by the SAT and effective July 24, 2009 further provides that PRC-resident enterprises listed on Chinese and overseas stock exchanges by issuing stocks (including A shares, B shares and overseas shares) must withhold enterprise income tax at a flat rate of 10% on dividends of 2008 and onwards that it distributes to non-resident enterprise shareholders. Such tax rates may be further modified pursuant to the tax treaty or agreement that China has concluded with a relevant jurisdiction, where applicable.

Value-Added Tax

Pursuant to the Interim Regulations on Value-Added Tax of the People’s Republic of China (《中華人民共和國增值稅暫行條例》), which was promulgated by the State Council on December 13, 1993 and amended on November 5, 2008, February 6, 2016 and November 19, 2017, respectively, and the Implementation Rules for the Interim Regulations on Value-Added Tax of the People’s Republic of China (《中華人民共和國增值稅暫行條例實施細則》), which was promulgated by the MOF and SAT on December 15, 2008 and became effective on January 1, 2009 and as amended on October 28, 2011, all taxpayers selling goods, providing processing, repairing or replacement services or importing goods within the PRC shall pay VAT. On April 4, 2018, the Ministry of Finance and the STA issued the Circular on Adjustment of VAT Rates (《關於調整增值稅稅率的通知》), which took effect on May 1, 2018. According to the abovementioned circular, the taxable goods previously subject to VAT rates of 17% and 11% respectively became subject to lower VAT rates of 16% and 10% respectively starting from May 1, 2018. Furthermore, according to the Announcement on Relevant Policies for Deepening VAT Reform (《關於深化增值稅改革有關政策的公告》) jointly promulgated by the Ministry of Finance, the STA and the General Administration of Customs, which took effect on April 1, 2019, the taxable goods previously subject to VAT rates of 16% and 10% respectively became subject to lower VAT rates of 13% and 9% respectively starting from April 1, 2019.

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REGULATIONS RELATING TO EMPLOYMENT AND SOCIAL WELFARE

According to the Labor Contract Law of the People’s Republic of China (《中華人民共和國勞動合同法》), or the Labor Contract Law, promulgated by the SCNPC on June 29, 2007 and amended on December 28, 2012, and the Implementation Rules of the Labor Contract Law of the People’s Republic of China (《中華人民共和國勞動合同法實施條例》), or the Implementation Rules of the Labor Contract Law, promulgated by the State Council on September 18, 2008, a written employment contract shall be concluded in the establishment of an employment relationship. If an employer fails to enter into a written employment contract with an employee within one year from the date on which the employment relationship is established, the employer must rectify the situation by entering into a written employment contract with the employee and pay the employee twice the employee’s salary for the period from the day following the lapse of one month from the date of establishment of the employment relationship to the day prior to the execution of the written employment contract. The Labor Contract Law and its implementation rules also require compensation to be paid upon certain terminations. In addition, if an employer intends to enforce a non-compete provision in an employment contract or non-competition agreement with an employee, it has to compensate the employee on a monthly basis during the term of the restriction period after the termination or expiry of the labor contract. Employers in most cases are also required to provide severance payment to their employees after their employment relationships are terminated. According to the Labor Law of the PRC (《中華人民共和國勞動法》) promulgated on July 5, 1994, last revised on December 29, 2018 and became effective on the same day, every employer must ensure workplace safety and sanitation in accordance with national regulations and provide relevant training to its employees.

Pursuant to the Social Insurance Law of the People’s Republic of China (《中華人民共和國社會保險法》), which was promulgated by the SCNPC on October 28, 2010, effective on July 1, 2011 and last amended on December 29, 2018, the Interim Regulations on the Collection of Social Insurance Fees (《社會保險費征繳暫行條例》), issued by the State Council on January 22, 1999 and last amended on March 24, 2019, and the Regulations on the Administration of Housing Provident Funds (《住房公積金管理條例》), issued by the State Council on April 3, 1999 and last amended on March 24, 2019, enterprises in China are required to participate in certain employee benefit plans, including social insurance funds and housing provident funds, and contribute to the funds in amounts equal to certain percentages of salaries, including bonuses and allowances, of the employees as specified by the local government from time to time at locations where they operate their businesses or where they are located.

Pursuant to the Social Insurance Law of the People’s Republic of China, enterprises in China shall present their business license, registration certificate or organization seal to complete social security registration with the local social security agency within 30 days from the date of incorporation, and enterprises in China shall complete social security registration with the social security agency for their employees within 30 days from the date of recruitment. If the employer fails to go through the formalities for social insurance registration, the administrative department of social insurance shall order it to rectify within a prescribed time limit; where it fails to rectify within the prescribed time limit, the employer shall be subject to a fine of not less than one time but not more than three times the amount of the payable social insurance premiums, and the person directly in charge and other persons directly liable shall be subject to a fine of not less than RMB500 but not more than RMB3,000. Also, enterprises in China shall declare on their own and pay social insurance premiums in full and on time, and shall not postpone, reduce or exempt the payment of social insurance premiums not due to force majeure and other statutory causes. Where an

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employer fails to pay social insurance premiums in full and on time, the social insurance premiums collecting agency shall order it to pay or supplement the premiums within a time limit, and shall, as of the date of default, impose an overdue fine at the rate of 0.05% per day; where the employer fails to make the payment within the time limit, the relevant administrative department shall impose a fine of not less than one time but not more than three times the amount of the arrears.

Pursuant to the Regulations on the Administration of Housing Provident Funds, a newly established entity shall, within 30 days from the date of its establishment, undertake registration of payment and deposit of housing provident fund with a housing provident fund management center, and within 20 days from the date of the registration, go through the formalities of opening housing provident fund accounts on behalf of its staff and workers. Otherwise, it will be subject to a fine of not less than RMB10,000 but not more than RMB50,000. Also, entities shall pay housing provident funds on time and in full, and shall not be overdue in the payment and deposit or underpay. If an entity fails to pay housing fund contributions within a time limit or underpays housing fund contributions, it shall be ordered by the housing fund management center to pay the outstanding housing fund contributions within a time limit; if it fails to pay the outstanding housing fund contributions within the time limit, the housing fund management center may apply to the people's court for enforcement.

Pursuant to the Reform Plan of the State Tax and Local Tax Collection Administration System (《國稅地稅征管體制改革方案》), which was promulgated by the General Office of the Communist Party of China and the General Office of the State Council of the PRC on July 20, 2018, from January 1, 2019, all the social insurance premiums including the premiums of the basic pension insurance, unemployment insurance, maternity insurance, work injury insurance and basic medical insurance will be collected by the tax authorities. According to the Notice of the General Office of the State Taxation Administration on Conducting the Relevant Work Concerning the Administration of Collection of Social Insurance Premiums in a Steady, Orderly and Effective Manner (《國家稅務總局辦公廳關於穩妥有序做好社會保險費征管有關工作的通知》) promulgated on September 13, 2018 and the Urgent Notice of the General Office of the Ministry of Human Resources and Social Security on Implementing the Spirit of the Executive Meeting of the State Council in Stabilizing the Collection of Social Insurance Premiums (《人力資源和社會保障部辦公廳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 September 21, 2018, all the local authorities responsible for the collection of social insurance are strictly forbidden to conduct self-collection of historical unpaid social insurance contributions from enterprises. Notice of the State Administration of Taxation on Implementing the Several Measures to Further Support and Serve the Development of Private Economy (《國家稅務總局關於實施進一步支持和服務民營經濟發展若干措施的通知》) promulgated on November 16, 2018, repeats that tax authorities at all levels may not organize self-collection of arrears of taxpayers including private enterprises in the previous years.

REGULATIONS RELATING TO OVERSEAS LISTING

On February 17, 2023, the CSRC released the Interim Measures for the Administration of Overseas Securities Offering and Listing by Domestic Enterprises (《境內企業境外發行證券和上市管理試行辦法》), or the Trial Measures, and five supporting guidelines, which came into effect on March 31, 2023. According to the Trial Measures, PRC domestic companies that seek overseas listing and offering, both directly and indirectly, should fulfill the filing procedure and report relevant information to the CSRC.

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

H-share Full Circulation

“Full circulation” means listing and circulating on the stock exchange of the domestic unlisted shares of an H-share listed company, including unlisted domestic shares held by domestic shareholders prior to overseas listing, unlisted domestic shares additionally issued after overseas listing, and unlisted shares held by foreign shareholders. On November 14, 2019, the CSRC issued the Guidelines for the “Full Circulation” Program for Domestic Unlisted Shares of H-share Listed Companies (《H股公司境內未上市股份申請“全流通”業務指引》) (the “Guidelines for the Full Circulation”), which was partly revised on August 10, 2023 by the Decision on Revising and Abolishing Part of Securities and Futures Policy Documents by CSRC (《中國證券監督管理委員會關於修改、廢止部分證券期貨制度文件的決定》).

According to the Guidelines for the Full Circulation, 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 the said application for full circulation.

On September 20, 2024, the Shenzhen Branch of China Securities Depository and Clearing issued the Guidelines to the Program for “Full Circulation” of H-shares of Shenzhen Branch of China Securities Depository and Clearing Corporation Limited (《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》), which are applicable to the business preparation, cross-border share transfer registration and overseas centralized custody, the initial maintenance of details of domestic shareholding and the maintenance of its changes, corporate actions, clearing, settlement and risk management measures. On the same day, China Securities Depository and Clearing (Hong Kong) Company Limited issued the H-Share Full Circulation Business Guide of China Securities Depository and Clearing (Hong Kong) Limited (《中國證券登記結算(香港)有限公司H股“全流通”業務指南》), which is applicable to businesses such as share custody and depository, agent service, arrangement for settlement and delivery, and risk management measures.

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

OVERVIEW

Tracking back to 2013, our Group was founded by Mr. Lin, our executive Director, chairman of the Board and one of our Controlling Shareholders. After more than a decade of development and under the leadership of Mr. Lin, we have become the world’s leading Business Internet of Things (BIoT) solution provider. Today, we are the largest Android-based BIoT solution provider in the world in terms of revenue in 2024, with a market share of over 10%, the market for Android-based BIoT solutions is expected to experience explosive growth over the next five years, according to CIC.

MILESTONES

The following is a summary of our key business development milestones since the commencement of our business:

Time	Milestone
2013	Our Company was established in Shanghai, PRC. We introduced <i>Yes, I Deliver</i> (我有外賣) as the first on-demand delivery POS solution in the world.
2016	We announced the official global debut of our flagship product, V Series. SUNMI introduced the world’s first all-in-one BIoT terminal and developed the world’s first omnipresent BIoT platform supported by SUNMI OS and SUNMI APP Store for merchants and software developers, empowering merchants to embrace the mobile Internet era.
2017	The number of applications in the Sunmi App Store exceeded 1,000.
2018	We released the industry’s first facial recognition payment cashier product that supports financial-level payment. Our products are sold to 100 countries and regions with overseas shipments accounting for nearly half of the total sales.
2019	Our valuation exceeded US\$1 billion with shareholder basis including investment entities of Ant Group Co., Ltd., Xiaomi Corporation and Meituan. We released SUNMI OS 3.0, with more than 10,000 platform software developers. Opening of Beijing SUNMI Home, providing localized services to merchants offline.
2020	We achieved more than 1.9 million monthly active devices in more than 200 countries and regions.
2021	We upgraded Sunmi’s BIoT strategy and were dedicated to creating a interconnected full-scene digitalization. We launched the industry’s first self-developed AI product identification technology and barcode deep learning algorithms, which received widespread acclaim in the industry.
2022	We launched the world’s 1st IoT PaaS platform that offers a common software infrastructure to enable merchants and/or developers to develop, manage, and upgrade their IoT software applications.
2023	We launched SUNMI OS 4.0. We launched SUNMI third-generation products.
2024	We organized the first developer conference with developers. SUNMI Hyper WiFi was officially launched.

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

OUR MAJOR SUBSIDIARIES

Set forth below are details of our major subsidiaries which made a material contribution to our results of operations during the Track Record Period. Both of our major subsidiaries are wholly owned by our Company.

Name of subsidiary	Date of establishment	Principal businesses
Sunmi Kemao	July 14, 2023	Sales of smart terminals and related services
Sunmi Technology HK	July 2, 2019	Sales of smart terminals and related services

There has been no change of shareholdings in our major subsidiaries during the Track Record Period and up to the Latest Practicable Date.

MAJOR SHAREHOLDING CHANGES IN THE COMPANY

Our Company was established in the PRC as a limited liability company on December 11, 2013 with 70% and 30% equity interests held by Mr. Lin and Ms. Chen Chuxiang (陳楚香) who is the mother of Mr. Lin, respectively.

In October 2014, Ms. Ding Di (丁迪) acquired 5.56% equity interests in our Company by way of capital injection of RMB10 million and Mr. Jiang Weiqiang (江偉強) acquired a total of 2.5% equity interests in our Company from Mr. Lin and Ms. Chen Chuxiang in May 2015 at a total consideration of RMB7.65 million. Both Ms. Ding Di (丁迪) and Mr. Jiang Weiqiang (江偉強) are our early-stage individual angel investors and our Independent Third Parties. In May 2015, Mr. Lin and Ms. Chen Chuxiang transferred a total of 19.1624% equity interests to Woyou Partnership and Ningbo Woyou with each of them holding 13.1176% and 6.0448% equity interests in our Company after the completion of the share transfers. Both Woyou Partnership and Ningbo Woyou are shareholding platforms of our employees or former employees managed by Mr. Lin as general partner since their establishment.

Between 2014 and 2019, we completed several rounds of [REDACTED] Investments through capital injection from and equity transfers between our [REDACTED] Investors. For further details, please refer to “— [REDACTED] Investments” below. In the course of the [REDACTED] Investment, Mr. Lin’s shareholdings continuously got diluted throughout the period and his shareholding in the Company decreased to 22.3845% only in April 2019. Considering Mr. Lin’s significant roles in the operation of the Company’s business and future development, to enhance the efficiency of the Company’s decision-making process and to maintain the control of Mr. Lin to the Group, pursuant to a shareholders’ resolution in June 2019, the Company adopted its WVR structure with its registered share capital comprising of class A shares and class B shares, all being domestic shares. Each of the class A shares held by Mr. Lin, Woyou ESOP, Woyou Partnership and Ningbo Woyou entitles the holders thereof to exercise ten votes and each of the class B shares entitles the holders thereof to exercise one vote, on any resolution tabled at the Company’s general meetings, other than customary reserved matters on which the weighted voting rights attached to the class A shares shall be disregarded pursuant to the Company’s then existing articles of association. In June 2019, our Company was converted into a joint stock company with limited liability, and our registered capital was increased to RMB360,000,000.

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In early 2024, the class A shares held by Woyou ESOP, Woyou Partnership and Ningbo Woyou were reclassified as class B shares. In February 2024, Mr. Lin acquired 3.5% and 1.5% equity interests in the Company from Woyou Partnership and Ningbo Woyou, respectively. As of the Latest Practicable Date, Woyou Partnership is interested in as to 87.0066%, 10.9523% and 2.0411% by Ningbo Woyouyi Investment Partnership Enterprise (Limited Partnership) (寧波沃有逸投資合夥企業(有限合夥)), Ms. Lin Ying and Mr. Lin, respectively. Ningbo Woyouyi Investment Partnership Enterprise (Limited Partnership) is managed by Mr. Lin as general partner and interested in as to 98.6247% and 1.3753% by Ms. Lin Ying (林影) and Mr. Lin, respectively. Ningbo Woyou is interested in as to 87.2734% and 12.7266% by Mr. Kong Min (孔敏) and Mr. Lin, respectively. Both Ms. Lin Ying and Mr. Kong Min are our employees and Independent Third Parties.

ACQUISITIONS, MERGERS AND DISPOSALS

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

EMPLOYEE SHAREHOLDING PLATFORM

In recognition of the contributions of our employees and to incentivize them to further promote our development, Woyou ESOP was established in the PRC in April 2017 as our employee shareholding platform and Mr. Lin has been its general partner since its establishment.

As of the Latest Practicable Date, all of the options under the platform have been granted and exercised, and as a result, the grantees held the partnership interest in our employee shareholding platform, subject to terms and conditions of our share incentive scheme. As of the Latest Practicable Date, there is no outstanding options or share awards under our share incentive scheme. The partnership interests of our Directors and senior management of the Company in Woyou ESOP are set out below:

- Mr. Lin is the general partner of Woyou ESOP with partnership interests of 1%. Mr. Lin is also the general partner of Ningbo Woyouba Investment Partnership (Limited Partnership) (寧波沃郵壩投資合夥企業(有限合夥)) (“Woyouba”), Ningbo Woyoushan Investment Partnership (Limited Partnership) (寧波沃郵善投資合夥企業(有限合夥)) (“Woyoushan”), Ningbo Woyouwu Investment Partnership (Limited Partnership) (寧波沃郵物投資合夥企業(有限合夥)) (“Woyouwu”), Ningbo Woyouqi Investment Partnership (Limited Partnership) (寧波沃郵期投資合夥企業(有限合夥)) (“Woyouqi”), Ningbo Woyouyi Investment Partnership (Limited Partnership) (寧波沃郵易投資合夥企業(有限合夥)) (“Woyouyi”), Tianjin Woyoujiuhao Enterprise Management Center (Limited Partnership) (天津握友玖號企業管理中心(有限合夥)) (“Woyoujiuhao”), Ningbo Woyouer Investment Partnership (Limited Partnership) (寧波沃郵爾投資合夥企業(有限合夥)) (“Woyouer”) and Ningbo Woyouliu Investment Partnership (Limited Partnership) (寧波沃郵榴投資合夥企業(有限合夥)) (“Woyouliu”) with partnership interests of 0.0143%, 1.1670%, 1.8285%, 2.8064%, 0.0909%, 0.9997%, 0.3186% and 3.9531%, respectively. Woyouba, Woyoushan, Woyouwu, Woyouqi, Woyouyi, Woyoujiuhao, Woyouer and Woyouliu are limited partnerships established in the PRC and are limited partners of Woyou ESOP with partnership interests as to 63.3716%, 10.4296%, 8.7237%, 3.9801%, 3.4196%, 3.3933%, 3.1380% and 2.5441%, respectively; and

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- Each of Mr. Chen Xiaojing, Mr. Zhang Jinpu, Mr. Chen Guihong, all being our executive Directors, and Ms. Zeng Guirong, one of the members of our senior management, is interested in Woyouba as limited partners as to 7.3233%, 14.9642%, 19.7610% and 3.4158%, respectively.

Save as disclosed above, there is no other connected persons or senior management of the Company who are interested in Woyou ESOP.

[REDACTED] INVESTMENTS

Overview

We have undergone the following rounds of [REDACTED] Investments, details of which are set forth below.

Name of Shareholder	Date of agreement	Date of last payment of consideration	Approximate total consideration	Cost per Share ^{(1) (7)}	Discount to the [REDACTED] ⁽²⁾
			(RMB)	(RMB)	
Baolong Investment	January 26, 2014	March 21, 2014	5,000,000	0.49 [REDACTED]%	
Shenzhen Capital Group	August 8, 2014	September 2, 2014	20,000,000	0.89 [REDACTED]%	
	May 8, 2015	June 5, 2015	15,000,000	2.68 [REDACTED]%	
Jinxing Venture	August 8, 2014	August 29, 2014	20,000,000	0.89 [REDACTED]%	
	May 8, 2015	June 18, 2015	15,000,000	2.68 [REDACTED]%	
Hantao Consulting	May 8, 2015	May 28, 2015	105,000,000	2.68 [REDACTED]%	
Guangyi Investment	June 28, 2017	September 21, 2017	20,000,000	9.35 [REDACTED]%	
Yunxin Venture	January 18, 2019	February 1, 2019	292,191,000	16.53 [REDACTED]%	
	January 18, 2019 ⁽³⁾	January 30, 2019	192,809,000	9.92 [REDACTED]%	
	April 22, 2019	April 24, 2019	680,000,000	18.56 [REDACTED]%	
	April 17, 2019 ⁽⁴⁾	July 10, 2019	508,008,000	14.84 [REDACTED]%	
Nongyin Wenying	January 18, 2019	January 22, 2019	54,400,000	16.53 [REDACTED]%	
	January 18, 2019 ⁽⁵⁾	January 28, 2019	13,600,000	9.92 [REDACTED]%	
Shanshang Investment	March 6, 2024 ⁽⁶⁾	March 11, 2024	229,814,836	15.49 [REDACTED]%	

Notes:

- The cost per Share paid by the [REDACTED] Investors was calculated based on the amount of investment made by the relevant [REDACTED] Investors and number of Shares held by them immediately before the completion of the [REDACTED].
- The discount to the [REDACTED] is calculated based on the mid-point of the indicative [REDACTED] and the exchange rates as set out in this Document.
- The shares were transferred from Jiaxing Woyou Investment Management Partnership Enterprise (Limited Partnership) (嘉興沃郵投資管理合夥企業(有限合夥)), a former shareholding platform in the form of limited partnership controlled by Mr. Lin as general manager and, Mr. Lin and Ms. Lin Ying are interested in 99.9919% and 0.0081% since its establishment.

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

- (4) The shares were transferred from (i) Ms. Ding Di, Hantao Consulting, Shenzhen Capital Group, Baolong Investment, all being our existing Shareholders, (ii) Jiaxing Huiling No.8 Investment Partnership Enterprise (Limited Partnership) (嘉興會凌捌號投資合夥企業(有限合夥)) and Jiaxing Huiling No.9 Investment Partnership Enterprise (Limited Partnership) (嘉興會凌玖號投資合夥企業(有限合夥)), both being our former Shareholders and Independent Third Parties, and (iii) Ms. Chen Chuxiang and Woyou Partnership.
- (5) The shares were transferred from Jiaxing Woyou Investment Management Partnership Enterprise (Limited Partnership) (嘉興沃郵投資管理合夥企業(有限合夥)). It ceased to be a Shareholder of our Company since such share transfer.
- (6) The shares were transferred from Yunxin Venture and Ningbo Woyou.
- (7) The increase of valuation was primarily due to (i) the introduction of our POS solutions, (ii) the increasing number of applications in the Sunmi App Store and downloads, (iii) the establishment of our product lines and expansion to overseas countries, (iv) the release of our SUNMI OS 3.0, and (v) the launch of the industry’s first self-developed AI product identification technology and barcode deep learning algorithms.

Other Principal Terms of the [REDACTED] Investments

Basis of determination of the valuation and consideration The considerations for each round of the [REDACTED] Investments were determined based on arm’s length negotiations amongst the [REDACTED] Investors and our Group, as applicable after taking into consideration of the timing of the investments, our valuation when the investment agreement was entered into, the operation of our business, the financial performance of our Group, and the prospects of our business.

Lock-up period Pursuant to PRC Company Law, Shares issued by our Company prior to the [REDACTED] (including those held by the [REDACTED] Investors) will be subject to a lock-up period of one year from the [REDACTED].

Sophisticated investors (which satisfy the criteria in Chapter 2.2 of the Guide for New Listing Applicants) are expected to retain at least an aggregate of 50% of their investment at the time of Listing for a period of at least six months following the Listing, in accordance with paragraph 6 under Chapter 2.2 of the Guide for New Listing Applicants.

Use of proceeds from the [REDACTED] Investments We have utilized the proceeds from the [REDACTED] Investments for the principal business of our Group, including but not limited to research and development activities, the growth and expansion of our Company’s business and general working capital purposes. As of the Latest Practicable Date, all of the funds raised from the [REDACTED] Investments have been utilized.

Strategic benefits to our Company brought by the [REDACTED] Investors At the time of the relevant [REDACTED] Investments, our Directors were of the view that our Group could benefit from the additional funds provided by the [REDACTED] Investments in our Group and the knowledge and experience of the [REDACTED] Investors in the industry. The [REDACTED] Investments demonstrated the [REDACTED] Investors’ confidence in the operation and development of our Group.

Special Rights of the [REDACTED] Investors

The [REDACTED] Investors were granted certain special rights, including but not limited to information rights, inspection rights, pre-emptive rights and anti-dilution rights. All these special rights have been terminated before the first filing of the [REDACTED] by our Company with the Stock Exchange.

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

Compliance with [REDACTED] Investment Guidance

On the basis that (i) the consideration for the [REDACTED] Investments was settled more than 28 clear days before the first filing of the [REDACTED], and (ii) the special rights granted to the [REDACTED] Investors as disclosed in “— Special Rights of the [REDACTED] Investors” above will be terminated before the first filing of the [REDACTED] by our Company with the Stock Exchange, the Joint Sponsors confirm that the [REDACTED] Investments are in compliance with the guidance in chapter 4.2 of the Guide for New Listing Applicants issued by the Stock Exchange.

Information of the [REDACTED] Investors

Set forth below are details for each of our [REDACTED] Investors as of the Latest Practicable Date. To the best knowledge of our Company, all of our [REDACTED] Investors are Independent Third Parties.

Yunxin Venture

Yunxin Venture was established in the PRC on February 11, 2014 and is wholly owned by Ant Group Co., Ltd. (螞蟻科技集團股份有限公司), a company primarily engaged in the operation of Alipay.

Hantao Consulting

Hantao Consulting is a limited liability company established in the PRC on September 23, 2003 and a consolidated affiliated entity of Meituan, a company listed on the Stock Exchange Limited (stock code: 3690) and China’s leading e-commerce platform for services.

Jinxing Venture

Jinxing Venture is a limited liability company established in the PRC on December 26, 2013 and a consolidated affiliated entity of Xiaomi Corporation, a company listed on the Stock Exchange (stock code: 1810) and a consumer electronics and smart manufacturing company with smartphones and smart hardware connected by an IoT platform at its core.

Shenzhen Capital Group

Shenzhen Capital Group is a limited liability company established in the PRC on August 25, 1999 and is (i) ultimately controlled and directly owned as to 28.20% by State-owned Assets Supervision and Administration Commission of the People’s Government of Shenzhen Municipal (深圳市人民政府國有資產監督管理委員會) as its largest shareholder, and (ii) 71.80% by the remaining shareholders with none of them holds one third or more of equity interests therein. As of date of this Document, Shenzhen Capital Group has assets under management of approximately RMB510 billion.

Shanshang Investment

Shanshang Investment is a limited partnership established in the PRC on October 31, 2023. It is owned as to 1% by its general manager, Zhejiang Kunxin Investment Management Co. Ltd. (浙江坤鑫投資管理有限公司), which is ultimately controlled by Zhejiang Equity Service Group (浙江股權服務集團). The remaining 39.6% partnership interests is owned by Jiashan County Shanrui Venture Capital Co., Ltd. (嘉善縣善瑞創業投資有限公司) and 59.40% partnership interests is owned by Jiashan County Zhongxin Industrial

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

Development Investment Co., Ltd. (嘉善縣中新產業發展投資有限公司) as limited partners, both of which are ultimately controlled by Jiashan County Finance Bureau (Jiashan County People’s Government State-owned Assets Supervision and Administration Office) (嘉善縣財政局(嘉善縣人民政府國有資產監督管理辦公室)).

Nongyin Wenying

Nongyin Wenying is a limited partnership established in the PRC on June 12, 2017. It is owned as to approximately 0.3322% by its general partner, Nongying Hubei Corporate Management Co. Ltd. (農盈湖北企業管理有限公司), and approximately 99.6678% by ABC International Corporate Management Co. Ltd. (農銀國際企業管理有限公司), as limited partner, both of which are ultimately controlled by AGRICULTURAL BANK OF CHINA LIMITED, a company listed on the Stock Exchange (stock code: 1288).

Baolong Investment

Baolong Investment is a limited partnership established in the PRC on February 28, 2014. Its partnership interests are owned as to (i) 2.50% by its general partner, Mai Tao (麥濤), an Independent Third Party, (ii) 2.50% by Mr. Lin as limited partner, (iii) 5.00% by Ms. Ding Di, our existing Shareholder, as limited partner, and (iv) 90.00% by 20 other limited partners who are all Independent Third Parties with none of them interested therein as to more than 10%.

Shanghai Guangyi

Shanghai Guangyi is a limited partnership established in the PRC on December 30, 2015. Shanghai Guangyi is owned as to (i) 1.00% by its general partner, Shanghai Guangyi Investment Management Limited Partnership (上海光熠投資管理合夥企業(有限合夥)), which is owned as to 52.00% by Shanghai Suying Enterprise Management Consulting Company Limited (上海速影企業管理諮詢有限公司), a company owned by Han Yan (韓彥) and Chai Aibao (柴愛寶) as to 50% and 50% respectively, both being our Independent Third Parties, and (ii) approximately 99.00% by 17 other limited partners who are all Independent Third Parties with none of them interested therein as to more than 25%.

PREVIOUS LISTING ATTEMPT

In June 2021, we submitted our A share listing application to the Shanghai Stock Exchange, which we subsequently withdrew voluntarily in March 2022. Considering a [REDACTED] on the Stock Exchange would (a) provide our Company with an international platform to promote our market awareness worldwide, (b) gain access to international capital and optimize our capital structure, and (c) further raise our market profile and help us to attract international talents, we started our H share [REDACTED] preparation based on our latest corporate development strategies. Our Directors confirm that, to their best knowledge, there are no other material matters relating to the A share listing attempt that would affect the Company’s suitability for [REDACTED] on the Stock Exchange and are necessary to be disclosed in this Document for [REDACTED] to form an informed assessment of our Company.

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

CAPITALIZATION

The table below is a summary of the capitalization of our Company as of the Latest Practicable Date:

Name of Shareholders	Number of Shares held in total	Approximate beneficial interests in the Company	Approximate voting rights in the Company
<i>Class A Shares</i>			
Mr. Lin	98,584,276	27.38%	79.04%
<i>Class B Ordinary Shares</i>			
Woyou ESOP	28,877,670	8.02%	2.32%
Woyou Partnership	10,622,371	2.95%	0.85%
Ningbo Woyou	1,751,241	0.49%	0.14%
Yunxin Venture	98,182,427	27.27%	7.87%
Hantao Consulting	29,515,358	8.20%	2.37%
Jinxing Venture	28,011,271	7.78%	2.25%
Shenzhen Capital Group	24,777,737	6.88%	1.99%
Shanshang Investment	14,832,000	4.12%	1.19%
Ding Di	9,444,524	2.62%	0.76%
Jiang Weiqiang	5,042,068	1.40%	0.40%
Nongyin Wenying	4,660,874	1.29%	0.37%
Baolong Investment	3,559,097	0.99%	0.29%
Guangyi Investment	2,139,086	0.59%	0.17%
Total	360,000,000	100%	100%

The table below is a summary of the capitalization of our Company upon completion of the [REDACTED] (assuming the [REDACTED] is not exercised and the conversion of Unlisted Shares into H Shares):

Name of Shareholder	Number of Unlisted Shares held	Number of H Shares held	Number of Shares held in total	Approximate beneficial interests in the Company	Approximate voting rights in the Company
<i>Class A Shares</i>					
Mr. Lin	[REDACTED]	[REDACTED]	[REDACTED]	[[REDACTED]]%	[[REDACTED]]%
<i>Class B Ordinary Shares</i>					
Woyou ESOP	[REDACTED]	[REDACTED]	[REDACTED]	[[REDACTED]]%	[[REDACTED]]%
Woyou Partnership	[REDACTED]	[REDACTED]	[REDACTED]	[[REDACTED]]%	[[REDACTED]]%
Ningbo Woyou	[REDACTED]	[REDACTED]	[REDACTED]	[[REDACTED]]%	[[REDACTED]]%
Yunxin Venture	[REDACTED]	[REDACTED]	[REDACTED]	[[REDACTED]]%	[[REDACTED]]%
Hantao Consulting	[REDACTED]	[REDACTED]	[REDACTED]	[[REDACTED]]%	[[REDACTED]]%
Jinxing Venture	[REDACTED]	[REDACTED]	[REDACTED]	[[REDACTED]]%	[[REDACTED]]%
Shenzhen Capital Group	[REDACTED]	[REDACTED]	[REDACTED]	[[REDACTED]]%	[[REDACTED]]%
Shanshang Investment	[REDACTED]	[REDACTED]	[REDACTED]	[[REDACTED]]%	[[REDACTED]]%

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

Name of Shareholder	Number of Unlisted Shares held	Number of H Shares held	Number of Shares held in total	Approximate beneficial interests in the Company	Approximate voting rights in the Company
Ding Di	[REDACTED]	[REDACTED]	[REDACTED]	[[REDACTED]]%	[[REDACTED]]%
Jiang Weiqiang	[REDACTED]	[REDACTED]	[REDACTED]	[[REDACTED]]%	[[REDACTED]]%
Nongyin Wenying	[REDACTED]	[REDACTED]	[REDACTED]	[[REDACTED]]%	[[REDACTED]]%
Baolong Investment ...	[REDACTED]	[REDACTED]	[REDACTED]	[[REDACTED]]%	[[REDACTED]]%
Guangyi Investment ...	[REDACTED]	[REDACTED]	[REDACTED]	[[REDACTED]]%	[[REDACTED]]%
Other public Shareholders	[REDACTED]	[REDACTED]	[REDACTED]	[[REDACTED]]%	[[REDACTED]]%
Total	[REDACTED]	[REDACTED]	[REDACTED]	100%	100%

Our Company [has] applied for H-share full circulation to convert certain Unlisted Shares into H Shares after the [REDACTED]. The conversion of Unlisted Shares into H Shares will involve an aggregate of [REDACTED] Unlisted Shares, representing approximately [REDACTED]% of the total issued share capital of the Company as of the date of this Document.

PUBLIC FLOAT

Following the conversion of Unlisted Shares into H Shares and upon completion of the [REDACTED] (assuming that the [REDACTED] is not exercised), (i) Mr. Lin, Woyou ESOP, Woyou Partnership and Ningbo Woyou, being our Controlling Shareholders, and (ii) Yunxin Venture, being our substantial shareholder, will be deemed as our core connected persons and a total of [REDACTED] Shares held by them, representing [REDACTED]% of our total issued Shares, will not be counted towards the public float.

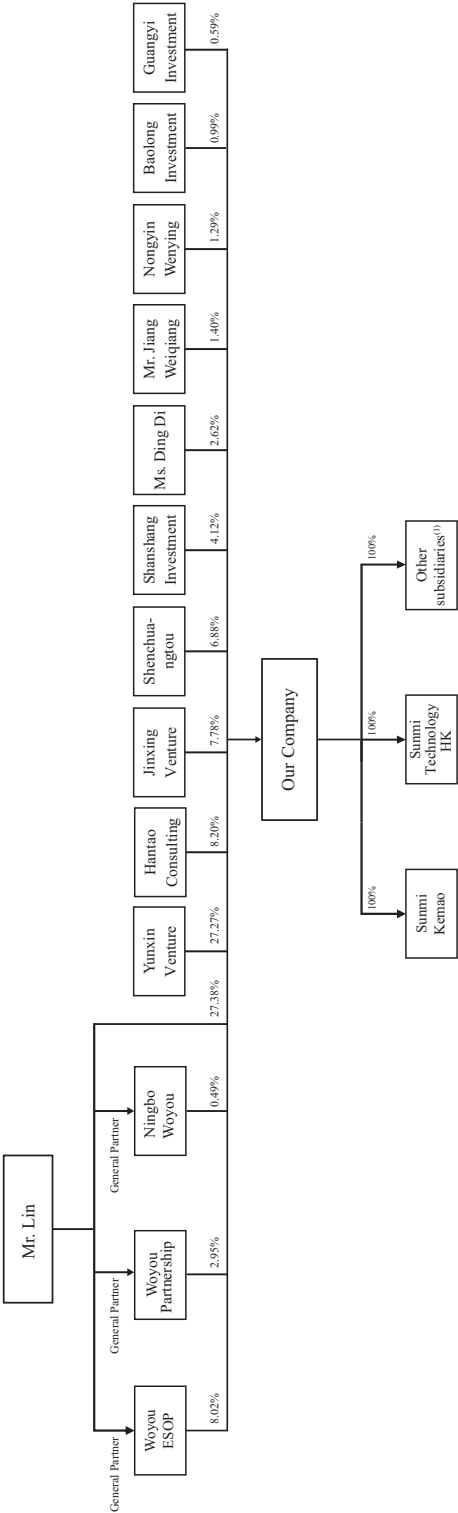
To the best knowledge of our Directors, upon the completion of the [REDACTED] and the conversion of Unlisted Shares into H Shares, [REDACTED] H Shares are expected to be held by our existing Shareholders who are not our core connected persons, which will be counted towards the public float.

Based on the above, it is expected that immediately following completion of the [REDACTED] (assuming that the [REDACTED] is not exercised), the total number of [REDACTED] H Shares held by the public represents approximately [REDACTED]% of our total issued Shares upon [REDACTED].

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

SHAREHOLDING AND CORPORATE STRUCTURE IMMEDIATELY PRIOR TO THE COMPLETION OF THE [REDACTED]

The following chart sets forth our Group’s simplified shareholding and corporate structure immediately prior to the completion of the [REDACTED]:



Note:

(1) There are 30 other subsidiaries which are wholly-owned or non wholly-owned by our Company.

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OVERVIEW

Our Mission

To accelerate intelligent digital transformation for businesses around the world.

Our Company

We are a leading global Business Internet of Things (BIoT) solution provider. Our disruptive solutions integrate smart hardware, software, and data insights to enable the digital transformation of a vast array of offline commercial scenarios, streamlining essential business operations such as payments, membership management, order fulfillment, inventory control, and workforce management.

Today, we are the largest Android-based BIoT solution provider in the world in terms of revenue in 2024, with a market share of over 10%, according to CIC. According to the same source, the market for Android-based BIoT solutions is expected to experience explosive growth over the next five years.

- Our end-to-end BIoT solutions have served approximately 61,000 business partners worldwide as of Latest Practicable Date. Our business partners increased from approximately 44,000 as of December 31, 2022 to approximately 58,000 as of December 31, 2024 worldwide.
- We have the most extensive global presence, with solutions deployed in over 200 countries and geographic regions, according to CIC.
- We cover the broadest range of industry verticals including more than 100 industry sub-verticals, such as restaurant, supermarket, sport & fitness, clinic and delivery, according to CIC.
- Our monthly active smart devices reached approximately 4.9 million units as of December 31, 2024 from approximately 3.2 million as of December 31, 2022.

We are pioneering the BIoT industry with a track record of product and technology innovations in smart device design and engineering, PaaS platform and software technologies, and AI-driven data analytics. Since we first launched our V1, the world’s first all-in-one BIoT terminal, this continuum of innovations has propelled us to surpass US\$100 million in global revenue within just three years, establishing us as a clear industry leader and the youngest company among the top ten industry players.

Our BIoT solutions mainly include smart devices and BIoT PaaS platform. Each of our smart devices is powered by our proprietary operating system, namely SUNMI OS, allowing merchants to efficiently manage and optimize their transactions and operations. Our BIoT PaaS platform offers a unified software infrastructure equipped with ready-to-use development tools that enable merchants and developers to efficiently develop, manage and upgrade vertical-specific software applications for use on smart devices. As of December 31, 2024, we recorded approximately 0.2 billion cumulative application downloads in our SUNMI App Store.

According to CIC, we have served over 70% of the world’s top 50 food and beverage enterprises. In China, we have achieved over 70% coverage among top 100 food and beverage enterprises and over 60%

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coverage among top 100 chain stores. The following table presents selected and publicly announced key customers and users who have adopted our smart BIoT solutions.

Our Selected Customers / Users



More beyond....

Food Delivery	Ele.me, Keeta, Uber Eats, Deliveroo, Foodpanda, GrabFood, Glovo, HungryPanda...
Retailing	Sam's Club, FamilyMart, Pop Mart, UNIQLO, NIO, Don Don Donki, AEON, Yonghui Life, Century Mart, Qandama, Meiyijia, Bianlifeng, Pagoda, Bestore, 7-Eleven...
Food and Beverage	Tims, Burger King, Popeyes, KFC, McDonald's, Subway, Ocha Thailand, CoCo, Chabaidao, CHAGEE, Juwei, Guoquan Food, Home Original Chicken, Jiumaojiu, Paris Baguette, Hefu-Noodle...
Lifestyle Service	Alibaba, JD.com, Pinduoduo, POIZON, Tuhu, OneCard, Easy Tax Refund, Bluelabel, NTUC Fairprice...
Payment	token, Global Payments, WeChat, TiktOk, Payby, Etisalat, LINE Pay, OPay, Paytm, Allinpay, Haulmer, Izipay, NETSTARS...
Travelling and Transportation	DragonPass, Xanh SM, Tongcheng Travel, Qunar, Hong Kong-Zhuhai-Macau Bridge Shuttle Bus, China-Laos Railway, Hanoi National Railway Station, Shangri-La International Hotel, Home Inns Group, Jinjiang International, Sinopec Gas Station, PetroChina Gas Station, Kansai Airport...
Express Delivery and Automation	SF Express, J&T Express, Dada, Cainiao Network, Bosch Huayu, Hengli Group...
Beauty and Health Care	Dr Plant, Shanghai Jahwa, AFIONA, Perfect Diary, Dashenlin, Tasly, Watsons, Nepstar...
Digitalization	LINE MAN Wongnai, Shopee, Youzan, Kemai, Tiancai Shanglong, Sixun, Pospal, QinSilk, Nike Software, Kingdee, Weimob...

As of December 31, 2024, our solutions were deployed in over 200 countries and geographic regions, covering more than 90% of the world’s markets, including all G20 countries, according to CIC. In addition to serving businesses and merchants, we also empower software developers, with a blueprint to build the world’s largest developer ecosystem for commercial and merchant applications. The world map below shows our smart devices connected to our DMP globally as of Latest Practicable Date.



As of Latest Practicable Date, we earned numerous accolades, including national-level recognitions such as the “Single Champion Demonstration Enterprise (單項冠軍示範企業)”, “National Industrial Design

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Center” (國家級工業設計中心) and the “Specialized and Innovative Little Giant (專精特新小巨人企業)” award, and municipal-level recognitions such as the “Shanghai Municipal Enterprise Technology Center (上海市市級企業技術中心),” “Shanghai Quality Benchmark (上海市質量標杆)” and “Shanghai Brand Leading Demonstration Enterprise (上海市品牌引領示範企業).” As of December 31, 2024, our smart devices earned more than 30 prestigious international design awards, including 13 Red Dot Awards, one iF Gold Design Award, 12 iF Design Awards, two Good Design Awards.



Note: As of December 31, 2024

Our Approach to BIoT Innovation – The Three-Stage Development Trajectory

What is BIoT?

We embarked on our journey in 2013 against the backdrop of mobile internet revolution, and quickly identified critical unmet needs for offline commercial use cases. Legacy business-centric hardware was often closed, fragmented, and obsolete—characterized by limited functionality, outdated design, and a lack of connectivity. These devices could neither communicate with one another.

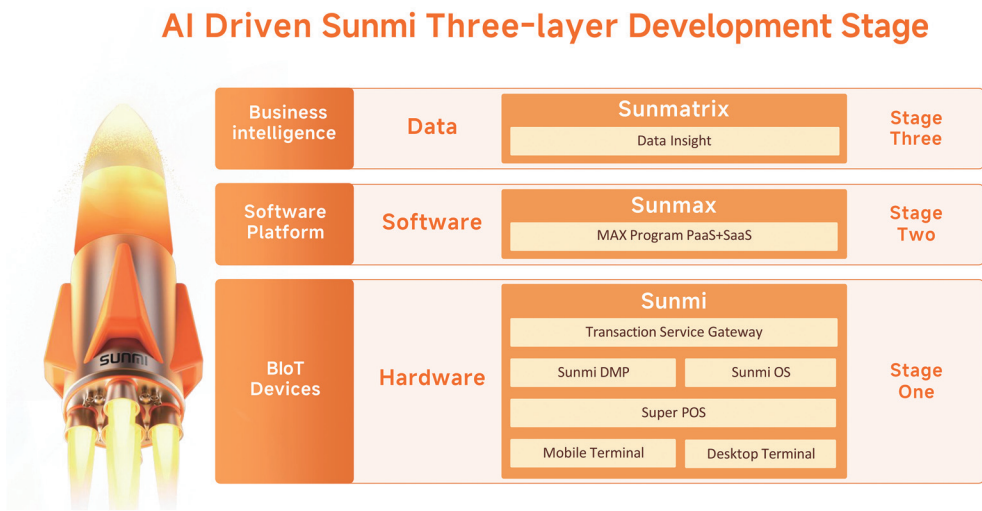
Meanwhile, a significant gap existed between available software solutions and the evolving needs of merchants. Procuring and testing software was costly and complicated, while the fragmented ecosystem of hardware and software was inflexible and difficult to upgrade or iterate.

To address these challenges, the concept of Business IoT (BIoT) emerged. Characterized by the integration of IoT technologies for commercial use, BIoT leverages new generation smart devices to enable seamless interconnectivity between hardware and cloud architecture, delivering digital solutions for commercial use cases. As the industry has evolved, the BIoT ecosystem has expanded to include players from different stages, ranging from BIoT 1.0 providers to BIoT 3.0 providers. BIoT 3.0, characterized by cloud-edge collaboration and AI-enabled low-code/no-code development, accelerates the digitalization of real-world business scenarios.

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Our Three-Stage Development Framework

Our “three-stage development” framework that integrates hardware, software and data technologies forms the cornerstone of our innovation roadmap and long-term growth trajectory, as illustrated in the below diagram.



Stage One: SUNMI Smart Devices

We introduced new-generation, cloud-based smart devices to build a one-stop solution for a wide array of commercial scenarios. Powered by our proprietary SUNMI OS, our smart devices are purposefully built to address a wide array of commercial use cases for businesses and merchants.

- **Smart Terminals:**
 - Our product portfolio spans across three major categories of smart terminals, comprising of more than 60 terminal models. These smart terminals offer esthetic, reliable, and all-in-one intelligent interaction solutions.
 - Our optimized circuits and proprietary algorithms enable our smart terminals to deliver superior performance, even in complex environments. With full-spectrum connectivity, coupled with our proprietary Hyper-WiFi technology, our smart terminals ensure robust communication across all commercial settings. We have redefined industrial design standards in commercial hardware, earning more top-tier design awards than any of other industry peers, according to CIC.
 - In 2024, we launched the world’s first BIoT terminal, Super POS, which is built upon ARM architecture and compatible with both Android and Windows operating systems. This expands our addressable software ecosystem, unlocking access to broader client segments amid global digitalization.

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- **SUNMI OS and DMP:**
 - Our proprietary Android-based operating system, SUNMI OS, enables seamless device-cloud integration. It features a unified device perception framework, the SUNMI Link communication protocol, and a standardized component library. Hardware modules plug into SUNMI OS via an unified interface, enabling rapid deployment of plug-and-play functions such as scanning, printing, and sensing.
 - SUNMI OS integrates with SUNMI DMP, our cloud-based BIOT device management platform, which translates our industry insights for modular, on-demand use. This architecture supports continuous iteration through real-time feedback loops, AI-powered big data analytics, and over-the-air (OTA) updates. As of December 31, 2024, SUNMI DMP completed over 30,000 test cases, continuously enhancing our hardware adaptability.
- **Transaction Service Gateway:** We have built a fully open-source and modular transaction service solution, including payment and delivery, into our hardware. This solves the “last-mile” challenge for software developers seeking to integrate transaction services for commercial use. Our standardized transaction service solution ensures rapid deployment, local regulatory compliance, and reduced development time and costs, enabling merchants to offer secure, seamless transaction experiences.

Stage Two: SUNMAX BIOT PaaS Platform

To address the challenges faced by businesses worldwide, including prolonged iteration and digital penetration process, highly fragmented demand and high customization costs, as well as low efficiency of industry-wide collaboration, we have developed a low-code, modular BIOT PaaS platform based on our rich experience across geographies and commercial scenarios. This deep market insight serves as a key differentiator, setting our solutions apart from those of our industry peers. Our BIOT PaaS platform translates these insights into open-source, standardized modules that empower software developers around the world. By enabling local developers to create applications tailored to the diverse needs of their specific markets, our BIOT PaaS platform further enhances the adaptability and global competitiveness of our smart devices.

- **Modular Building Blocks:** We have created a standardized library of development templates to address complex, differentiated commercial scenarios. More than 80% of software features can be built using pre-configured modules in our BIOT PaaS platform. This significantly lowers the barrier to entry for tackling complex use cases, enabling developers to focus their efforts on the remaining 20% of scenario-specific customization. As a result, our BIOT PaaS platform helps significantly improve R&D efficiency and reduce development costs.
- **Full Lifecycle Developer Services:** Our BIOT PaaS platform offers end-to-end support throughout the software lifecycle, from development and deployment to ongoing operations. Key features such as gray releases, remote updates, and real-time data analytics enable developers to continuously enhance the user experience without the need to build complex backend infrastructure.

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- **Plug-and-Play Applications:** Enabled by our robust developer ecosystem, our built-in app store, SUNMI App Store, allows merchants to go digital straight out of the box. As of December 31, 2024, our top-20 downloaded apps on SUNMI App Store included various on-demand delivery solutions, payment solutions, merchants management solutions, self-service ordering solutions, B2B e-commerce solutions, etc, reflecting strong adoption across a wide range of industries.

Stage Three: SUNMATRIX – A Data-Driven Network of Intelligence

Our smart devices serve as the primary entry point for full-spectrum data collection under our stringent data privacy and security framework, which allows us to capture insights from payment flows and inventory levels to customer behavior patterns in compliance with applicable data protection laws and security standards. This rich data foundation fuels the next generation of Business IoT (BIoT 4.0), where value is created and shared across the entire commercial value chain. By generating actionable data insights, we enable ecosystem-wide collaboration and shared growth.

Looking Ahead – AI-Powered BIoT Evolution

Our cloud-based DMP system processes hundreds of millions of daily data interactions, with connectivity across millions of smart devices covering more than 100 industry sub-verticals. This constant stream of real-world business data (such as barcodes, fruits, vegetables and etc.) is fed into AI models in the cloud and pushed back to devices through OTA updates, forming a powerful feedback loop that continually enhances system intelligence across our global network.

With millions of deployed smart devices and an open-source platform architecture, we are entering the next decade of BIoT – an AI-powered BIoT evolution to scale digital transformation in the commercial world.

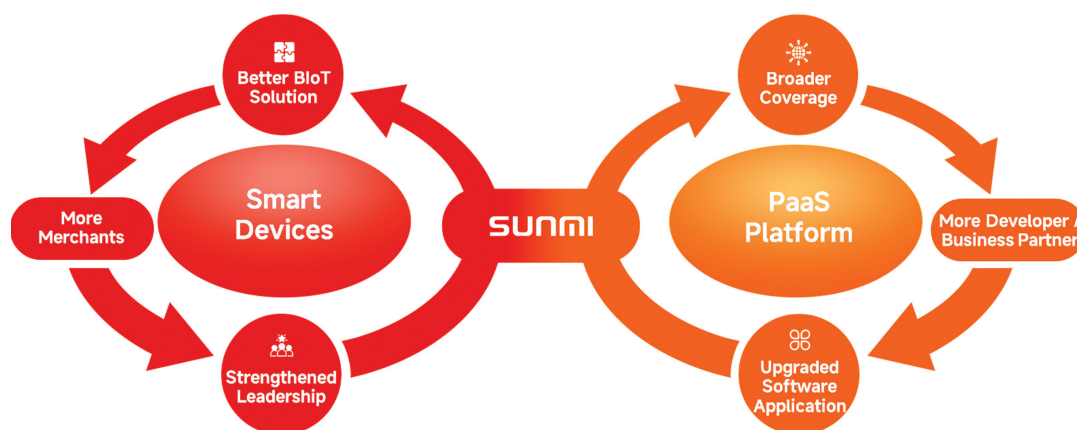
- **AI-Native Hardware Upgrades:** We are enhancing AI capabilities at the hardware level. This includes AI algorithms, intelligent microphone arrays, edge AI chips, and multi-sensor fusion designs. According to CIC, we are the only BIoT solution provider with self-developed proprietary automatic product recognition among global top five Android-based BIoT solution players. Embedded AI features such as speech recognition SDKs and item recognition APIs enable real-time optimization. As the models are continuously trained on real time basis, even the same device is significantly improved over a short time span.
- **AI-Driven Software Ecosystem:** Leveraging our robust PaaS infrastructure, we are developing generative AI tools that can translate commercial ideas into functional applications. These tools significantly lower the technical barrier for non-developers, such as small business owners. This democratization of software development fuels faster innovation and further expands our ecosystem.
- **AI-Powered Data Analytics Capabilities:** Our AI-powered data analytics capabilities enable us to deliver actionable business and operational insights to our business partners, enhance operational efficiency, and drive the next wave of digital transformation.

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A Thriving Ecosystem of Shared Success

We believe no single entity can drive changes alone. True progress comes from adopting an open and altruistic mindset—one that prioritizes shared success and delivers value to all stakeholders. By fostering collaboration over competition, we aim to elevate the entire ecosystem and deliver sustainable, win-win outcomes.

We provide comprehensive, end-to-end support to all stakeholders in our ecosystem, including merchants, business partners, and developers, enabling them to grow alongside us.



This is a diverse, and highly collaborative business ecosystem where all stakeholders could benefit and thrive. Our interconnected smart devices and solutions not only deliver an intelligent experience for merchants but also unlock new possibilities for their ongoing digital transformation. This, in turn, attracts more software developers to join the ecosystem. By facilitating seamless integration with consumer-facing internet platforms, we further amplify the digital value for merchants. As more businesses embrace the benefits of digitalization, the ecosystem drives sustainable growth, continuous innovation, and new business opportunities—empowering all stakeholders to thrive together.

COMPETITIVE STRENGTHS

Leading Global BioT Solution Provider Driving Value Chain Integration

We are a leading global BioT solution provider. We are the largest Android-based BioT solution provider in the world in 2024 in terms of revenue, with a market share of over 10%, according to CIC. Our comprehensive solution offerings cover 15 major industries with more than 100 sub-verticals, ranging from restaurants, food delivery, retail, transportation, logistics, hospitality to healthcare. As of December 31, 2024, we supported approximately 58,000 business partners with approximately 4.9 million monthly active smart devices. We have nurtured the world’s largest developer ecosystem dedicated for commercial scenarios, attracting over 39,000 developers and supporting approximately 28,000 downloadable applications with over 0.2 billion downloads as of December 31, 2024, according to CIC.

We pioneered an integrated architecture that combines hardware, operating systems, and cloud infrastructure. Our continuously advancing device-cloud integration, coupled with our BioT PaaS platform,

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equip our smart terminals with cloud-based intelligence that supports real-time iteration, extends product lifecycle, and expands application scenarios. This innovation not only enriches our product portfolio but also allows us to constantly deliver value-added services to businesses and merchants worldwide. At the forefront of the AI-driven evolution of smart devices, we integrate advanced techniques such as AI algorithms, intelligent microphone arrays, edge AI chips, and multi-sensor fusion designs into our products. This elevates their intelligence, enhances responsiveness, and unlocks greater versatility across use cases. Capitalizing on our industry leadership, global presence, and comprehensive BIoT solutions, we spearhead financial innovation. For instance, according to CIC, we are among the first to promote the adoption of digital currency and accelerate the internationalization of digital RMB. Our full series of smart terminals have the capability to support digital RMB, stable coins and other innovative payment transactions.

As a key orchestrator within the BIoT value chain, we continuously promote industry-wide development together with other stakeholders. Our solutions enable businesses and merchants to improve their service quality and operational efficiency across various commercial scenarios, ultimately strengthening their customer loyalty. As these partners increasingly rely on our platform, they generate valuable behavioral insights that strengthen our partnerships and open up new avenues for growth. At the same time, we empower software developers by lowering the barriers to entry, enhancing their service capabilities, and supporting their global expansion. By doing so, we enable all stakeholders to grow and succeed together with us.

Compelling Track Record of Product Innovation

We have redefined the standards for BIoT terminals and devices in commercial application scenarios. By leveraging an integrated software-hardware architecture and cloud-based design, our BIoT devices deliver superior performance, exceptional reliability, a sleek and lightweight product design, and extended battery life. Furthermore, our devices enable seamless IoT connectivity and extensive application compatibility. To empower our ecosystem partners, we offer robust customization options and comprehensive secondary development capabilities, facilitating the seamless integration of online and offline operations for businesses.

- **Smart Devices:** Our smart devices are built on the SUNMI CBB hardware platform technology and support the full range of SUNMI’s in-house innovations, including SUNMI OS, DMP, and Hyper-WiFi. Our devices support extensive software-defined capabilities, which is designed to balance standardization and customization, meet the daily operational needs of business partners worldwide. With large-scale OTA deployments, our smart devices outperform the industry average in critical performance metrics such as scanning speed, motion tolerance, and reading distance, according to CIC. Our Hyper-WiFi technology offers up to 10 times the coverage of conventional WiFi while significantly reducing interference and latency in high-density environment. Our V Series, our flagship product, is the world’s first smart device designed for mobile internet application scenarios, marking a transformative step beyond traditional mobile POS devices that were limited to card payment functions. Since launched, our V Series served seven of the world’s top 10 food delivery platforms as of December 31, 2024, demonstrating strong market validation to more than 200 countries and regions.

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- **Cloud-based architecture:** We are the first to develop a global BIoT cloud ecosystem with high concurrency, according to CIC. Our cloud architecture can support simultaneous real-time connectivity across over a hundred millions of smart devices worldwide, with high-frequency interface availability (i.e. the success rate of devices’ high-frequency invocation interface) exceeds 99.99%, and average response time of some high-frequency interfaces is less than 50ms. Powered by a robust OTA update system, we have released over 3,000 iterative versions, enabling real-time upgrades and seamless cloud-device coordination. To further empower our ecosystem stakeholders, we offer a comprehensive remote management suite comprising hundreds of microservices, such as device status monitoring, remote control and customizable desktop configurations.
- **AI capabilities:** We are one of the industries’ first to integrate AI capabilities into BIoT solutions, according to CIC. We have introduced AI-driven low-code development tools tailored for commercial use and integrated AI algorithms into smart devices, significantly enhancing device performance and lowering costs. For example, our AI-powered scanners deliver industry-equivalent performance at over approximately 15% to 25% lower costs per barcode algorithm and scanner compared to traditional solutions, according to CIC.

Extensive Global Reach with Strong Localization Capability

We are one of the first Chinese IoT companies to establish a substantial global presence, with our founding team venturing into international markets as early as 2003, according to CIC. Today, we have established a localized sales network spanning the globe, with our products and services reaching over 90% of countries and geographic regions worldwide. As of December 31, 2024, our footprint extends across more than 200 countries and geographic regions, including Americas, Europe, and APMEA, making us No.1 globally in terms of geographic coverage. Each of the regions exceeds 20% of our total revenue, with Americas and Europe contributing over 50% of our total revenue in 2024.

We have established fully integrated infrastructure for global operations, including language localization, payment gateways, third-party delivery platform integration, and tax compliance. These fundamental capabilities allow us to deliver consistent, reliable BIoT solutions anywhere in the world, enabling our clients to expand globally with confidence and grow alongside us. For example, approximately 2,000 of our customers operate in multiple countries and geographic regions, as of December 31, 2024.

Our BIoT PaaS platform enables us to provide localized software solutions for businesses and merchants around the world. The standardized, modular capabilities nurtured in our software ecosystem enable us to better meet the diverse, evolving needs of our international clients, while maintaining scalability and efficiency. For example, in the food and beverage (F&B) sector, our BIoT PaaS platform offers more than 500 pre-integrated modules, with a wide range of core functions, from queue and table management to loyalty programs, payments, delivery coordination, kitchen operations, and layout planning. These modules serve as a robust foundation upon which our international clients can layer localized features tailored to their specific market needs.

BUSINESS

Broad Vertical Coverage and Diverse Customer Base

Our innovative cloud-integrated architecture allows us to modularize and standardize valuable insights accumulated from diverse commercial scenarios, enabling us to build a scalable, cloud-based digital foundation. Over the past ten years, we have expanded our smart device offerings into more than 60 models, tailored to a broad range of use cases. Our BIoT solutions have been successfully replicated across a wide range of verticals, such as beauty and wellness, fashion retail, transportation, fitness, hospitality and healthcare, significantly expanding the breadth of our customer base.

We offer end-to-end BIoT solutions that empower merchants and businesses with fully integrated capabilities, covering inventory management, order processing, loyalty program operations, and last-mile delivery. This comprehensive offering fosters strong customer stickiness and cross-category synergy. For example, our high-retention customers (defined as those who made purchases in at least three separate years between 2019 and 2024) contributed to over 80% of our total revenue in 2024.

We also partner with industry-leading clients to deepen our industry expertise and accelerate product-market fit. Key business partners include global leading retail and e-commerce enterprises such as Sam’s Club, FamilyMart, Pop Mart, Alibaba, JD.com and Pinduoduo, as well as leading food delivery platforms including Glovo, Uber Eats, Keeta, and Foodpanda. As of December 31, 2024, seven of the world’s top 10 food delivery platforms adopted our solutions. These marquee partnerships allow us to rapidly abstract and productize industry needs while enhancing brand equity, which in turn helps us acquire new customers in a more efficient manner.

To further expand our market influence and strengthen customer engagement, we have co-launched over 50 SUNMI home, our offline experience centers, with our local partners worldwide. These flagship stores serve as showcases for our next-generation products and reinforce our brand image as an innovation leader.

Experienced and Visionary Management Supported by Strategic Shareholders

Our management team comprises some of the earliest pioneers in China’s BIoT industry, combining deep industry insight with strong technical expertise. Our founder, Mr. Lin Zhe, is a serial entrepreneur and a recognized leader in digital commerce with over 20 years of experience. In 1999, he developed the world’s first PC-based POS terminal, and in 2011, he foresaw the mobile internet trend and launched the world’s first Android-based POS terminal, according to CIC. Since founding SUNMI in 2013, Mr. Lin has led the Company in driving continuous transformation across the BIoT value chain.

Our core leadership team also brings decades of experience from leading global enterprises, including Alibaba, Motorola, and Baosteel. Their combined expertise and industry recognition have been instrumental in positioning SUNMI as a global innovator in the BIoT space.

Our key shareholders include our strategic partners such as Ant Group, Meituan, and Xiaomi, who provide strong and continued support for our business expansion and international growth.

BUSINESS

GROWTH STRATEGIES

Advancing Industrialization of BIoT Hardware and Software Solutions

We are committed to deepening our R&D investment, attracting top talent, and integrating cutting-edge technologies with real-world commercial applications.

- **Smart devices:** We will continue to strengthen our in-house capabilities in developing core hardware components, reinforcing our technological foundation.
- **BIoT PaaS platform:** We aim to further enhance the functionality of our BIoT PaaS platform by offering rich yet standardized PaaS services for software developers, while fostering an open-source and compatible software ecosystem. We will continue to expand our solution portfolio to include additional SaaS-based services.
- **AI-driven data analytics:** We are increasing our investment in AI to unlock deeper levels of intelligence and deliver smarter, more adaptive solutions.

Strengthening Global Supply Chain Capabilities

We plan to build an integrated manufacturing facility that combines R&D and manufacturing capabilities, enabling us to develop core hardware components, such as barcode scanners and touchscreens. We also intend to strengthen our in-house intelligent manufacturing capabilities that allow us to have greater control over design, development, and production of key hardware components. We will further enhance the flexibility of our terminal production line to support rapid prototyping, modular assembly, and customized delivery.

Leveraging China’s OEM/ODMs for scalable production, we collaborated with top-tier China’s OEM/ODM during the Track Record Period to manage our products quality effectively and efficiently. In 2024, we maintained collaborations with approximately 30 third-party manufacturers to support our production needs. To ensure stable global supply chain capacity, we also plan to establish new overseas production lines with strategic OEM/ODM partners in selected overseas markets.

Enhancing Market Penetration Through Vertical and Geographic Expansion

We will continue to expand into new industry verticals while deepening our expertise in the sectors we already serve, such as medical, warehousing and industrial automation, addressing unmet needs and unlocking new opportunities. By replicating our proven success with marquee clients, we aim to scale across mid- and long-tail customer segments.

To further elevate brand awareness and deepen customer engagement, we plan to expand our global network of SUNMI Home experience centers, reinforcing our position as a leading innovator in the BIoT space. We will continue to strengthen our presence across our existing geographic coverage to gain further penetration and market share. We also intend to enter new international markets to build a truly global footprint.

BUSINESS

Unlocking Synergies Through Strategic Partnerships and Investments

We will continue to pursue strategic collaborations with partners across the BIoT value chain, including upstream and downstream players, to unlock new synergies and strengthen our competitive edge.

We remain focused on identifying global investment and acquisition opportunities that can accelerate our international expansion and solidify our presence in key markets worldwide.

OUR SMART BIOT SOLUTIONS

We develop and sell smart BIoT solutions to customers. Our BIoT solutions seamlessly integrate hardware, software, and business intelligence capabilities, including smart devices and BIoT PaaS platform. Each smart device operates on our proprietary operating system, allowing merchants to efficiently manage and optimize their transactions and operations. Our BIoT PaaS platform offers a unified software infrastructure equipped with ready-to-use development tools that enable merchants and developers to efficiently develop, manage and upgrade vertical-specific software applications for use on smart devices. In addition, we harness the vast volumes of business data processed through our smart devices to deliver data-analytics solutions, empowering our customers with actionable business intelligence.

During the Track Record Period, we generated our revenues primarily from sales of smart devices, and to a lesser extent, from the PaaS platform and customization services. The following table sets forth our revenue breakdown by revenue streams for the years indicated.

	For the year ended December 31,					
	2022		2023		2024	
	RMB	%	RMB	%	RMB	%
<i>(in thousands, except for percentages)</i>						
Sales of smart devices						
- Smart desktop devices	1,283,002	37.7	954,216	31.1	959,202	27.8
- Smart mobile devices	993,820	29.2	659,879	21.5	808,764	23.4
- Smart payment devices	862,685	25.3	1,222,771	39.8	1,463,896	42.3
- Accessories and parts	249,537	7.3	170,953	5.6	206,131	6.0
Subtotal	3,389,044	99.5	3,007,819	98.0	3,437,993	99.5
PaaS platform and customization						
services	15,336	0.5	62,750	2.0	18,384	0.5
Total revenue	3,404,380	100.0	3,070,569	100.0	3,456,377	100.0

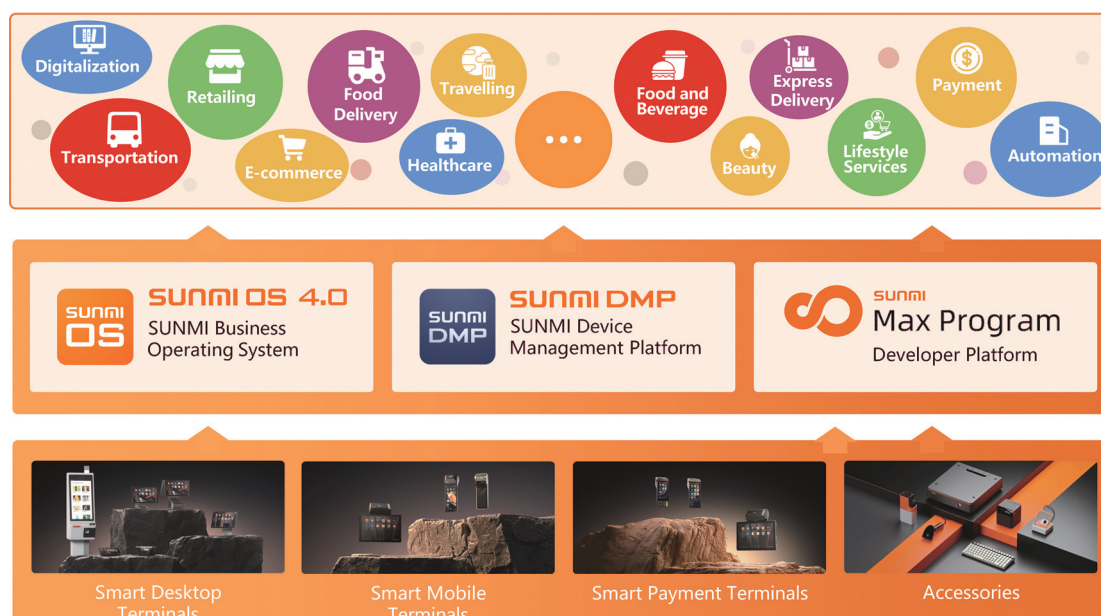
BUSINESS

Since our inception, we have steadily expanded our global footprint. As of December 31, 2024, our sales network spans over 200 countries and regions. The following table sets forth our revenue breakdown by geographical locations for the years indicated.

	For the year ended December 31,					
	2022		2023		2024	
	RMB	%	RMB	%	RMB	%
<i>(in thousands, except for percentages)</i>						
Asia Pacific, Middle East and Africa (“APMEA”)	1,560,785	45.9	1,802,593	58.7	1,553,130	44.9
Americas	1,266,885	37.2	809,599	26.4	1,186,183	34.3
Europe	576,710	16.9	458,377	14.9	717,064	20.8
Total revenue	3,404,380	100.0	3,070,569	100.0	3,456,377	100.0

Our Smart Devices

We offer a comprehensive suite of smart devices that covers 15 major industries with more than 100 sub-verticals, ranging from restaurant, sport & fitness, clinic, delivery and logistics. Powered by our proprietary SUNMI OS, this diverse portfolio is designed to address a wide array of application scenarios for merchants in various commercial settings, as illustrated in the below diagram.



BUSINESS

Our Smart Terminals

In response to customers’ evolving needs, we design, develop and commercialize three major product categories that encompass more than 60 terminal models, mainly including smart mobile terminals, smart payment terminals and smart desktop terminals. Our full series of smart terminals have the capability to support digital RMB, stable coins and other innovative payment transactions. The below list provides a brief description of our major product categories.

Product Category	Description	Signature Models
Smart Desktop Terminals	Smart desktop terminals are primarily designed for restaurant, boutique store, and café management, as well as for self-service applications in retail and healthcare. They are also well-suited for various industrial settings, such as recording assembly line operations and displaying standard operating procedures (SOPs).	
Smart Mobile Terminals	Smart mobile terminals are mainly designed for one-on-one service and inventory management.	
Smart Payment Terminals	Smart payment terminals are primarily designed for all-rounder in all payment scenarios, such as ordering, checkouts and loyalty programs.	

Designed to address the diverse business scenarios, SUNMI’s smart terminals offer a wide array of compelling value propositions:

- **Industrial Design to Improve Functionality.** SUNMI’s smart terminals combine sleek, modern esthetics with industry-leading industrial design to simplify daily operations for businesses and merchants. Subject to their specific needs, the smart terminals can be equipped with integrated scanners, printers, and/or weighing systems, reducing the need for additional equipment and saving valuable counter space. This integrated approach enhances operational efficiency and streamlines processes such as check-out, inventory management, and order fulfillment.
- **Powerful Performance and Reliability.** Powered by advanced processors and optimized for SUNMI OS, SUNMI’s smart terminals deliver fast and stable performance. Additionally, built-in security features protect sensitive data, which provides businesses with peace of mind while handling transactions and customer information.
- **Robust Build for Durability.** SUNMI’s smart terminals are designed to withstand demanding environments, making it ideal for high-traffic retail stores, busy restaurants, and fast-paced logistics hubs. With reinforced materials and durable construction, these smart terminals resist wear and tear, ensuring long-term reliability. Many models also feature extended battery life, which provides sustained performance for businesses that operate around the clock.

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As the result, we received prestigious industry recognitions for design, including the Red Dot Award, and iF Design Award. A majority of our second generation devices have a mean time between failures (MTBF) of more than 70,000 hours while certain third generation devices (i.e. D3 Pro and T3 Pro) have an MTBF of more than 80,000 hours, based on our lab test results. Both figures are significantly higher than the industry standard of 50,000 hours, according to CIC.

Our Proprietary Operating System

We have developed SUNMI OS, a proprietary operating system that is able to support the deployment and use of a wide range of business applications within our smart devices. SUNMI OS functions as the “brain” of our smart devices, allowing merchants to dynamically manage and optimize their operations.

SUNMI OS is designed to address the diverse, evolving and comprehensive needs of merchants and business application developers in the fast-paced commercial environment. SUNMI OS provides a solution by consolidating configurable options in an accessible, user-friendly format. This enables merchants to customize device and system settings in the cloud, allowing real-time adjustments tailored to increasingly complex needs. Below table sets forth the comparison between standard Android operating system and SUNMI OS, according to CIC.

	SUNMI OS vs standard Android operating system
<i>Computing performance optimization</i>	- Application start speed increased more than 10% - Application page switching speed increased more than 30% - Overall system fluency increased more than 10%
<i>Communication capability improvements</i>	- Under the same frequency band, the throughput is increased by more than 80% - Adjusting the roaming threshold can effectively reduce the average delay, enhance the average signal strength and reduce the packet loss rate, according to our internal test results, and the packet loss rate is reduced from 0.23% to 0.03% after the adjustment - Communication delay is reduced by more than 70%
<i>Fault repair system</i>	- Supports functional testing for various devices and accessories - Automatically analyzes and repairs real-time abnormal logs from devices
<i>Cloud-based collaborative management configuration capability</i>	- A globally deployed web platform compliant with regional data privacy regulations, allowing immediate operation upon user login - Over 300 flexible configuration options to enable customized automation for different users - Large-scale operational capability, supporting simultaneous management of millions of devices
<i>Unified SDK</i>	- Comprehensive functionality: Includes 13 core modules and 325 standardized interfaces, covering the entire lifecycle management of device information, device management, software management, system management, and more.

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SUNMI OS vs standard Android operating system

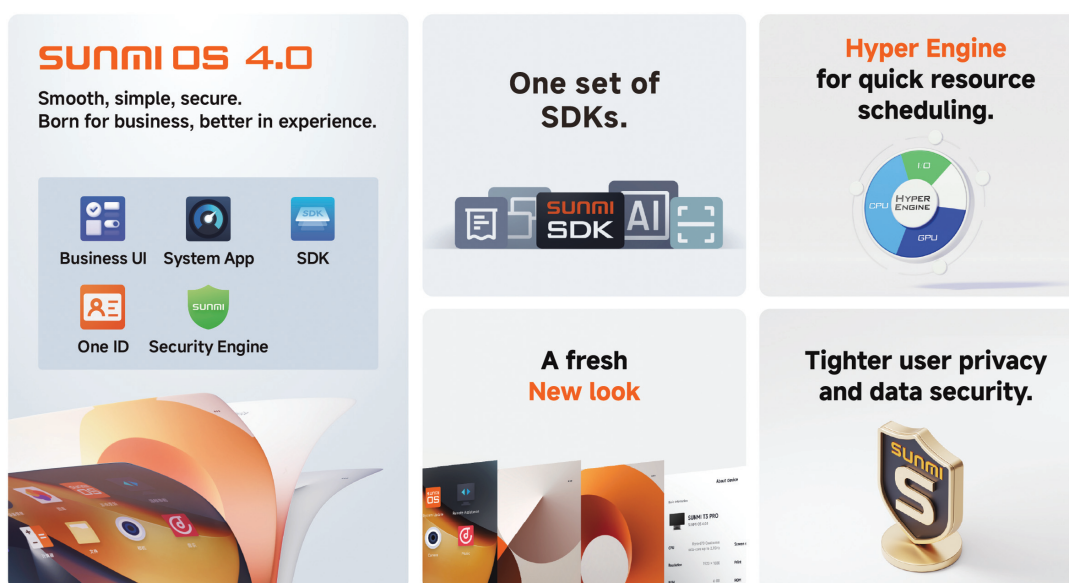
- High compatibility: Developers only need to adapt the interface once to seamlessly support all SUNMI smart devices, reducing development costs.
 - Cross-version compatibility: Even if the Android system undergoes major version changes, the unified SDK remains fully functional without disruption.
- Peripheral SDK***
- Extensive Peripheral Support – Integrates seven types of peripheral modules (printing, scanning, self-service card issuing, etc.), offering 131 standardized APIs to meet diverse business needs.
 - Optimized Design – Features business-action-abstracted interfaces, freeing developers from deep protocol-level research.
 - Long-Term Compatibility – Single adaptation ensures seamless support across all SUNMI device generations.
- AI Framework***
- Integrates SUNMI’s self-developed HCI algorithms (human-computer interaction) and general-purpose scenario algorithms.
 - Gradually opening to third-party algorithm developers for ecosystem expansion.

At the core of SUNMI OS is Hyper Engine, a powerful performance engine that dynamically manages hardware resources—including Central Processing Unit (CPU), Graphics Processing Unit (GPU), and DDR SDRAM (Double Data Rate SDRAM —based on device type and real-time application demands. Whether it’s booting up, processing clicks, or managing background tasks, Hyper Engine intelligently allocates resources to enhance responsiveness and fluidity.

SUNMI OS features with approximately 800 highly compatible application programming interfaces (APIs) for unification and peripheral that standardizes diverse hardware specifications. Business application developers can easily adapt their applications to over 60 types of smart devices. This compatibility also allows businesses to transition smoothly to next-generation smart devices without compromising performance or operational efficiency.

BUSINESS

SUNMI OS is designed with an intuitive, user-friendly interface as illustrated in the below diagram.



Our APP Store

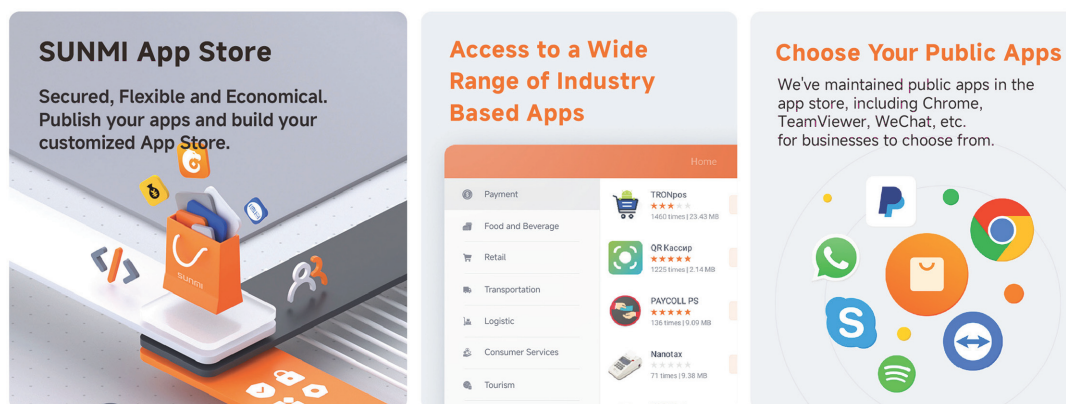
We have developed SUNMI APP Store, a dedicated app library that allows merchants to download and use business applications developed in-house or by third-party developers. Launched in 2015, SUNMI APP Store has been the world's 1st and largest Smart application marketplace for businesses since 2019, and has maintained consistently high levels of activities thereafter, according to CIC. As of December 31, 2024, SUNMI APP Store hosts approximately 28,000 business application software, and the total number of cumulated app downloads was approximately 0.2 billion.

Catering to a wide range of industry sectors, SUNMI APP Store offers a vibrant platform for businesses to select, install, and manage applications that optimize their operations and elevate customer experiences. SUNMI APP store also empowers global developers with tools and resources to create, distribute, and monetize their apps.

SUNMI APP Store features a wide range of industry-specific applications, covering 15 major industries and more than 100 sub-verticals as of December 31, 2024, such as restaurant, supermarket, sport & fitness, clinic and delivery. In particular, SUNMI APP Store covers a vast majority of major on-demand delivery apps and payment apps across our key geographic markets, according to CIC.

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With a secure, intuitive interface, SUNMI App Store ensures seamless integration with SUNMI’s smart terminals, as illustrated in the below diagram.



Our DMP

We have developed SUNMI Device Management Platform (“DMP”), a cloud-based smart device management solution designed exclusively for businesses. SUNMI DMP provides a unified, intuitive management interface that adapts to diverse operating environments, allowing businesses to efficiently monitor, control, and optimize their smart devices in real time. With advanced remote management capabilities, businesses can deploy, configure, and update smart devices at scale, reducing operational costs and minimizing downtime. As of December 31, 2024, SUNMI DMP had connected over 10 million smart devices from more than 200 countries and geographic regions.

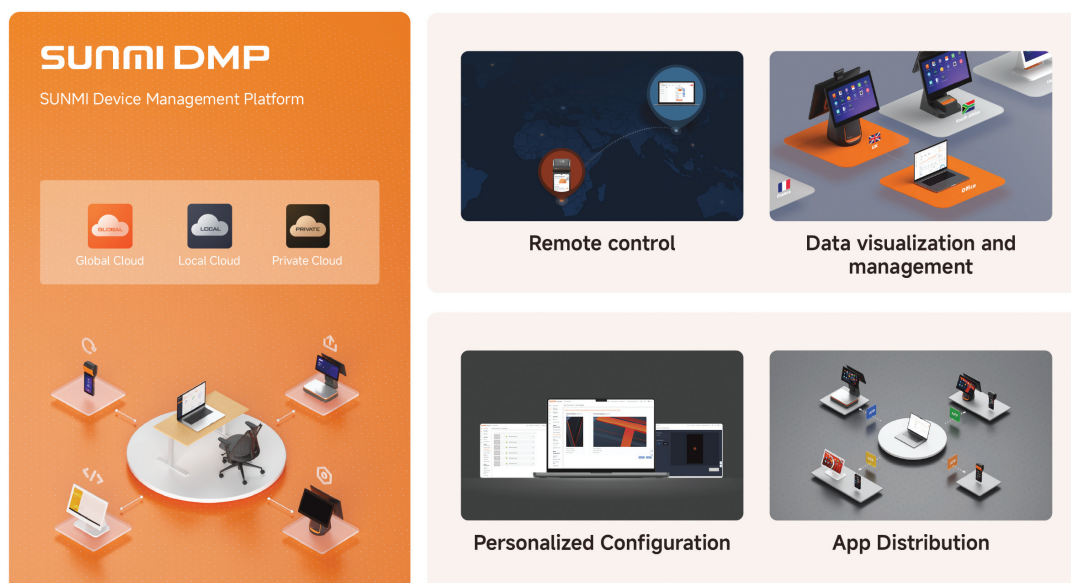
SUNMI DMP optimizes performance and user experience with the flexibility to connect to SUNMI’s global cloud or operate independently. Even in environments with limited cloud access, SUNMI DMP ensures seamless operations by enabling independent local management, configuration, data uploads, and device distribution—keeping businesses running without disruption.

SUNMI DMP features a global architecture with multiple localized cloud services, ensuring adherence to regional data security regulations. This allows merchants to confidently use SUNMI smart devices while keeping sensitive data secure and within geographical boundaries.

Our integrated terminal-cloud architecture allows us to nurture a loyal customer base with high stickiness. Among the top 100 customers that have registered their smart devices with SUNMI DMP since 2016, approximately 80% purchased and registered additional SUNMI smart devices in 2024.

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The below diagram highlights SUNMI DMP’s key features:



Case Studies

Our smart devices are designed to be integrated in a diverse range of commercial settings, primarily covering food delivery, retail, restaurants and finance. Below are a few examples.

Food Delivery

Our mature food delivery solution enhances order processing, improves delivery experience, and streamlines operational management while significantly reducing costs. By continuously refining our offerings and expanding global after-sales support, we have earned widespread recognition from industry players.

For example, since partnering with Meituan in 2019, we have served as the core technology provider for Keeta, Meituan’s overseas brand. When Keeta entered its first market in Hong Kong in May 2023, we secured the contract by delivering superior product performance.

The SUNMI V Series and L Series empower the world’s largest coffee chain to tackle challenges in delivery operation efficiency. Faced with a massive volume of daily delivery orders, SUNMI’s products, with its powerful performance and stable systems, have optimized the order management process. In stores across China, our smart terminals and corresponding software have been deployed, enabling seamless integration with platforms, and proprietary delivery platforms. This eliminates the disorders of operating multiple devices and the risks of missed or erroneous orders.

Additionally, by integrating order system and store management system, our smart devices enable real-time synchronization of full-chain data from order reception, production scheduling, to meal delivery. Through an intuitive interface, store employees can quickly process orders and allocate resources flexibly. Combined

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with the system’s automated data analysis capabilities, they can accurately track sales trends and inventory dynamics. This efficient operation continuously enhances the customer experience and solidifies our brand’s leading position in the delivery market.

Retail

We provide end-to-end solutions tailored to diverse retail formats, including front-store-back-warehouse setups in fashion retail, integrated warehousing in chain supermarkets, large shopping malls, and convenience stores offering lifestyle services.

KK Group

KK Group is a leading trendy retail enterprise in China, widely recognized for its high-end and fashionable brand image. SUNMI provides KK Group with a complete IoT solution that integrates cash registers, barcode scanners, cash drawers, and other accessories, flexibly meeting the diverse needs of its retail scenarios. At the same time, SUNMI’s unified product design style aligns perfectly with KK Group’s premium and trendy image. In the initial phase of the partnership, nearly 500 SUNMI smart IoT devices were deployed, significantly enhancing business processing capabilities with their reliable performance and ensuring stable operations. Moreover, the implementation of these devices has effectively helped KK Group improve the digital operational efficiency and brand appeal of its stores.

HotMaxx

As a leading national discount retail brand, HotMaxx has established a strong presence in the retail industry through its distinct business model and precise market positioning. Since its inception in 2020, HotMaxx has achieved remarkable growth, expanding to over 800 stores across more than 100 cities. With a product portfolio exceeding 20,000 SKUs and partnerships with over 3,000 brands, HotMaxx plans to surpass 5,000 stores within the next three years. Throughout this dynamic expansion, SUNMI has remained a steadfast and trusted partner.

SUNMI provided HotMaxx with its first POS terminal at its inception, marking the beginning of a strategic partnership. The rapid scale of HotMaxx’s expansion has placed significant demands on SUNMI’s devices and services. Leveraging its stable and reliable product supply, comprehensive customer service network, and devices designed for cloud-based management and continuous iterative upgrades, SUNMI has played a pivotal role in enabling HotMaxx’s sustained high-speed growth.

Currently, each HotMaxx store is equipped with an average of three SUNMI smart devices, with over 2,000 devices deployed across its nationwide footprint. These solutions support critical operational scenarios, including checkout, inventory management, and member services. For example, SUNMI’s D-series devices, implemented in HotMaxx stores, deliver a seamless combination of high performance and appealing appearance. These devices not only ensure the stable operation of checkout systems but also enhance HotMaxx’s brand image. During peak traffic periods, such as promotional campaigns, the D-series devices empower store staff to process transactions swiftly and efficiently, significantly reducing customer wait times and optimizing the overall shopping experience.

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We also are partnering with Mi Home, a Swedish furniture giant, and a Japan-originated global convenience store chain to deploy our smart devices, streamlining inventory and sales workflows across all stages, from order placement, shelf stocking, and stocktaking to expiry tracking, checkout, and payment. This integration provides real-time operational visibility and control, improving accuracy and efficiency across the retail chain.

Restaurants and Beverage

The food and beverage industry is highly competitive, demanding top-tier operational efficiency across complex service environments. These dynamics create a pressing demand for BIoT solutions, particularly in terms of functionality, design flexibility and reliability. Our comprehensive IoT product portfolio addresses these needs, becoming a key driver of digital transformation for leading brands such as *Good me* and *Xibei*.

Good me:

Originating in Zhejiang and expanding across China, *Good Me* has become a leading and fast-growing freshly-made beverage company in China, driven by its precise market positioning, robust supply chain management, and relentless product innovation. Since its inception, *Good Me* has maintained steady growth in market share. As of September 30, 2024, *Good Me* has opened over 9,700 franchise stores in more than 200 cities nationwide. In 2023, *Good Me* sold over one billion cups of tea, with transaction involving coupon verification, payment processing, and order fulfillment via QR code scanning. This high transaction volume requires exceptional speed and accuracy in QR code recognition.

Good Me began collaborating with SUNMI in 2023, trusting our smart devices—SUNMI Blink Scanbox—for this critical task. Our Blink Scanbox features high-precision, fast, and stable recognition capabilities for both QR codes and barcodes, enabling the efficient recognition of product codes, payment codes, and membership codes. Its ergonomic 45° scanning angle and aluminum alloy frame not only enhance usability but also elevate store aesthetics. Additional features like a built-in indicator light for visible payment confirmation and a buzzer for audible feedback further improve the user experience. Blink Scanbox is plug-and-play, easily integrating with existing POS systems while supporting various operating systems for seamless upgrades and replacements. Currently, *Good Me* is rolling out SUNMI devices at a rate of 500 to 1,000 units per year to replace its older BIoT solutions.

In the fast-growing new tea beverage industry, the pace of consumption upgrades is fueling rapid expansion, marked by a surge in store openings and an increase in order volumes. SUNMI is leveraging cutting-edge smart devices to optimize the user experience, ensuring every transaction is smooth and reliable.

Xibei:

Xibei is a brand in China's full-service dining industry, widely recognized for its commitment to brand revitalization, product innovation, and a strong supply chain system. These strengths have helped *Xibei* maintain steady market performance. As of December 31, 2024, *Xibei* operates nearly 400 stores across China.

SUNMI began its partnership with *Xibei* in 2019, bringing smart BIoT solutions to enhance operations and customer experiences. Since then, SUNMI's IoT devices have been deployed in a variety of scenarios,

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including queue management, table-side ordering, mobile service, counter checkout, voucher redemption, online order processing, membership management, kitchen display systems, menu management, staff scheduling, and overall operational management with total over 12,000 devices in use.

One standout solution features a 6.75-inch large display for clear menu presentations and an octa-core processor for smooth app performance. This device streamlines key processes like queue management, ordering, mobile payments, and voucher redemption, drastically reducing customer wait times during busy hours.

In the kitchen, where chefs juggle high-intensity tasks, SUNMI’s smart devices shine with their support for AI voice and gesture recognition. Even in noisy and fast-paced environments, the multi-microphone array accurately captures voice or gesture commands, allowing chefs to update meal preparation statuses effortlessly. SUNMI’s cloud kitchen printers are another critical innovation. Powered by SUNMI’s proprietary communication protocols, these printers avoid data loss and achieve operational reliability.

Finance

We’ve been instrumental in China’s transition from cash to digital payments, serving as both participant and catalyst in fintech adoption. Our collaboration with Asia’s leading acquirer integrates AI capabilities like object recognition and voice interaction, extending mobile payment infrastructure to rural communities. Internationally, our BIoT solutions power leading fintech players - including top payment platforms in Korea and India - enabling diverse transaction methods from QR codes to contactless NFC. These partnerships demonstrate our ability to adapt core technologies to regional payment ecosystems while maintaining universal security standards.

Alipay:

Financial payment products operate under strict certification standards and security requirements. SUNMI, prioritizing compliance and security, continuously responds to global market demands by driving technological innovation and implementation.

In China, SUNMI has maintained a long-term partnership with Ant Group. Since 2018, this collaboration has included the promotion of facial recognition-based payment solutions and the deployment of solutions in closed environments such as canteen group dining scenarios. In recent years, the partnership has expanded to promote NFC-based payment technology through the “Alipay Tap-to-Pay” solution. SUNMI has supplied tens of thousands of devices to Ant Group for nationwide deployment, becoming its primary supplier of the “Alipay Tap-to-Pay” series featuring built-in printing modules.

During the process of product development, leveraging its extensive experience in designing and developing Android-based smart handheld devices, SUNMI overcame numerous technical challenges to integrate a receipt printer into a highly compact form factor. This innovation enables users to complete transactions quickly with a simple “tap” interaction, eliminating the need to open a payment app, thereby enhancing the user experience.

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From the launch of the first transaction to April 24, 2025, with only 321 days, “Alipay Tap-to-Pay” has been rolled out across more than 400 cities in China. Over 5,000 brands and millions of merchants have adopted the solution, extending its use beyond payments to scenarios such as ordering, access control, bike-sharing, and hotel check-in with a total of 300 specific scenarios. The user base has surpassed 100 million.

VNPAY:

VNPAY, a leader in Vietnam’s electronic payment industry, provides payment services and solutions. Addressing the needs of Vietnam’s local payment ecosystem, VNPAY has partnered with SUNMI to launch the VNPAY-SmartPOS solution, focusing on “technology integration + scenario coverage.” This solution has achieved extensive application across various scenarios, including taxis, retail, and convenience services.

The collaborative solution supports all types of card payments and integrates the VNPAY-QR payment method. As a result, VNPAY’s partner merchants can process transactions through 32 local bank apps and 10 e-wallets in Vietnam, helping businesses reach the widest consumer base.

Moreover, leveraging SUNMI’s smart BIoT solution technology, VNPAY can efficiently develop, deploy, and manage payment solutions that are deeply integrated with specific scenarios. This enables VNPAY to offer customers end-to-end digital solutions, from payment processing to business workflows, enhancing customer loyalty and solution competitiveness. VNPAY’s taxi payment solution ranks top in market coverage in Vietnam.

Our BIoT PaaS Platform

We have pioneered and developed the industry’s first PaaS platform—the SUNMI Max Program—a low-code, modular-based platform that enables businesses and developers to efficiently build, manage, and upgrade software applications for use on their smart devices. SUNMI Max Program consists of more than 1,000 modules spanning over 20 verticals. As of December 31, 2024, over 7,000 businesses from approximately ten countries and geographic regions adopted the SUNMI Max Program.

With the SUNMI Max Program, businesses are able to streamline their smart device deployment by accessing pre-built, customizable software solutions. This is particularly important for businesses in emerging markets where software development resources may be limited. The SUNMI Max Program empowers them to implement cutting-edge solutions without significant investment in infrastructure or specialized expertise, enabling them to compete with larger, more resource-rich enterprises.

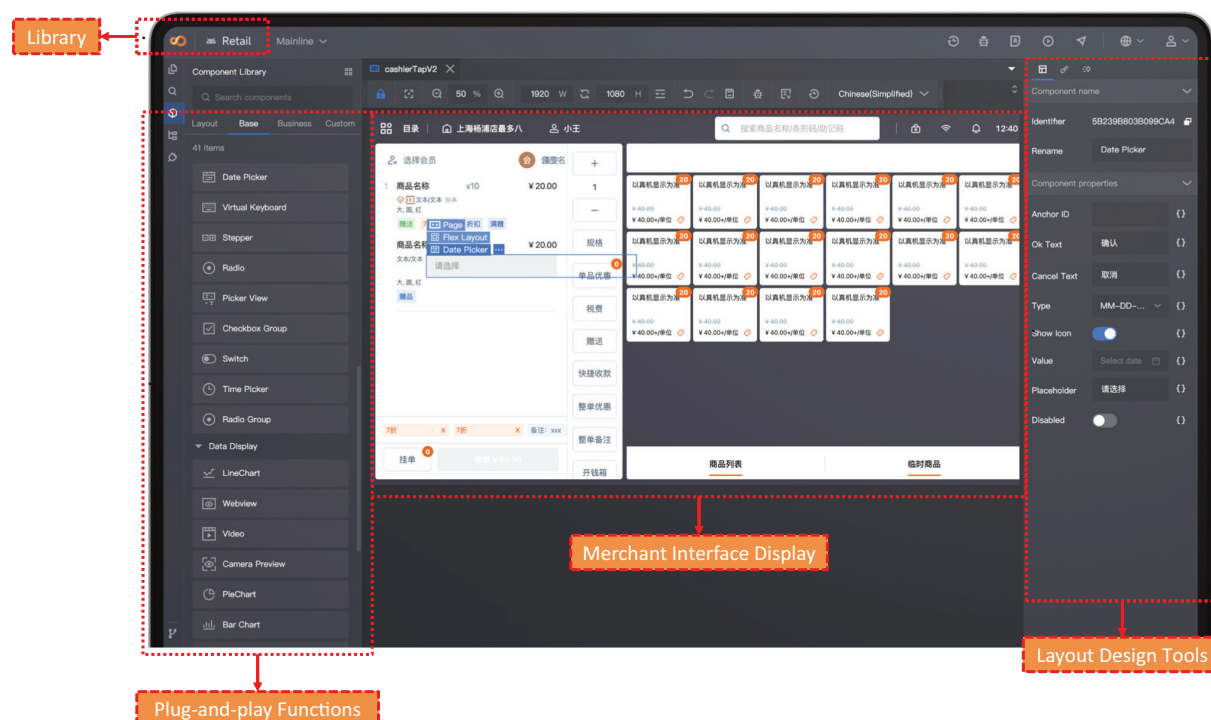
BUSINESS

Rather than building functionalities from scratch, businesses can focus on integrating, optimizing, and customizing modules, leading to faster time-to-market and lower operational costs. For example, G-POS, a restaurant management system integrated with Grab in Thailand, leveraged the SUNMI Max Program to develop a commercial application tailored to the Thai restaurant industry. With just three software engineers, G-POS significantly reduced development time and staff costs, as approximately 90% of the application’s functionality was built using pre-existing catering templates from the SUNMI Max Program, while G-POS’s engineers could focus solely on localization development.

We provide developers with a rich suite of tools and services that cover the entire development lifecycle, from coding and deployment to operations and maintenance. Our BIoT PaaS platform and SUNMI App Store offers features such as gradual application rollout, remote updates, and data analytics, enabling developers to continuously refine software experiences without the need to build complex backend infrastructure.

The SUNMI Max Program is also designed with built-in security features and governance tools to ensure data protection and regulatory compliance across various industries and regions. With robust encryption, access controls, and authentication mechanisms, businesses can safeguard sensitive information and prevent unauthorized access. The platform also adheres to global compliance standards of the countries and regions where we conduct business, helping businesses meet industry-specific regulations.

The SUNMI Max Program features intuitive interfaces that enable business users and citizen developers to create software applications without sophisticated programming skills, as illustrated in the below screenshots.



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Product Pricing and Sales

We generate our revenue predominantly from sales of our BIoT solutions mainly including smart devices. We price our smart devices primarily based on the overall market price. We adopt pricing strategies based on the specifications and requirements of different regions and countries. Based on this anchor point, overall market prices and trends, and our own profitability analysis, we adjust our prices within the market price range to ensure competitiveness while maintaining our market positioning.

In addition, for the businesses that develop their own software applications using our BIoT PaaS platform, we typically charge fees only after the relevant customers have completed their application development. We price our BIoT PaaS platform service fees primarily based on the overall market price and the number of SUNMI smart devices using the software applications developed.

The following tables set forth details on the sales volumes, net of our smart devices during the Track Record Period.

	For the year ended December 31,		
	2022	2023	2024
	Sales Volume (Unit in thousands)	Sales Volume (Unit in thousands)	Sales Volume (Unit in thousands)
Smart desktop devices	619	544	498
Smart mobile devices	1,198	752	872
Smart payment devices	1,295	1,926	2,433
	3,112	3,222	3,803

OUR CORE TECHNOLOGY

Since our inception, our technologies have not only made our BIoT solutions cater to merchants’ evolving needs, but also pushed the boundaries of predicting and addressing their future needs in a digitalized, connected world. Particularly, we have built proprietary technologies around our “three-stage rocket” framework, including (a) the smart devices, (b) the BIoT PaaS platform, and (c) the BIoT-centric business intelligence.

Stage One – Smart Devices

Standardization of Smart Terminals

To meet the rising demand for standardization across hardware and software, we have developed proprietary SUNMI Common Build Block (“CBB”) technology. This innovative CBB approach streamlines our technology platform by creating a shared library of hardware and software components that enables efficient scalability and rapid product upgrade.

The construction architecture of CBB is built on four layers: system ecology, core chip platform, motherboard technology architecture, and R&D material library; each layer is divided into multiple

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subcategories and our technology management also includes multiple dedicated systems, such as screens, vision (including code scanning), printing, NFC, and advanced lithium-ion batteries tailored for commercial equipment. This organized framework enables us to continue developing customized products while ensuring compatibility and integration across its product portfolio.

By facilitating a comprehensive evaluation of design frameworks, key components, and localized design options for various scenarios, our CBB technology creates a shared architecture and common materials across devices, turning complex product reconstructions into streamlined, modular integrations. The table below provides a comparison of key indicators in relation to standardization of BIOT products across three generations of our products.

	SUNMI First- Generation Product	SUNMI Second- Generation Product	SUNMI Third- Generation Product
Product Standard Architecture	0	1	8
Average Number of Models Sharing the Main			
Chip	1	5	8.7
Average Number of Models Sharing the Screen			
Module	1	2.3	3.8
Battery Module Standardization Rate	0	28.9%	85.7%
Motherboard Standardization Rate	0	12%	100%

As a result, products within the same series developed using our CBB technology achieve significantly faster progress compared to previous generations. Specifically, efficiency in design solutions and material selection can improve by over 50%, while streamlined operations and an integrated production framework enable a significantly higher turnover rate that is more than doubles, based on our assessment.

SUNMI OS and DMP

Robust Network Connections and Transmissions

SUNMI LINK Protocol

We have established our proprietary SUNMI LINK protocol, which re-defines the standards for product discovery, data transmission, and operational control within a local area network. We have integrated such protocol into SUNMI OS, enabling our smart devices to effectively identify, communicate, and operate with one another.

Hyper Wi-Fi

Our proprietary advanced Wi-Fi module, Hyper Wi-Fi, is a long-range, low-power Wi-Fi HaLow module compliant with the IEEE 802.11ah standard. This technology module is designed to meet the growing demands of modern businesses, where simultaneous, seamless and reliable connectivity with low latency is essential for efficient operations. Hyper Wi-Fi offers ten times the range of traditional Wi-Fi, making it ideal for both indoor and outdoor applications.

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By supporting a vast range of smart devices, Hyper Wi-Fi enables businesses to expand their coverages without the limitations of traditional Wi-Fi. Hyper Wi-Fi’s high capacity ensures that numerous smart terminals can connect simultaneously without compromising performance. This is particularly important in crowded environments with dense device populations, highly shielded spaces, or large areas requiring long-distance communication, as illustrated in the table below.

Type of Environment	Pain Points	Hyper Wi-Fi’s Solutions
Crowded environments with dense device populations	In crowded environments with numerous communication terminals—such as concerts, exhibitions, stadiums, and bars—the wireless network often becomes compromised, causing cellular and 2.4G/5GHz Wi-Fi disruptions. These issues can interfere with business operations and lead to a poor user experience.	Hyper Wi-Fi provides an exclusive, interference-free Sub-G wireless channel, significantly reducing latency and minimizing wireless interference. With Hyper Wi-Fi, businesses benefit from stable, low-latency communication, even in high-density areas, enabling smooth and uninterrupted operations.
Highly shielded spaces	In settings with physical obstructions like thick walls or metal structures—such as kitchens, underground bars, or warehouses—wireless signals can become severely impaired. These barriers lead to poor Wi-Fi coverage and frequent communication failures for connected devices.	Hyper Wi-Fi offers enhanced wireless penetration, capable of passing through multiple layers of obstructions and eliminating dead zones typical of standard Wi-Fi setups. By deploying Hyper Wi-Fi transmitters, businesses can ensure consistent communication in hard-to-reach areas without the need for extensive network reconfiguration.
Large areas requiring long-distance communication	For large areas or long-distance communication needs—such as outdoor dining spaces, expansive warehouses, or between island terminals—devices far from the central router often struggle to maintain a stable connection. Traditional wireless solutions lack the capacity to reliably cover such extensive distances, resulting in weak or nonexistent signals at the network’s edges.	Hyper Wi-Fi enables ultra-long-distance wireless transmission, covering up to 1 km outdoors and over 50,000 square meters indoors, making it ideal for large areas that requires long distance communication. This solution allows businesses to maintain stable, reliable wireless connectivity across expansive areas, enhancing operational efficiency without costly infrastructure upgrades.

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Stage Two – BIoT PaaS platform and Software Applications

BIoT PaaS Platform

Our modular-based low-code PaaS platform serves as a common software infrastructure equipped with ready-to-use development tools, allowing businesses and developers to efficiently build, manage, and upgrade applications for smart devices. By providing a standardized yet customizable foundation, the platform simplifies application development, reduces coding complexity, and accelerates time-to-market. This approach ensures that businesses can focus on innovation while leveraging a scalable and flexible infrastructure tailored to their operational needs.

With a modular-based architecture, businesses can select and integrate only the components that best align with their specific requirements, eliminating unnecessary features and optimizing performance. This structure also enables efficient resource allocation, as businesses can focus on enhancing mission-critical modules rather than developing applications from the ground up. At the same time, this modular approach allows us, as the platform provider, to continuously optimize proprietary modules that are essential for various business processes in a commercial setting. The technical advantages of a modular-based platform include:

- **Enhanced system maintainability:** A modular design allows businesses to update, replace, or debug individual modules without disrupting the entire system, reducing downtime and ensuring smoother operations. This structure also makes it easier to identify and fix issues, as each module functions as an independent unit, leading to faster troubleshooting and resolution. Additionally, businesses can scale or modify their applications incrementally, without requiring a complete overhaul, ensuring long-term sustainability and efficiency.
- **Greater adaptability:** By leveraging modular components, businesses can quickly adjust their applications to meet evolving market demands, regulatory changes, or customer preferences. This agility ensures that businesses can integrate new technologies or features without requiring extensive redevelopment. Furthermore, industry-specific modules allow businesses to tailor their solutions for different sectors, from retail and hospitality to logistics and healthcare, maximizing flexibility and relevance.
- **Improved scalability:** We encapsulate complex hardware variations into a SDK, which includes approximately 800 APIs for unification and peripheral as of December 31, 2024, integrating functionalities such as sensor invocation and device interactions. Developers can focus on business logic without the burden of adapting applications to different hardware environments. This streamlined approach allows for seamless global deployment and cross-industry scalability, empowering businesses to efficiently expand their BIoT solutions across diverse markets and verticals.

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As a low-code platform, our PaaS solution includes over 1,000 pre-built business functions templates, covering essential functions such as user registration, membership management, order processing, and takeout services. This significantly reduces the need for manual coding, enabling faster application development with minimal programming expertise. The key advantages of a low-code platform include:

- **Increased agility:** Low-code development accelerates the software development cycle, allowing businesses to rapidly build, test, and deploy applications. With visual development tools and pre-built templates, businesses can implement changes in real-time, quickly responding to market trends, customer feedback, or operational challenges. This ability to iterate and adapt swiftly ensures that businesses remain competitive and innovative in a fast-changing digital landscape.
- **Reduced development costs:** By minimizing the need for extensive coding, low-code platforms lower dependency on highly skilled developers, reducing both labor costs and time-to-market. Additionally, businesses can cut infrastructure expenses by leveraging cloud-based development environments, which eliminate the need for expensive on-premise servers and software licenses. The streamlined development process also translates to fewer errors and reduced debugging efforts, further optimizing cost efficiency.
- **Lower technical barriers to entry:** With an intuitive drag-and-drop interface and pre-configured modules, low-code platforms enable non-technical users—such as business analysts and product managers—to actively participate in the development process. This democratization of app development reduces reliance on IT departments, fostering cross-functional collaboration and ensuring that applications align more closely with business needs. Additionally, organizations can train and onboard new developers faster, accelerating the pace of digital transformation.

With strong cross-platform and global deployment capabilities, applications developed on our PaaS platform operate seamlessly across web and mobile environments. This enables businesses to maintain a consistent user experience while maximizing their reach across multiple operating systems. According to CIC, our PaaS platform improves developer efficiency by over 30% and enhances external device integration by up to 60%, compared to traditional development without the adoption of our PaaS platform. Additionally, our global deployment capabilities support automatic tax rate calculations across different countries and ensure compliance with regional data privacy and storage regulations, helping businesses meet complex regulatory requirements effortlessly.

Our BIoT PaaS platform is built on a cloud computing environment, incorporating cloud computing containers and cloud service resources that are fully integrated with applications—key components in building SaaS-enabled solutions. Additionally, cloud-native deployment enhances data security and disaster recovery, while automated updates and maintenance ensure applications remain up-to-date without manual intervention. By leveraging cloud computing, our platform provides businesses with a reliable, scalable, and secure environment for developing their BIoT-centric applications efficiently.

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Stage Three – BIoT-centric Data Solutions that Empower Exchanges of Data Assets

As a BIoT solution provider that facilitates business data exchanges, we harness the vast volumes of business data processed through our smart devices to deliver data-driven business intelligence to our customers beyond the traditional BIoT ecosystem. These data insights are particularly valuable for providing actionable business intelligence based on authentic and reliable data. When a transaction occurs via a smart device, such as a POS terminal, the device records it with synchronized, matching timestamps, ensuring the accuracy and trustworthiness of the transaction data.

This, combined with the cutting-edge blockchain technology, can significantly enhance data exchange by ensuring security, transparency, and immutability across business transactions. Building upon this technological foundation, we intend to extend the value proposition by offering data-driven solutions, such as industry-specific sales reports, location-based market environment analyses, as well as post-marketing performance evaluations. These valuable insights will further enable businesses to make informed decisions and optimize their strategies.

We are the industry-first company that has commercialized BIoT-centric data solutions, according to CIC. For example, we partnered with a small to medium-sized chain pharmacy in Shanghai to deliver data-driven analytics on drug pricing strategies for a pharmaceutical manufacturer. In this partnership, we offer healthcare payment solutions in exchange for access to authorized, anonymized sales data from the pharmacy. Since sales data is processed through our smart devices, the insights generated are both accurate and reliable. By leveraging our advanced data analytics capabilities, we deliver data analysis reports that enable the pharmaceutical manufacturer to effectively and efficiently evaluate and optimize its drug pricing strategies.

Application of Artificial Intelligence

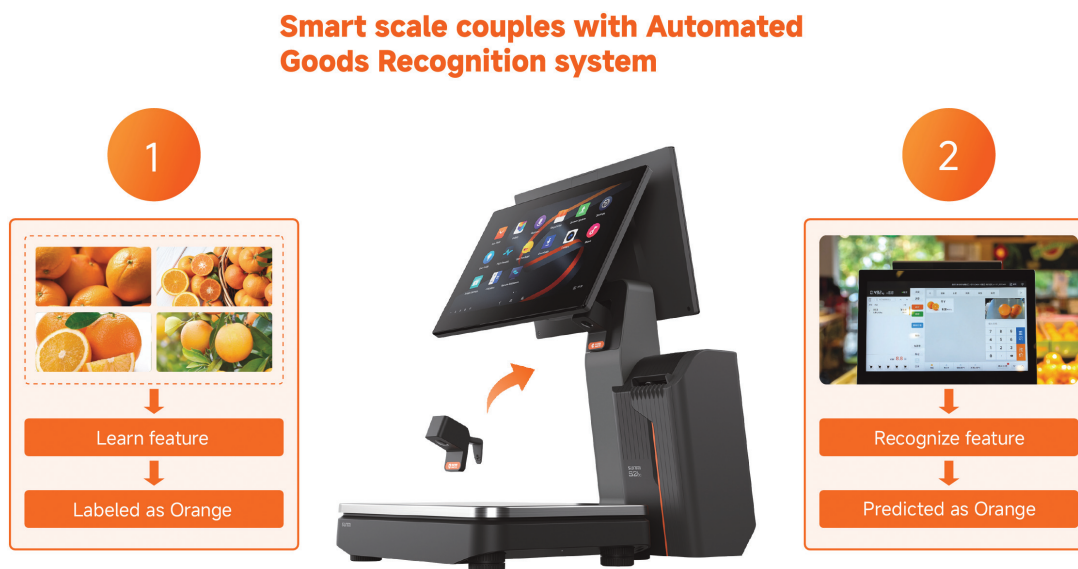
We believe AI is the cornerstone of future productivity, and we have strategically developed a comprehensive “Edge AI” framework. Starting with our third-generation products, our roadmap emphasizes chip platforms with powerful NPUs to ensure scalable support for advanced AI algorithms. Our smart devices are engineered with AI-ready hardware, including enhanced sensors, microphone arrays, and cameras, to enable seamless machine vision and natural language interaction. We further strengthen our platform with proprietary human-computer interaction algorithms and embedded foundational AI models, significantly reducing developers’ need for substantial R&D investments. Through our open AI Framework, we standardize algorithm interfaces, allowing third-party providers to contribute innovations while giving developers the freedom to adopt or switch algorithms without additional redevelopment costs. This fosters a collaborative, flexible, and future-proof ecosystem that accelerates AI adoption across industries.

Automated Goods Recognition

We have applied proprietary AI algorithms into its smart scanners to accurately recognize the goods in various formats (the “**Automated Goods Recognition**”). These AI algorithms consist of two core components: (i) goods recognition algorithms, which identify products based on distinct characteristics, and (ii) barcode scanning algorithms, which enable efficient and precise data capture. This technology

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application significantly enhances the functionality of the scanners, which allows merchants to swiftly assess and verify items during each transaction, as illustrated below.



As of December 31, 2024, the Automated Goods Recognition can accurately identify unlimited number of dish and fruit and vegetable products, providing real-time learning recognition rate of 98.66% and corresponding rates within 100ms. It processes single dish images with precision, providing detailed information such as the dish name and confidence level. Additionally, it supports the creation of custom image libraries, which allows for simultaneous recognition of multiple dishes. These AI-powered advancements enable merchants to go beyond standard product recognition, delivering tailored solutions for the food and hospitality industries and significantly enhancing operational efficiency in these sectors.

The application of Automated Goods Recognition has significantly improved customer satisfaction and surpassed similar products from our industry peers, particularly in key metrics such as hit rate and average processing time. According to CIC, among our direct competitors, we are only BIoT solution provider for businesses that has self-developed Automated Goods Recognition.

AI-driven Low-code PAAS Platform

By integrating high-performance computing platforms, hardware-optimized designs, and a mix of proprietary and third-party algorithms, we offer developers a unified and intuitive development environment. This approach not only streamlines the adoption of AI capabilities but also protects developers from redundant investments, allowing them to efficiently harness the latest AI technologies.

RESEARCH AND DEVELOPMENT

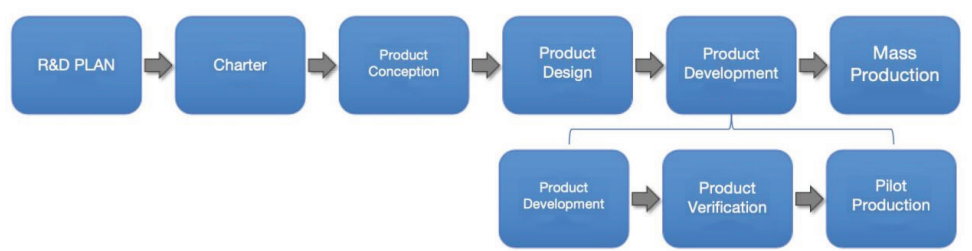
R&D Principle

R&D is the driving force behind our innovation. Our strong R&D capabilities empower us to continuously develop groundbreaking BIoT solutions that set new industry benchmarks. By maintaining an

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unwavering focus on technological advancement, we remain at the forefront of the BIoT industry, consistently pushing the boundaries of what is possible. Through continuous breakthroughs in hardware, software, and data solutions, we not only enhance the efficiency and scalability of BIoT applications but also redefine industry standards—enabling businesses to embrace smarter, more connected solutions for the future.

Our R&D process includes R&D planning, chartering, conception, design, development and mass production, as illustrated in the below flowchart.



R&D Staff

We believe our talented and experienced R&D staff enables us to continually introduce new innovations. As of December 31, 2024, we had a research and development team of 574 people, representing 46.2% of its total employees. Among these R&D staff, many of them have substantial R&D experience with other renowned technology companies before joining us. The following table sets forth a breakdown of the number of our R&D staff as of December 31, 2024 by work functions.

Functions	Numbers
Smart hardware (including smart devices, SUNMI OS and DMP)	419
PaaS platform	85
Network connection	24
Industrial and product design	15
IT infrastructure	31
Total	574

During the Track Record Period, our R&D efforts were primarily focused on the development and enhancement of smart hardware across the aforementioned categories, as well as the PaaS platform and experimental data-driven offerings. By consistently investing in R&D, we drive continuous innovation and product upgrades across its diversified BIoT solution offerings.

Our R&D team is spearheaded by seasoned industry veterans with profound visions and insights. For example, our founder, Mr. Lin Zhe had over two decades of experience in BIoT device industry, and Mr. Lin led the team launch the world’s first Android-based POS terminal in 2011. In 1999, Mr. Lin invented the world’s first PC-based POS terminal. With Mr. Lin’s deep and unique insights into the global rise of the Android system and growing market demand for Android-based POS terminals, in 2011, Mr. Lin led the team to launch the world’s first Android-based POS terminal. Leveraging his long-term and in-depth

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understanding of the industry, Mr. Lin led the Company in establishing its inner and outer ecosystem with many other players in the industry, including strategic cooperation partners, our major suppliers and customers, and other market participants.

INTELLECTUAL PROPERTY

Since our inception, we have internally developed a variety of intellectual property rights. As of December 31, 2024, we held 143 registered software copyrights, 587 registered patents, 10 patents registered overseas, 138 registered trademarks, and 109 trademarks registered overseas. See “Appendix IV — Statutory and General Information — Further Information About Our Business — Intellectual Property Rights” for details of our material intellectual property rights. We have not experienced any material disputes or claims for infringement of intellectual property rights with third parties during the Track Record Period and up to the Latest Practicable Date.

We believe these intellectual property rights are critical for us to reinforce our substantial barriers, and we intend to continue to develop more advanced technologies, which are expected to bring long-term benefits to participants of our ecosystem. See “Risk Factors — Our failure to protect our intellectual property rights could substantially harm our business, operating results and financial position, and litigation to protect our intellectual property rights or defend against third-party allegations of infringement may be costly and ineffective.”

During the Track Record Period and up to the Latest Practicable Date, we did not have any material disputes or any other pending legal proceedings regarding intellectual property rights with third parties.

SALES AND MARKETING

Overview

We have a comprehensive and structured sales and marketing team that operates across three core functional areas: market planning, marketing promotion, and strategic product planning. Each area plays a distinct yet interconnected role in driving our market presence, aligning its products and technologies with customer needs, and uncovering new growth opportunities. As of December 31, 2024, we had 284 employees responsible for sales and marketing activities. We generally conduct our sales and marketing activities through offline channel.

We sell and distribute our products through an omnichannel approach, both online and offline. Our online channel includes self-operated official flagship stores on e-commerce platforms, such as the Tmall and JD.com flagship store. Our offline channels include: (i) direct sales, and (ii) sales to distributors.

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The table below sets forth a breakdown of our revenue both in absolute amount and as the percentage of total revenue by our online and offline channels for the periods indicated.

	For the Year Ended December 31,					
	2022		2023		2024	
	RMB	%	RMB	%	RMB	%
<i>(in thousands, except for percentages)</i>						
Online channel						
Sales through self-operated channel	10,050	0.3	10,027	0.3	6,975	0.2
Subtotal	10,050	0.3	10,027	0.3	6,975	0.2
Offline channel						
Direct sales	2,155,896	63.3	2,385,725	77.7	2,740,098	79.3
Sales to distributors	1,238,434	36.4	674,817	22.0	709,304	20.5
Subtotal	3,394,330	99.7	3,060,542	99.7	3,449,402	99.8
Total	3,404,380	100.0	3,070,569	100.0	3,456,377	100.0

Online Channel

We had our first online store on Tmall and JD.com in 2017. In 2022, 2023 and 2024, our revenue attributable to online channels amounted to RMB10.1 million, RMB10.0 million and RMB7.0 million, respectively, representing 0.3%, 0.3% and 0.2% of our total revenue, respectively.

We have entered into agreements with the e-commerce platforms to operate and manage our online stores. The following table sets forth a summary of the salient terms of our typical agreements with e-commerce platforms:

- **Duration.** The terms of our agreements with e-commerce platforms are typically one year. Upon the expiration, if neither party raises any objections, the validity of such agreement shall be automatically extended for another 90 days, and the renewal agreement shall be signed before the expiration of 90 days.
- **Service provided by the e-commerce platforms.** The e-commerce platforms usually provide software services in relation to online information services, software technology services, marketing and promotion resources, transaction management, transaction completions and other services.
- **Service charges.** We shall pay e-commerce platforms service charges which are calculated by taking a prescribed percentage of the gross turnover of the online stores operated on the e-commerce platforms. Service charges are usually paid on a real-time, periodically basis as set forth in the relevant agreements.
- **Payment terms.** We shall pay the prepayment to the e-commerce platform and settlement within seven working days.

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- **Code of conduct.** We are subject to the code of conduct of the e-commerce platforms. We shall follow the standard code of conduct regarding the scope of business, anti-bribery and anticompetition, confidentiality, customer protection and data protection requirements.
- **Termination.** The service agreements can generally be terminated upon expiration of contract terms, prior written notice or in the event of a material breach.

Offline Channels

Direct Sales

We have entered into direct sales agreements with certain of our customers. The following table sets forth a summary of the salient terms of our typical direct sales agreements with our customers:

- **Payment and credit terms.** We typically required our customer to settle our payment within credit terms.
- **Software updates.** We may in our sole discretion make available updates, enhancements, additions, new versions or releases of the software to customers.
- **Return policy.** We generally provide a warranty for 12-36 months since date of activation, and 90 days after delivery due to quality issue.
- **Intellectual property.** We retain all our intellectual property rights with respect to our products/ services under the purchase agreements.
- **Confidentiality.** Each party to the purchase agreements shall treat all confidential made known to it by the other party in the strictest confidence during and after the contract terms.
- **Termination.** the agreement may terminate by giving a 30 days prior written notice.

Distributorship

In line with industry standards, we primarily rely on partnerships with distributors to market and sell our products globally. Given their geographic proximity, access to diverse local businesses and merchants, and familiarity with grid standards and regulatory requirements, our distributors are well-positioned to drive our penetration and sustained growth in global markets. By collaborating with distributors who possess established networks, industry expertise, and financial stability, we expand market reach, mitigate capital recovery risks, and leverage their service ecosystems to gather real-time user feedback, enabling seamless pre- and post-sales support alongside tailored solutions.

We have established a comprehensive onboarding policy to maintain a consistently high quality among our distributors. Prior to engaging any distributor, we conduct interviews with qualified candidates, assessing their industry experience and customer networks. Our selection process includes a thorough

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review of required business licenses, qualifications, and historical sales performance. Through these rigorous criteria, we are committed to building a global network of distributors who represent not only our products but also our corporate values.

As of December 31, 2024, we collaborated with 988 distributors worldwide. Our relationships with these distributors operate on a seller-buyer basis, where they purchase products from us to resell to installers and/or end users. Sales generated by these distributors are generally recurring, except in instances where we have discontinued relationships with certain distributors, as outlined below. See also “Risk Factors – Risks Relating to Our Business and Industry – We rely on independent distributors over whom we have limited control.”

The following table sets forth the total number and movement of our offline distributors during the Track Record Period.

	Years Ended December 31,		
	2022	2023	2024
Offline distributors			
Beginning of the period	549	761	801
Additions	213	42	190
Terminations	1	2	3
Number of offline distributors at the end of the period	761	801	988

We generally enter into a standard distribution agreement with each of our distributors across different regions, with key contractual terms outlined below:

- **Term and termination.** The distribution agreement typically in effect for more than one year. Certain of our distribution agreements shall be automatically renewed upon expiration. Either party may terminate the agreement without cause, given three months’ prior notice, or immediately in the event of a material breach by the other party. Upon termination, all payments must be settled, accepted orders fulfilled, and our materials returned.
- **Designated sales territory.** We assign specific sales territories within which each distributor is authorized to market and sell our products. Except as required by local laws and regulations, distributors are generally restricted from selling outside their designated territories to prevent market cannibalization, with certain exceptions. As each product is connected to our system upon installation, we can easily trace its assigned location and verify whether it falls within a distributor’s designated sales territory. As a consequence for breaching this requirement, we withhold product warranties and after-sales services for any products sold outside the designated territory.
- **Sales targets and rebates.** Distributors are required to meet yearly sales targets during their term of engagement. These targets vary among distributors based on factors such as general market conditions, economic development levels, our market penetration, strategic objectives,

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and estimated customer demand in each territory. Should a distributor fail to meet its targets, we reserve the right to reconsider our business relationship, evaluating factors like overall market conditions, other distributors’ performance, and the availability of alternative distributors in that region. To incentivize performance, we offer sales rebates for meeting targets.

- **Product pricing.** Distributors shall follow the pricing policy instructed by us.
- **Payment settlement.** We generally require distributors to settle payments within credit terms.
- **Legal compliance and business integrity.** Upholding the highest standards of business integrity is fundamental to our corporate culture, particularly in the sales and marketing activities conducted through our distribution network. Our distributors are contractually obligated to comply fully with all applicable laws and regulations, including those related to export controls and data security. Furthermore, upon receiving prior written notice, distributors are required to provide books, records, and other documentation to facilitate audits by authorities, ensuring the authenticity and compliance of transactions.

We have adopted several measures to prevent channel stuffing, which primarily include:

- *Inventory control and management:* Our inventory control and management policy for distributors is designed to ensure efficient and timely replenishment of stock. We suggest our distributors to set order quantity caps based on historical sales data, and also ask them to provide forecast before they make the order. We believe such an inventory control and management policy over distributors incentivizes them to maintain an optimal level of inventory for sales and reduce the risks of channel stuffing;
- *No minimum sales requirement:* We generally do not set minimum purchase requirements for distributors. By not imposing minimum purchase requirements on offline distributors, we allow them to order stock based on realistic sales expectations. This approach reduces the pressure on distributors to buy more products than they can sell, thereby mitigating the risk of channel stuffing;
- *Return policy:* We do not allow product return from distributors except for defective or damaged products with approval, which is generally in line with market practice. We believe such policy discourages our distributors to overload their inventories;
- *Regular inventory status review:* We review the inventory status and the sales report submitted by our distributors when their sales decline to gain a general understanding of their sales performance and provide sales advice accordingly, and therefore help them avoid overstocking;
- *Sales guide:* We provide advice to our distributors regarding product offerings that are suitable to their customers, based on our understanding of the market and historical performance information available to us, with a goal to minimize slow-selling products.

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We allow our distributors to engage sub-distributors within their designated sales territories to assist in marketing and selling our products. Although we do not have direct contractual relationships with these sub-distributors, we have implemented measures to ensure they meet our high service standards. For example, our sales team holds regular meetings with distributors to monitor sub-distributors’ performance and requirements, and we also organize events with sub-distributors to promote our products directly. To the best of our knowledge, the total number of sub-distributors was approximately 400 as of December 31, 2024.

To our best knowledge, during the Track Record Period and up to the Latest Practicable Date, all of our distributors were Independent Third Parties, and there was no employment, financing or family relationship between our distributors and us. As of the Latest Practicable Date, none of our Directors, their associates or any other Shareholder which, to the knowledge of our Directors, owns more than 5% of our share capital had any interest in any of our sales and distribution partners.

Anti-Cannibalization Risk Management

We have also adopted a set of measures to avoid cannibalization among our distributors, including (i) implementing a pricing policy for all our products, and providing our distributors with recommended retail prices for our products as their guidance; (ii) designating specific distribution areas in offline channels to each distributor through distribution agreements; and (iii) instituting a product tracing system that generates a unique code for our products to enhance product traceability throughout their life cycle to identify any cannibalization risk across our channels in order to promptly resolve such issues.

To our best knowledge, during the Track Record Period and up to the Latest Practicable Date, all of our distributors were Independent Third Parties, and there was no employment, financing or family relationship between our distributors and us.

OUR CUSTOMERS

We sell our BIoT solutions to businesses and merchants in over 200 countries and regions. In 2022, 2023 and 2024, we had 2,506, 2,337 and 2,262 customers, respectively.

We introduced SUNMI Home, our offline experience center, to showcase our latest generation of smart devices and software solutions. With a growing global footprint, we have established over 50 SUNMI Home experience centers located in major cities such as Shanghai, Beijing, Singapore, and Dubai. Looking ahead, we plan to continue expanding this network and working closely with local partners to offer more localized services to businesses worldwide.

Through immersive, hands-on experiences, SUNMI Home allows businesses to explore how our smart devices and software solutions can digitize their day-to-day operations. For example, our self-checkout systems help businesses increase efficiency while cutting operational costs. Complementary technologies such as SUNMI DMP and localized cloud solutions enhance device security and performance, enabling partners to build smarter, safer, and more efficient commercial ecosystems. Our local teams also offer rapid, on-the-ground support to ensure a smooth experience from initial product exploration to full-scale deployment.

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Top Five Customers

In 2022, 2023 and 2024, the aggregate revenue generated from our five largest customers were RMB1,438.6 million, RMB885.1 million and RMB1,421.4 million, representing 42.3%, 28.8% and 41.1% of our revenue, respectively. Revenues generated from our largest customer in the same periods were RMB655.6 million, RMB505.4 million and RMB758.9 million, representing 19.3%, 16.5% and 22.0% of our revenues, respectively.

The following tables set forth details of our five largest customers in each year during the Track Record Period:

Rank	Customers	Type of Products Purchased	Background	Time to Establish Business Relationship	Revenue (RMB in thousands)	% of Our Total Revenue
For the year ended December 31, 2022						
1	Customer A	Smart desktop devices, accessories and parts	A leading hybrid distributor, listed on NASDAQ.	2019	655,553	19.3
2	Customer B	Smart desktop devices, smart payment devices, smart mobile devices, accessories and parts	A business logistics and management solutions provider, headquartered in London, United Kingdom.	2019	370,326	10.9
3	Customer C	Smart mobile devices, smart desktop devices, accessories and parts	A multinational online food ordering and food delivery company, listed on Frankfurt Stock Exchange.	2019	278,580	8.2
4	Customer D	Smart mobile devices, accessories and parts	A multinational online food delivery platform, headquartered in London, United Kingdom.	2020	74,140	2.2
5	Customer E	Smart payment devices, smart mobile devices, accessories and parts	A leading company in the field of coding, numbering and pricing systems in the Egyptian market.	2019	60,034	1.8
For the year ended December 31, 2023						
1	Customer B	Smart desktop devices, smart payment devices, smart mobile devices, accessories and parts	A business logistics and management solutions provider, headquartered in London, United Kingdom.	2019	505,365	16.5
2	Customer C	Smart mobile devices, smart desktop devices, accessories and parts	A multinational online food ordering and food delivery company, listed on Frankfurt Stock Exchange.	2019	148,678	4.8
3	Customer F	Smart desktop devices, smart payment devices, smart mobile devices, accessories and parts	A fintech company operates in middle east, providing payment and digital financial solutions.	2021	93,649	3.0
4	Customer G	Smart payment devices, accessories and parts	A mobile payment application provider in South Korea.	2022	74,930	2.4
5	Customer H	Smart desktop devices and smart payment devices	An artificial intelligence company focused on the big health industry, headquartered in Changsha, the PRC.	2021	62,507	2.0
For the year ended December 31, 2024						
1	Customer B	Smart desktop devices, smart payment devices, smart mobile devices, accessories and parts	A business logistics and management solutions provider, headquartered in London, United Kingdom.	2019	758,908	22.0
2	Customer I	Smart desktop devices, accessories and parts	A restaurant SaaS product and fintech solutions provider in North America, listed on NYSE.	2019	287,636	8.3

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Rank	Customers	Type of Products Purchased	Background	Time to Establish Business Relationship	Revenue (RMB in thousands)	% of Our Total Revenue
3	Customer G	Smart desktop devices, smart payment devices, smart mobile devices, accessories and parts	A mobile payment application provider in South Korea.	2022	142,218	4.1
4	Customer J	Smart desktop devices, smart payment devices, accessories and parts, PaaS platform and services	A company focused on medical insurance and innovative application services, headquartered in the PRC.	2022	117,690	3.4
5	Customer K	Smart desktop devices, smart mobile devices, accessories and parts	A leading global on-demand delivery company.	2018	114,900	3.3

During the Track Record Period and up to the Latest Practicable Date, our five largest customers were independent third parties. As of the Latest Practicable Date, none of our Directors, their close associates or any of our Shareholders (who or which to the knowledge of the Directors owned more than 5% of our issued share capital) had any interest in any of our five largest customers.

We are dedicated to achieving customer satisfaction. Depending on specific product types, we generally offer product warranties included in our pricing package with ranging from one to three years, with extended warranties available in select cases. If a claim is received within the warranty period and the issue is covered, we will address it through configuration adjustments, software updates, or by replacing the hardware component with a new or refurbished equivalent. We provide refunds for faulty products, and any replaced parts are sent to a local service center for centralized inspection. For after-sales inquiries, customers may reach us via email or phone as listed on our official website.

WAREHOUSING AND INVENTORY MANAGEMENT

Our inventory primarily consists of raw materials and consumables, work in progress and finished goods. We have established a warehouse management policy to manage our inventory, setting forth requirements and processes for management of our inventory including, among others, undergoing inspection and quality assessment before accepting incoming materials for storage, specifying warehouse temperature and humidity control settings and storage conditions, setting up segregated storage areas for materials requiring further determination or quality testing, and verifying and confirming transportation vehicles before loading and recording proof upon loading. If we discover any abnormalities in any of our inventory or the storage time exceeds the prescribed time, our quality department conducts re-inspection and confirmation before shipment. For materials with shelf-life requirements, regular inspections are conducted to ensure that the materials are within their usable shelf life.

SUPPLY CHAIN MANAGEMENT

Our procurement mainly includes (i) raw materials for the production of our smart devices and (ii) outsourced processing services. We primarily procure chips, screens, and other essential components for production of our smart devices, as we believe that maintaining high product quality relies significantly on sourcing top-tier raw materials and supplies from trusted suppliers. To ensure this, we have established

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comprehensive internal policies and procedures that guide our procurement activities, securing a reliable and timely supply of key components to support our manufacturing processes and overall operations. We also contract OEM/ODMs to manufacture our smart devices.

We maintain a list of qualified suppliers to ensure the consistent quality of our supplies. Prior to procurement, our procurement department pre-screens supplier candidates based on factors such as certifications, production capacity, technical capabilities, and in-depth market research. For those who pass the pre-screening, we may conduct on-site inspections to confirm adherence to our quality standards. We implement a bidding process for procurement to ensure transparency and fairness, inviting at least three qualified suppliers to secure competitive pricing. We periodically review and assess supplier performance across criteria such as quality, pricing, and reliability. Suppliers who conditionally pass or fail our annual audit are assigned a dedicated team to support performance improvement, and we also reserve the right to remove them from our list if standards are not met.

As of December 31, 2024, we collaborated with over 400 suppliers in China and globally. We believe that our rigorous supplier selection and evaluation criteria, extensive pool of qualified suppliers, and strong, stable relationships with reliable partners have enabled us to secure a steady supply of high-quality materials, mitigate reliance risks, and minimize exposure to unexpected fluctuations in raw material prices. During the Track Record Period, we encountered no significant incidents of supply interruptions, early contract terminations with suppliers, or raw material shortages.

We generally enter into a standard supply agreement with each of our suppliers across different regions, with key contractual terms outlined below:

- **Term and termination.** To maintain a reliable supply chain, our supply agreements generally have a two-year term with options for renewal. Certain of our supply agreements shall be automatically renewed upon expiration. We reserve the right to terminate the agreement in the event of a material breach by the supplier.
- **Quality.** Quality standards for raw materials are outlined in the supply agreement. Suppliers must ensure all materials meet the agreed specifications and quality benchmarks, and they are liable for any losses incurred due to quality deficiencies in their products.
- **Pricing.** The pre-determined pricing of procured products will be specified in each order.
- **Delivery.** Suppliers are responsible for delivering raw materials to our designated location, as specified in the purchase order, with delivery costs allocated accordingly as the case may be.
- **Inspection and acceptance.** Upon delivery, we inspect raw materials and reserve the right to reject any defective materials that fail to meet the agreed-upon quality standards. Suppliers are responsible for remedying any defects, including returns and replacements. We assume the risk of loss only after the raw materials are accepted.
- **Business integrity.** To uphold the integrity of our business relationships, we require suppliers to comply with applicable anti-bribery laws and regulations, as well as our related policies.

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Top Five Suppliers

During the Track Record Period, the aggregate purchases from our top five suppliers in each year during the Track Record Period amounted to RMB2,142.4 million, RMB1,968.9 million and RMB2,265.6 million, which accounted for 75.9%, 74.1% and 66.3% of aggregate purchases for respective years. Purchases from our largest supplier in the same periods were RMB781.0 million, RMB662.0 million and RMB855.6 million, respectively, representing 27.7%, 24.9% and 25.0% of our total purchases, respectively.

Our Directors confirmed that, During the Track Record Period, we have not experienced any significant material fluctuation in prices set by our suppliers, material breach of contract on the part of our suppliers or material delay in delivery of our orders from our suppliers. To the best of our knowledge, during the Track Record Period and up to the Latest Practicable Date, all of our top five suppliers were Independent Third Parties. As of the Latest Practicable Date, none of our Directors, their close associates, or any of our Shareholders (who or which to the knowledge of the Directors owned more than 5% of our issued share capital) had any interest in any of our top five suppliers.

The following tables set forth the details of our top five suppliers during the Track Record Period.

Rank	Suppliers	Background	Type of Products Provided	Time to Establish Business Relationship	Credit Terms	Purchase Amount (RMB in thousands)	% of Our Total Purchase %
<i>For the year ended December 31, 2022</i>							
1	Supplier A	A company principally engaged in manufacture and sale of mobile handset components, modules and other products.	Smart desktop devices, smart payment devices, accessories and parts	2016	30 days	780,963	27.7
2	Supplier B	A company focusing on the research, development and production of enterprise smart hardware, and headquartered in Shanghai.	Smart payment devices, smart mobile devices, accessories and parts	2018	30 days	717,632	25.4
3	Supplier C	An intelligent communication terminal R&D and design company, listed the Shanghai Stock Exchange.	Smart desktop devices, smart payment devices, smart mobile devices, accessories and parts	2017	60 days	503,969	17.9
4	Supplier D	An equipment supplier, headquartered in Shenzhen, with registered capital of US\$0.7 million.	Accessories and parts	2018	30 days	77,282	2.7
5	Supplier E	An equipment supplier, headquartered in Suzhou, with registered capital of US\$60.5 million.	Smart mobile devices, accessories and parts	2021	30 days	62,542	2.2

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Rank	Suppliers	Background	Type of Products Provided	Time to Establish Business Relationship	Credit Terms	Purchase Amount (RMB in thousands)	% of Our Total Purchase %
<i>For the year ended December 31, 2023</i>							
1	Supplier A	A company principally engaged in manufacture and sale of mobile handset components, modules and other products.	Smart desktop devices, smart payment devices, accessories and parts	2016	30 days	661,952	24.9
2	Supplier B	A company focusing on the research, development and production of enterprise smart hardware, and headquartered in Shanghai.	Smart payment devices, smart mobile devices, accessories and parts	2018	30 days	591,207	22.3
3	Supplier C	An intelligent communication terminal R&D and design company, listed the Shanghai Stock Exchange.	Smart desktop devices, smart payment devices, smart mobile devices, accessories and parts	2017	60 days	590,884	22.2
4	Supplier F	An equipment supplier, headquartered in Shenzhen and listed on the Shanghai Stock Exchange.	Accessories and parts	2017	60 days	62,437	2.4
5	Supplier G	An equipment supplier, a subsidiary of a listed company.	Smart mobile devices, accessories and parts	2017	60 days	62,428	2.4
<i>For the year ended December 31, 2024</i>							
1	Supplier C	An intelligent communication terminal R&D and design company, listed the Shanghai Stock Exchange.	Smart payment devices, smart mobile devices, accessories and parts	2017	60 days	855,596	25.0
2	Supplier A	A company principally engaged in manufacture and sale of mobile handset components, modules and other products.	Smart desktop devices, smart payment devices, smart mobile devices, accessories and parts	2016	30 days	679,914	19.9
3	Supplier B	A company focusing on the research, development and production of enterprise smart hardware, and headquartered in Shanghai.	Smart payment devices, smart mobile devices, accessories and parts	2018	30 days	362,424	10.6
4	Supplier H	An electronic components manufacturer, headquartered in Shenzhen and listed on the Shenzhen Stock Exchange.	Smart desktop devices, smart payment devices, accessories and parts	2020	90 days	243,539	7.1
5	Supplier I	A telecommunications service provider, headquartered in Shanghai and listed on the Shanghai Stock Exchange.	Smart payment devices, accessories and parts	2018	30 days	124,135	3.6

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MANUFACTURING

Third-party Manufacturers

During the Track Record Period, we primarily rely on OEM/ODM facilities for the production of our smart devices. In 2024, we maintained collaborations with approximately 30 third-party manufacturers to support our production needs. We supervise quality of raw material and finished products and utilize existing capacity of our OEM/ODM facilities. The procurement of raw material and manufacture is conducted through third-party manufacturers. Selective utilization of OEM/ODM facilities gives us more flexibility in the allocation of our capacity and resources.

Our business department, research and development department and procurement department select new third-party manufacturers based on our business demand, which are then comprehensively evaluated by our procurement department, supply planning department and quality control department. When selecting third-party manufacturers, we evaluate factors such as certifications, proven experience, production capabilities, technological expertise, R&D capacity, product quality, service scope and pricing. Our manufacturers are regularly assessed on seasonal basis, covering various aspects such as performance, quality management and warehouse operations.

Our solid reputation, expansive production scale, and long-standing relationships with manufacturing partners enable us to establish reliable and cost-efficient collaborations with third-party manufacturers. During the Track Record Period, we did not encounter any losses or product liabilities associated with the manufacturing process of our third-party manufacturers.

During the trial production phase, our procurement department and research and development department are responsible for evaluating prototypes and collaborating with OEM/ODMs to optimize production procedures based on product characteristics. In the mass production phase, our quality management department will participate in material quality management and product quality monitoring in the OEM/ODM facilities, while our delivery management department provides rolling order forecasts and monitors production progress in real time to ensure timely and high-quality delivery. We are actively involved in and lead core aspects of the manufacturing process, including production planning, quality control, workflow optimization and performance testing.

Manufacturing Facility

During the Track Record Period, self-manufacturing only contributed a small portion of our total production volume, due to our consideration of production flexibility. We commenced manufacturing smart device at our two manufacturing centers in Guangdong and Zhejiang, China, respectively.

We independently carry out product design and raw material procurement, and complete component assembly, pre-installed SUNMI OS and application softwares, device testing and final packaging process in manufacturing centers. The following table sets forth key details of our manufacturing center.

Manufacturing Facility	Geographic Location	Product Type(s)	Acreage (m ²)	Annual Designed Production Capacity (Units)
Manufacturing	Shantou, Guangdong	Smart desktop device	4,407	52,800
Manufacturing	Jiashan, Zhejiang	Smart desktop device and Smart payment device	7070	761,280

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During the Track Record Period, we have continually expanded our production capacity to meet the growth in demand for our products and in line with to our expansion strategy and market demand forecasts. Our designed capacity increased from 52,800 units in 2023 to 289,266 units in 2024. Driven by the growing market demand, our utilization rate of production capacity also increased steadily throughout the Track Record Period. The following table sets forth the designed capacity, actual output and utilization rates by our manufacturing centers during the Track Record Period.

Location	For the year ended December 31,								
	2022			2023			2024		
	Designed Capacity	Actual Output	Utilization Rate ⁽¹⁾	Designed Capacity	Actual Output	Utilization Rate ⁽¹⁾	Designed Capacity	Actual Output	Utilization Rate ⁽¹⁾
Shantou, Guangdong	(units) 52,800	(units) 46,335	(%) 87.8	(units) 52,800	(units) 57,489	(%) 108.9	(units) 52,800	(units) 85,142	(%) 161.3
Jiashan, Zhejiang	N/A	N/A	N/A	N/A	N/A	N/A	236,466 ⁽²⁾	41,861	17.7

Note:

- (1) The utilization rate is equal to the actual output divided by the designed capacity during the same period.
- (2) Calculated based on the different commencing date of each production line in Jiashan manufacturing center. The low utilization rate of the Jiashan manufacturing center is due to its commencement of production in July 2024.

QUALITY ASSURANCE

We follow thorough quality assurance procedures to monitor the quality and conformity of our solutions during the entire development, manufacturing, delivery and services processes. We strictly adhere to the requirements of our quality management system, implementing rigorous quality control measures and establishing a comprehensive customer feedback and complaint handling process to promptly and effectively address customer concerns. We have the authority to request OEM/ODM to hold monthly quality meetings. We are responsible for monitoring OEM/ODM production quality, submitting monthly reports on planning, delivery and product quality, while ensuring continuous reliability testing plans and reports are properly executed during mass production to maintain stable quality standards.

Quality control does not end with production. We continue to prioritize quality and customer satisfaction by maintaining close communication with customers after product delivery. This enables us to address any issues promptly and incorporate customer feedback into future improvements. Post-production data and insights from customer feedback are analyzed to refine processes and enhance product performance. This commitment to continuous improvement ensures that we remain responsive to market demands and maintains its reputation for delivering high-quality semiconductor solutions.

During the Track Record Period and up to the Latest Practicable Date, we had not been subject to any investigation regarding any of our product quality or production facilities by any governmental authority and we had not encountered any material product safety incident. During the Track Record Period and up to the Latest Practicable Date, we did not have any material product recalls or returns, product liability claims, or customer complaints.

Certifications

We have also obtained ISO9001, ISO14001 and ISO450001 certifications. During the Track Record Period and up to the Latest Practicable Date, we had not been subject to any material claim or penalty in

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relation to any product safety issues, including accidents, injuries and fatalities involving end users, false advertising incidents or any material defects or malfunctioning of our smart terminal solutions and embodied intelligence solutions, and we had been in compliance with the relevant laws and regulations in China in all material aspects.

DATA SECURITY AND PRIVACY

We are headquartered in the PRC and sell our BIoT solutions in over 200 countries and regions worldwide. In delivering these solutions, we engage in certain data-related activities that support the functionality, efficiency, and security of our products. Specifically, we may (i) collect customer-related data directly, (ii) obtain data (such as barcodes, fruits, vegetables and etc.) from third-party provider and public source to enhance our algorithms and product features, (iii) share select data with third-party providers to enable specific product functions, (iv) manage data storage and secure transmission, and (v) handle data retention and deletion processes in accordance with applicable standards. As part of our operations, we may access data relating to the development, production, delivery, and functionality of our BIoTs, including device-specific information such as serial numbers and model types to ensure security, optimal operations, and effective management.

We have established a robust data privacy and security framework to ensure compliance with both local and international standards, protecting the integrity of our systems and the privacy of our customers’ data. We employ rigorous data protection protocols that govern the collection, storage, and transmission of data. Our database systems are fully registered and comply with regulatory requirements in regions where we operate.

To reinforce system resilience, we conduct regular security penetration tests, enabling us to assess vulnerabilities proactively and apply advanced protections. Our data security measures include strict encryption protocols for all robot communications, ensuring secure interactions within our BIoT solutions networks. Additionally, business data has been managed through classification and categorization to ensure security at every stage of data handling.

Internally, we have established a dedicated data security and compliance team responsible for regular audits and continuous improvement of our data practices. This team reviews compliance with data protection laws and security standards, adapting our protocols to meet evolving industry requirements.

During the Track Record Period and up to the Latest Practicable Date, we had complied with applicable laws and regulations relating to user privacy and data security in all material aspects. Looking forward, we remain dedicated to strengthening our data security framework, prioritizing innovation and adaptability in our practices to meet the growing expectations of data protection in global markets. We aim to lead the industry by fostering a culture of security and trust, continuously enhancing the safety and reliability of our BIoT solutions.

COMPETITION

The global BIoT solution market has experienced steady growth, expanding from approximately RMB189 billion in 2020 to around RMB235 billion in 2024, representing a CAGR of approximately 5.6%

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over the period. BIoT solutions are widely used in high-frequency commercial sectors, such as retail and food services. As digital transformation gains momentum across more industries, such as healthcare, education, and tourism, BIoT adoption is expected to penetrate across a broader range of industry sectors. In addition, ongoing upgrades of existing devices and systems are expected to further drive market growth. The global BIoT solution market is projected to reach RMB313 billion by 2029 at a CAGR of approximately 5.9% from 2024 to 2029. This indicates continued demand and substantial room for continued development and adoption across industries worldwide. The global market size of Android-based BIoT solutions was approximately RMB32 billion in 2024. It is projected to reach approximately RMB92 billion by 2029, at a CAGR of 23.7% from 2024 to 2029. Android’s open development ecosystem allows global developers to build customized solutions. Its high level of compatibility supports a wide range of functions, which has helped speed up its use in many commercial use cases. The penetration rate of Android-based BIoT solutions in the global market, measured by the global market size of Android-based BIoT solutions over the global market size of BIoT solutions, is expected to increase from approximately 14% in 2024 to around 29% by 2029.

The BIoT industry is still in the early stage of its digital transformation. The competitive landscape includes a wide mix of players at different BIoT stages. Many solution providers still operate within the earlier stages of BIoT (i.e. BIoT 1.0 or 2.0), particularly those focused on specific functions such as card payments. These companies have begun adopting Android systems, recognizing the growing importance of flexible, connected ecosystems. However, their use of Android often remains limited to isolated use cases (such as card payment) rather than full integration into broader business operations. BIoT 3.0 players are focused on addressing more complex, fragmented, and long-tail digital challenges. By offering open ecosystems and smarter product experiences, they have a competitive edge over traditional vertical-focused hardware providers and are well positioned to penetrate digital application scenarios at scale.

SUNMI is the world’s largest Android-based BIoT solution provider in terms of revenue in 2024. SUNMI also has the broadest coverage of application verticals, the widest range of sub-verticals, and the most extensive global presence. As a representative of BIoT 3.0, SUNMI has launched a series of innovative products that have accelerated the evolution of the industry. SUNMI achieved market leadership within a relatively short period, surpassing competitors that have operated in the industry for decades. See “Industry Overview” for more details of our competitive landscape.

EMPLOYEES

As of December 31, 2022, 2023 and 2024, we employed an aggregate of 1,202, 1,125 and 1,243 full-time employees, respectively. The following table sets forth a breakdown of the number of our employees as of December 31, 2024 by work function.

<u>Functions</u>	<u>Numbers</u>
R&D	574
Sales and marketing	284
Production and operation	253
Functional departments	132
Total	1,243

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Substantially most of our employees are based in the PRC. Our success depends on our ability to attract, retain and motivate qualified personnel, and we believe that our high-quality talent pool is one of our core strengths. We adopt high standards and strict procedures in our recruitment, including campus recruitment, online recruitment, internal referral and recruitment through executive search, to satisfy our demands for different types of talents. We recruit employees based on their educational background, relevant experience in similar positions and professional qualifications, as well as our expansion strategy and job vacancies. We offer competitive compensation for our employees. In addition, we regularly evaluate the performance of our employees and reward those who perform well with higher compensation or promotion.

As required by PRC laws and regulations, we participate in various employee social security schemes organized by municipal and provincial government, including pension, maternity insurance, unemployment insurance, work-related injury insurance, health insurance and housing provident fund. 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, up to a maximum amount specified by the local government from time to time.

We believe our leadership in the industry is the key factor in the retention of talent, as our employees are attracted and motivated by the exposure of working with us. However, we also enter into standard contracts and agreements regarding confidentiality, noncompetition, intellectual property, employment and commercial ethics with our executive officers and full-time employees. These contracts typically include a noncompetition provision effective during and up to two years after their employment with us and a confidentiality provision effective during and after their employment with us.

We believe that we maintain a good working relationship with our employees, and we have not experienced any significant labor disputes or any difficulty in recruiting staff for our operations during the Track Record Period and up to the Latest Practicable Date.

INSURANCE

Pursuant to PRC regulations, we provide social insurance including pension insurance, unemployment insurance, work-related injury insurance, maternity insurance and medical insurance for our PRC employees based in China. We also purchase supplemental commercial medical insurance for our employees.

In line with general market practice, we do not maintain any business interruption insurance or product liability insurance, which are not mandatory under PRC laws. We may maintain certain product liability insurance in the jurisdictions where we operate to comply with local regulations and laws. We do not maintain key man life insurance, insurance policies covering damages to our network or information technology systems or any insurance policies for our properties. See the section headed “Risk Factors — Risks Related to Our Business and Industry — We may not have sufficient insurance coverage to cover our business risks” in this Document. During the Track Record Period, we did not make any material insurance claim in relation to our business.

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PROPERTIES

We currently do not own any properties. As of December 31, 2024, we leased 20 properties in China with a combined floor area of approximately 32,000 square meters or approximately 50% of the total gross floor area of all our leased properties, primarily for office use. Our principal executive office is located in Shanghai, China. According to section 6(2) of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice, 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 our interests in land or buildings, for the reason that, as of the Latest Practicable Date, none of the properties leased by us had a carrying amount of 15% or more of our consolidated total assets.

Outside China, as of December 31, 2024, we leased 10 properties overseas with a combined floor area of approximately 1,800 square meters and all our leased properties, primarily for office and display use.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

Overview

We are committed to fostering sustainable practices, promoting social responsibility, and maintaining strong governance standards, reflecting our dedication to Environmental, Social, and Governance (“ESG”) principles. Guided by the core value of “altruism”, we strive for mutually growth with our suppliers and promote sound corporate governance through a pragmatic approach. We actively address climate and environmental challenges, aiming for balanced progress between social development and green, low-carbon goals. Committed to acting responsibly, we prioritize people by protecting employee rights, supporting vulnerable groups, fostering compassion, and advancing ESG practices in a systematic and sustainable manner.

We have established a tiered, comprehensive ESG management framework, including our Board of Directors, ESG Committee and ESG working group. Our ESG Reporting Policy sets out different parties’ respective responsibilities and authority in managing ESG matters. Our Board of Directors is responsible for establishing, adopting and reviewing our ESG strategies and goals, supervising the implementation of ESG policies and plans, and reviewing our ESG reports and performance regularly. Our ESG Committee, chaired by our Executive Director and led by Board of Directors, is responsible for advancing ESG initiatives and reporting to our management and Board of Directors on a regular basis. ESG Committee provides overall guidance, strategic decisions, and resource allocation for ESG-related work, including overseeing the preparation and publication of ESG reports.

Compliance Management and Anti-Corruption

To ensure compliant operations, we have formulated Compliance Management Policy that outlines our compliance governance system, including the organizational framework, risk management mechanisms and compliance culture development, which ensures our operations in compliance with relevant laws and regulations.

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We have implemented a set of policies to ensure our operations comply with applicable anti-bribery and anti-corruption regulations in jurisdictions where we operate. These policies explain our specific procedures for preventing, reporting, investigating and penalizing violations. We make our internal reporting channel open and available for our staff to report any suspected bribery and corruption conduct through designated email, mail, or phone channels. All reports will be handled following approved investigation procedures, with regular progress updates, and all whistleblower information will be kept confidential.

ESG Risks and Opportunities

We are not involved in major construction projects, and the products we manufacture are not listed under the “high-pollution” product category as defined in the *Integrated Directory of Environmental Protection*. We do not emit a significant amount of wastes or pollutants from our business operations. We prioritize the development of a risk management system and have implemented Risk Management Policy to identify, analyze and assess risks related to our business operations. ESG elements are fully integrated into our risk management framework, which allows us to proactively identify and monitor related risks and opportunities, and to assess their potential risks and financial impacts.

We have been in compliance with environment related laws and regulations in all material aspects, and we developed a series of environmental management policies that define our environmental responsibilities and mechanisms. These measures aim to reduce the negative environmental impacts of our operations. In 2023, we obtained certification for GB/T24001-2016/ISO14001:2015 Environmental Management System, covering the design, sales, and after-sales services of products such as mobile user terminals, financial POS terminals, cash registers, and smart weighing terminals. The effective implementation of the ISO 14001 system enables us to continuously explore green innovation, adopt renewable energy and clean production processes, and produce eco-friendly, low-carbon products. During the Track Record Period and up to the Latest Practicable Date, we were not subject to any material claim or penalty or accident in relation to health, work safety, social and environmental protection.

Environmental Protection

We closely monitor and strictly comply with pollution control regulations throughout our production processes, especially concerning emissions of waste gases, wastewater, and solid waste. We ensure that all emission indicators meet local standards to minimize adverse environmental impacts.

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Greenhouse Gas Emissions

Our operational greenhouse gas emissions (“GHG”) are primarily indirect emissions from purchased electricity. The table below sets forth our greenhouse gas emission metrics in 2022, 2023 and 2024, respectively.

	Unit	2022	2023	2024
Scope 1 – Direct				
Emissions	tons	Not applicable	Not applicable	Not applicable
Scope 2 – Energy				
Indirect Emissions . . .	tons	497.49	621.65	672.42
Scope 3 – Other Indirect				
Emissions ¹	tons	206.24	446.67	753.22
Total Emissions	tons	704	1,068	1,426
Total Emission				
Intensity²	tons/RMB in million	0.15	0.20	0.19

Notes:

- (1) Scope 3 GHG emissions are calculated with reference to Appendix 2 of HKEX’s *How to Prepare an ESG Report: Environmental KPIs Reporting Guide*, and ISO 14064-1 standard (*Specification with guidance at the organization level for quantification and reporting of GHG emissions and removals*), as well as internal records and best estimates, waste generated during operations, the goods and services purchased by us.
- (2) Emission intensity is based on Scope 1 and Scope 2 emissions per million RMB of revenue.

Waste Management

We do not directly emit greenhouse gases or industrial waste gases, and our wastewater is primarily domestic sewage from office facilities. We have implemented a series of policies defining the emission standards and treatment procedures for GHGs, wastewater and solid waste. Our non-hazardous waste¹ mainly consists of office domestic waste, and hazardous waste primarily refers to lithium batteries used in laboratories. The table below sets forth our waste metrics in 2022, 2023 and 2024.

	Unit	2022	2023	2024
Hazardous Waste ²	kg	8.64	13.20	11.40
Hazardous Waste Intensity ³	kg/RMB million	0.0025	0.0043	0.0033

Notes:

- (1) Non-hazardous waste data not available due to lack of weight measurement.
- (2) The hazardous waste in 2022 was lower than 2023 and 2024, primarily because we reduced R&D testing in 2022 driven by the impact of COVID-19.
- (3) Waste intensity calculated based on total emissions per million RMB of revenue.

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Resource Usage

The resources used in our production primarily include purchased electricity for offices, water, and packaging materials.

Electricity

Taking into account the actual production and operation situation, we have taken a number of measures to enhance the efficiency of resource utilization, including the following specific measures:

- With increased laboratory equipment, electricity usage rose from 2022 to 2024, we plan to expand our use of renewable energy through the purchase of Green Electricity Certificates (GECs); and
- We actively research and develop low-energy consumption products, our T3 PRO MAX, T3 PRO MAX SUPER, T3, D3 PRO and M2 MAX have been awarded Energy Star certification.

Packaging

The product shells also use recyclable materials and bear recycling symbols to ensure proper handling at the end of their lifecycle.

The following table sets forth our energy and water consumption metrics in 2022, 2023 and 2024.

	Unit	2022	2023	2024
Energy Consumption ¹	MWh	801.76	1,001.85	1,083.68
Energy Intensity	MWh/RMB in million	0.24	0.33	0.31
Total Water Consumption	tons	1,034.00	1,454.00	1,337.00
Water Intensity ²	tons/RMB in million	0.30	0.47	0.39

Notes:

- (1) Energy consumption calculated based on indirect energy use and Appendix III of the IEA Energy Statistics Manual.
- (2) Water intensity calculated based on total water consumption per million RMB of revenue.

Climate Change

Climate change poses significant threats and challenges to human development. We proactively identify and analyze the potential impact of climate change on business operations and develop contingency plans to mitigate its effects.

Physical Risks. These include extreme weather events causing power outages, water shortages, and transportation disruptions, affecting operations, employee health and safety, and asset integrity. We have developed emergency plans and conduct regular drills and training to enhance staff preparedness.

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Transition Risks. With the goal of transitioning to a low carbon economy, market demand for environmentally friendly products will increase, which may require us to increase investment in environmental product design, research and development and production. We will actively promote the development of low-carbon products and have already achieved initial results. We commissioned a certification entity to carry out product carbon footprint verification of our T3 PRO products and obtained a declaration of verification of the carbon footprint of the product. In addition, we apply for relevant product qualification according to the requirements of German environmental regulations, such as the WEEE (Waste of Electronic Equipment) Directive, the Battery Law, the Packaging Law and other decrees, and updates the declaration on a regular basis.

Social Responsibility

Product Quality and Safety

Product is the cornerstone of our development. We are committed to product quality management with a refined operational approach, strictly complying with relevant laws and regulations, and continuously improving our internal management systems. We have formulated relevant policies and procedures to ensure that quality-first principles are applied across all stages of product design, development, manufacturing, packaging and transportation.

To promote standardized management, we have established relevant policies and procedures to ensure stable and reliable product quality. Our quality and safety department is responsible for overall project quality control through quality inspection points set in the MES system, covering in-process and pre-shipment inspections. In addition, to meet high product quality standards, we focus on personnel competence, with clear measures to ensure that inspection personnel meet qualification requirements, and we provide regular training and evaluation to relevant personnel. As of December 31, 2024, we did not received any material product quality complaints.

Customer Service

We have established a customer management system and set up customer complaint channels. Customers can submit feedback through the official website, online platforms (such as mini-programs and WeChat public accounts), hotlines, and email. We categorize customer complaints by severity and set response periods and corresponding procedures to ensure that customer complaints are handled promptly and effectively.

Innovation and R&D

We value and encourage technological innovation. Individuals or teams who successfully apply for new patents are given sufficient rewards and recognition. We have formulated relevant management policies and procedures to motivate all employees to engage in innovation and improve their innovation capabilities and professional skills.

Supply Chain Management

We actively establish stable and long-term cooperative partnerships with suppliers from various regions, striving for mutual benefit. During this process, we strictly comply with applicable laws and

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regulations and have formulated internal management policies and procedures to manage supplier development, access, tiered management, evaluation, and audits. In 2024, we organized an annual ESG training session for suppliers, conveying our ESG governance philosophy and requirements, with 40 suppliers participating in the training.

We promote the application of renewable materials in the procurement of components. Packaging materials achieved 100% usage of renewable materials, while metal and plastic parts reached 100% and 96% respectively. We strictly comply with hazardous substance regulations and have established internal management standards covering international regulatory requirements such as ROHS, REACH, and POPs. We regularly update these standards to align with the latest regulations.

We strictly comply with laws, regulations, and internal policy requirements, refusing to accept or use “conflict minerals” from the Democratic Republic of Congo and surrounding regions. We require suppliers to trace the origin of gold (Au), tantalum (Ta), tin (Sn), and tungsten (W) used in products. We regularly conduct conflict minerals investigations on suppliers, require them to sign the “Non-use of Conflict Minerals Declaration,” and classify and manage supplier risk levels. In the future, we plan to complete 100% audits of high- and medium-risk suppliers by 2027 to promote supply chain compliance and sustainable development.

Public Welfare

We deeply understand that corporate development is closely tied to social responsibility and actively fulfill our social obligations. The “Chengguang Initiative” is a public welfare project initiated by our Company, aiming to unite caring individuals to practice meaningful social responsibility together. The initiative is centered on the philosophy of “Shining for Love,” advocating for everyone to spread warmth and light up the lives of others.

During the pandemic, the Chengguang Initiative cooperated with the Yangpu District Government to organize volunteer teams providing online elderly care consultations and special group support for homebound elderly, elderly living alone, people with disabilities, and impoverished families.

During Children’s Day in 2024, volunteers from the Chengguang Initiative visited Yangpu District’s Yangfan School to celebrate the holiday with children, offering care and blessings and demonstrating our ongoing support for vulnerable groups.

As of December 31, 2024, we contributed a total of 474 hours of volunteer work, with 66 volunteer instances.

Employment

We strictly comply with relevant national and regional labor laws and regulations to ensure full legal compliance in all labor practices. We support the Universal Declaration of Human Rights and the International Covenants on Human Rights, firmly safeguarding employee rights. To ensure compliant and sound employment management, we have formulated and implemented a series of internal management

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systems covering recruitment, promotion, compensation management, equal employment, diversity and inclusion, anti-discrimination, and employee benefits. We prohibit any use of child labor in any of our operations. We also focus on embracing diversity within our organization, and provide an inclusive and equitable humanistic working environment.

Employee Benefits and Development

We strive to offer competitive salaries to attract and retain employees. We continue to optimize our talent acquisition and development systems by adopting diverse recruitment channels and adhering to the principles of fairness, justice, openness, and planning. We offer clearly defined career development paths to support employee growth. At the same time, we are committed to providing diverse training programs to help employees improve work skills, including onboarding training for new employees and job-specific training covering topics such as occupational safety and health, sustainable development, and essential job skills. We have established multiple communication channels (such as online platforms and forums) to listen to employee concerns and assign responsible personnel to follow up and resolve them, ensuring closed-loop feedback.

Workplace Safety

We have adopted and maintained a series of rules, standard operating procedures and measures to maintain our employees’ healthy and safe environment. We implement safety guidelines to set out information about potential safety hazards. We require new employees to participate in safety training to familiarize themselves with the relevant safety rules and procedures. Also, we have hygiene and health policies to adapt to material changes in labor and safety regulations. In 2023, we obtained the GB/T45001-2020 / ISO45001:2018 Occupational Health and Safety Management System certification for occupational health and safety management activities in certain business areas.

To improve our corporate safety management and ensure safe production, we have implemented safety measures such as risk source identification, daily safety inspections, emergency drills, and implementation of safety responsibilities, effectively preventing and controlling production safety incidents.

Metrics and Targets

Our Board of Directors will set targets for each material KPI at the beginning of each financial year in accordance with the disclosure requirements of Appendix C2 to the Listing Rules and other relevant rules and regulations upon [REDACTED]. The relevant targets on material KPIs will be reviewed on an annual basis to ensure that they remain appropriate to the needs of our Group. In setting targets for the KPIs, we have taken into account their respective historical levels and have considered our future business expansion thoroughly and prudently with a view of balancing business growth and environmental protection to achieve sustainable development. We have established consumption reduction targets based on energy and water usage, as well as waste emissions data in 2024. The following table sets forth our targets for emissions and resource consumption, along with the specific measures.

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Item	Target	Specific Measures
Greenhouse Gas Emissions	Complete the first carbon inventory by 2025 to determine the baseline and formulate reduction targets accordingly.	• Reduce energy consumption through regular inspections and maintenance; • Advocate for low-carbon travel, reduce empty trips, and avoid unnecessary business travel; and • Reduce electricity consumption in offices through timely light-off and efficient use of air conditioning.
Waste Emissions	By 2029, reduce waste emission intensity by 5%.	• Reduce waste, encourage employees to use resources rationally, and implement waste sorting.
Electricity Consumption	By 2029, reduce energy consumption intensity by 5%.	• Improve equipment operational efficiency through regular inspections and maintenance to reduce energy consumption; and • Promote LED lighting retrofit projects to reduce electricity consumption.
Water Resource Consumption	By 2029, reduce water consumption intensity by 5%.	• Improve water-use equipment design to enhance water efficiency; • Promote water conservation in offices; and • Prioritize recycled water systems in future production.

LEGAL PROCEEDINGS AND COMPLIANCE

We are committed to adhering to the laws and regulations applicable to our business. During the Track Record Period and up to the Latest Practicable Date, we did not experience any non-compliance incidents that our Directors believe would, individually or collectively, have a material operational or financial impact on our business and operations as a whole.

From time to time, we may be involved in contractual disputes or legal proceedings arising from the ordinary course of our business. During the Track Record Period and up to the Latest Practicable Date, we were not subject to any claims, damages, or losses that would have a material adverse effect on our financial position or results of operations as a whole. Litigation or any other legal proceeding, regardless of the outcome, is likely to result in substantial costs and diversion of our resources, including our management’s time and attention. For the potential impact of legal proceedings on us, see “Risk Factors – Risks Relating to Our Business and Industry – Legal, regulatory and administrative proceedings could adversely affect our business or financial results.”

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LICENSES AND PERMITS

The following table sets forth the details of the material licenses and permits necessary for the business operations in which we engaged in China.

<u>License/Permit</u>	<u>Entity Holding the License/Permit</u>	<u>Grant Date</u>	<u>Expiration Date</u>
Registration form for record filing and registration of foreign trade operators	The Company	July 23, 2019	—
Customs import and export goods consignee or consignor for the record return receipt		August 8, 2019	Permanent
Registration for internet application store		November 21, 2019	—
Value-added telecommunications business operating license		August 8, 2024	August 8, 2029
Certificate of Registration of Customs Declaration Unit	Guangdong Shangjie Information Technology Co. Ltd.	October 16, 2017	Permanent
Registration form for record filing and registration of foreign trade operators		July 24, 2018	—
Customs import and export goods consignee or consignor for the record return receipt	Guangdong Chuantian Technology Co. Ltd.	September 20, 2005	Permanent
Registration form for record filing and registration of foreign trade operators		April 9, 2021	—
Food operation license	Shanghai Sunmi House Commercial Management Co. Ltd.	July 30, 2020	July 29, 2025
Food operation license	Shanghai Sunmi House Commercial Management Co. Ltd. Yangpu Branch	July 12, 2023	July 11, 2028
Registration certificate of customs declaration unit	Sunmax (Hangzhou) Co., Ltd.	April 1, 2025	Permanent
Registration certificate of customs declaration unit	Sunmi Intelligent Technology (Zhejiang) Co. Ltd.	March 22, 2024	Permanent
Registration certificate of customs declaration unit	Sunmi Science and Trade (Zhejiang) Co. Ltd.	September 20, 2024	Permanent
Registration certificate of customs declaration unit	Shanghai Sunmi Science and Trade Co. Ltd.	August 31, 2023	Permanent
Registration certificate of customs declaration unit	Shangmai Technology (Zhejiang) Co., Ltd.	August 7, 2024	Permanent

During the Track Record Period and up to the Latest Practicable Date, we had obtained all material licenses, permits, approvals and certificates necessary to conduct our actual business operations from the relevant government authorities in the PRC, and such licenses, permits, approvals and certificates remained in full effect.

RISK MANAGEMENT AND INTERNAL CONTROL

We have established and currently maintain risk management and internal control systems consisting of policies and procedures that we consider to be appropriate for our business operations. We are dedicated to continuously improving these systems. We have adopted and implemented risk management policies in various aspects of our business operations. Our Board of Directors is responsible for the establishment and updating of our internal control systems, while our senior management monitors the daily implementation of the internal control procedures and measures with respect to each subsidiary and functional department.

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In preparation for the [REDACTED], we engaged an independent internal control consultant to evaluate the effectiveness of our internal control systems, identify any deficiencies, and recommend enhancements. The consultant’s review covered multiple facets of our operations, including entity level control, sales management and accounts receivable, procurement and accounts payable, human resources and compensation, cash and fund management, financial reporting and disclosure, asset management (both tangible and intangible), and IT system controls.

The consultant identified certain deficiencies, and we implemented targeted internal control measures to address these issues. We adopted substantially all of the consultant’s recommendations, resulting in an improved internal control system aligned with Listing Rules requirements.

Based on these enhancements, our Directors believe that our internal controls are adequate and effective in meeting the Company’s obligations under the Listing Rules, as well as other applicable legal and regulatory standards.

Financial Reporting Risk Management

Our finance team manages our financial reporting risks through a set of accounting policies that include financial reporting, budgeting, and statement preparation. Regular staff training ensures that our finance team consistently applies these policies and follows established procedures in reviewing management accounts.

Information System Risk Management

Our business depends on secure data management, particularly as we handle certain types of customer information under relevant laws. We have implemented a suite of IT security policies and procedures to govern various aspects of data handling, including system maintenance, personal data security, and network and database management. Protecting customer data is essential to our operations, so we prioritize measures that safeguard against unauthorized access, data leakage, or loss.

During the Track Record Period and up to the Latest Practicable Date, we did not experience any material system failure in our IT infrastructure, or any material leakage or loss of customer data.

Compliance and Intellectual Property Risk Management

Our legal team oversees compliance across our operations, particularly in ensuring that our business practices, contracts, and intellectual property rights comply with all relevant laws and regulations. Before entering into any contract with customers or suppliers, our legal department works with our business team to review contract terms, verify supporting documents, and conduct necessary due diligence. This ensures that we and our partners meet the required standards and maintain strong, compliant relationships.

Additionally, our legal team collaborates with our business and internal control departments to obtain and maintain all necessary government approvals, licenses, and permits for our operations. Our intellectual property team handles applications, renewals, and filings for our trademarks, copyrights, and patents to protect our innovations and intellectual property assets.

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Internal Control Risk Management and Measure

We have designed and adopted strict internal procedures to ensure the compliance of our business operations with the relevant rules and regulations. We maintain internal procedures to ensure that we have obtained all material requisite licenses, permits and approvals for our business operation, and conduct regular reviews to monitor the status and effectiveness of those licenses and approvals. We obtain requisite governmental approvals or consents, including preparing and submitting all necessary documents for filing with relevant government authorities within the prescribed regulatory timelines.

Human Resources Risk Management

A key part of our risk management involves developing a skilled and knowledgeable workforce. Our HR department oversees recruitment, training, and performance evaluation programs to ensure our team’s skills remain current and aligned with our operational goals. We uphold high recruitment standards to secure quality hires and perform regular evaluations of our employees’ performance.

Our employee handbook, which has been approved by management and distributed to our employees, includes internal guidelines on best practices, confidentiality, ethics, fraud prevention, and anti-corruption standards. Our anti-corruption policy is particularly important in promoting integrity within our organization. It defines misconduct and outlines our zero-tolerance approach to corruption. An anonymous reporting system enables employees to report any concerns about potential misconduct or corruption, and our business, finance, legal, and internal control teams investigate and respond to these reports to uphold ethical standards.

Investment Risk Management

We have an investment and financing management policy in place to govern the sourcing, screening, execution and portfolio management of investment projects. For example, with respect to long term investments, the finance department will generally conduct a preliminary assessment of the proposed investment project and prepare a project feasibility study report. Board of directors of the Company will then review the investment proposal, which will then be submitted to the board of directors of the Company for approval in accordance with the Company’s protocols. Once approved, the management team oversees the implementation of the investment.

Audit Committee Experience and Qualification and Board Oversight

We have established an audit committee to monitor the implementation of our risk management policies across our Company on an ongoing basis to ensure that our internal control system is effective in identifying, managing, and mitigating risks involved in our business operations.

We also maintain an internal audit department that is responsible for reviewing the effectiveness of internal controls and reporting to the audit committee on any issues identified. Our internal audit department holds regular meetings with the management to discuss any internal control issues we face and the corresponding measures to implement toward resolving such issues.

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AWARDS AND RECOGNITIONS

As of December 31, 2024, our smart devices earned more than 30 prestigious international design awards, including 13 Red Dot Awards, one iF Gold Design Award, 12 iF Design Awards, two Good Design Awards. These honors highlight our commitment to cutting-edge industrial design, intuitive user experiences, and advanced technology.

The following sets forth some of our Company’s recent major awards and achievements.

<u>Award/Recognition</u>	<u>Award Year</u>	<u>Awarding Authority</u>
Shanghai Innovative Headquarters 上海市創新型總部	2023	Shanghai Municipal People’s Government 上海市人民政府
2022 Zhangjiang Star Leading Enterprise 2022年上海市張江之星領軍型企業	2023	Zhangjiang High-tech Park Administrative Committee, Shanghai Science and Technology Commission, Pudong New Area Government. 張江高新區管委會、上海市科委聯合浦東新區政府
National Industrial Design Center 國家級工業設計中心	2023	MIIT 工信部
2022 Next-Generation Information Technology and Manufacturing Integration Development Pilot Demonstration List 2022年新一代信息技術與製造業融合發展試點示範名單公示	2022	MIIT 工信部
National Seventh Batch of National Manufacturing Single Champion Enterprises 國家級第七批製造業單項冠軍企業	2022	MIIT 工信部
2021 National Industrial Internet Identification Application Solution Pilot Demonstration Project 2021年國家工業互聯網標識應用解決方案試點示範項目	2022	MIIT 工信部
Private Enterprise Headquarters 民營企業總部	2020	Shanghai Municipal Commission of Commerce 上海市商務委員會
National “Specialized, Refined, Distinctive, and Innovative” (Little Giant) Enterprise 國家級「專精特新」小巨人	2020	MIIT 工信部

DIRECTORS AND SENIOR MANAGEMENT

BOARD OF DIRECTORS

Our Board comprises nine Directors, including four executive Directors, two non-executive Directors and three independent non-executive Directors. Pursuant to the Articles of Association, our Directors are elected and appointed by our Shareholders at a Shareholders’ meeting for a term of three years, which is renewable upon re-election and re-appointment.

The following table sets out key information about our Directors.

Name	Age	Position/Title	Time of Joining our Group	Date of Appointment as a Director	Responsibilities
Executive Directors					
Mr. Lin Zhe (林喆)	49	Executive Director, chairman of the Board and general manager	December 11, 2013	December 11, 2013	Presiding over our Board and being responsible for the overall management of business operation, strategy and corporate development of our Group
Mr. Chen Xiaojing (陳肖旌)	38	Executive Director and secretary of the Board	May 28, 2015	May 28, 2015	Responsible for investment, financing and government relations of our Group
Mr. Zhang Jinpu (張金普)	49	Executive Director and deputy general manager	February 22, 2018	May 21, 2018	Responsible for human resources and legal affairs of our Group
Mr. Chen Guihong (陳桂鴻)	47	Executive Director	December 11, 2013	August 8, 2014	Responsible for research and development of accessory products of our Group
Non-executive Directors					
Mr. Wang Huan (王歡)	35	Non-executive Director	May 15, 2025	May 15, 2025	Participating in the formulation of our Company’s corporate and business strategies

DIRECTORS AND SENIOR MANAGEMENT

Name	Age	Position/Title	Time of Joining our Group	Date of Appointment as a Director	Responsibilities
Ms. Zhang Yi (張一)	35	Non-executive Director	May 15, 2025	May 15, 2025	Participating in the formulation of our Company’s corporate and business strategies

Independent Non-executive Directors

Mr. Li Shihong (李詩鴻)	40	Independent Non-executive Director	April 19, 2022	April 19, 2022	Responsible for providing independent opinion and judgment to the Board
Ms. Wang Xia (王霞)	53	Independent Non-executive Director	May 15, 2025	May 15, 2025	Responsible for providing independent opinion and judgment to the Board
Mr. Poon Wing Shing, Anthony (潘永誠)	52	Independent Non-executive Director	May 15, 2025	May 15, 2025	Responsible for providing independent opinion and judgment to the Board

Executive Directors

Mr. Lin Zhe (林喆), aged 49, is an executive Director, the chairman of the Board and the general manager. Mr. Lin is in charge of presiding over our Board and being responsible for the overall management of business operation, strategy and corporate development of our Group. Mr. Lin has been the chairman of the Board and the general manager of the Company since December 2013.

Mr. Lin has over 30 years of entrepreneurial experience. He started his business at the age of 19 and founded Guangdong Chuantian Company Limited (廣東川田科技有限公司), one of the company’s current subsidiaries, in June 1996. Guangdong Chuantian Company Limited is primarily engaged in the research, development, manufacture, and sales of POS machines. In 2006, Mr. Lin led the Company to win the German iF International Industrial Design Gold Award in the computer category, making the Company the first mainland China enterprise to win the aforementioned award. Additionally, Mr. Lin received the honorary title of Top Talent of Yangpu District, Shanghai (上海市楊浦區拔尖人才) in 2019, and was selected for the Shanghai Leading Talent Cultivation Program (上海領軍人才培養計劃) in 2021. Mr. Lin has been materially responsible for the growth of the Group’s business since its establishment by way of his skills, knowledge and/or insights to the industry. Being at the core of the Group’s leadership team and leveraging his professional experience in the industry, Mr. Lin is pivotal to the success of the Group, its business model and technologies through his visionary leadership.

Mr. Lin graduated from Shantou Tuobin Vocational Secondary School (汕頭市鮑濱職業中學) in July 1994.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Chen Xiaojing (陳肖旌), aged 38, is an executive Director and the secretary of the Board. Mr. Chen is in charge of investment, financing and government relations of our Group. Since June 2019, Mr. Chen has been the secretary of the Board.

Mr. Chen worked at Anxin Securities Co., Ltd. (安信證券股份有限公司) from July 2011 to June 2015.

Mr. Chen obtained his bachelor's degree in electrical engineering and automation from Hanshan Normal College (韓山師範學院) in June 2011. Mr. Chen received his executive master's degree in business administration from Shanghai Jiao Tong University (上海交通大學) in December 2022.

Mr. Zhang Jinpu (張金普), aged 49, is an executive Director and the deputy general manager. Mr. Zhang is in charge of human resources and legal affairs of our Group. Mr. Zhang has been chief operating officer from February 2018 to June 2022, the deputy general manager since June 2019 and the chief human resources officer since June 2022.

Mr. Zhang successively worked at Motorola Systems (China) Co., Ltd. (摩托羅拉系統(中國)有限公司) from July 2002 to June 2011. Subsequently, Mr. Zhang served as a regional operating director of HTC Corporation (宏達通訊有限公司).

Mr. Zhang received his bachelor's degree in metallurgical machinery from Yanshan University (燕山大學) in July 1997. Mr. Zhang received his master's degree in business administration from Tsinghua University (清華大學) in July 2002.

Mr. Chen Guihong (陳桂鴻), aged 47, is an executive Director. Mr. Chen is in charge of research and development of accessory product of our Group. Mr. Chen has successively served as the director and senior director of the Company's product and research and development center since January 2014.

Mr. Chen was the director of the technology department of Citaq Co., Ltd. (廣東川田科技有限公司) from November 2001 to December 2013, prior to which Mr. Chen worked at a government department in Shantou from July 1997 to December 2001.

Mr. Chen completed his professional studies in computer applications at Shantou City Zhigong Yeyu University (汕頭市職工業餘大學), a predecessor of Shantou Open University (汕頭開放大學), in July 2002. Mr. Chen received his bachelor's degree in computer science and technology by online course from East China Normal University (華東師範大學) in September 2020.

Non-executive Directors

Mr. Wang Huan (王歡), aged 35, was appointed as our non-executive Director in May 2025. Mr. Wang is primarily responsible for participating in the formulation of our Company's corporate and business strategies.

Mr. Wang worked as an analyst at the Hongkong and Shanghai Banking Corporation Limited from July 2013 to July 2015. Subsequently, Mr. Wang joined the Ant Group in August 2015, with his latest

DIRECTORS AND SENIOR MANAGEMENT

position as the senior director of the investment and corporate development department at Ant Group (螞蟻集團). Mr. Wang has also been the director of Beijing Green Exchange Co., Ltd. (北京綠色交易所有限公司) since June 2022, and has been serving as a director of M-DAQ Global Pte. Ltd. since January 2025.

Mr. Wang received his bachelor’s degree in finance from Shanghai University of International Business and Economics (上海對外經貿大學) in July 2012. Mr. Wang received his master’s degree in finance from University of York in January 2014.

Ms. Zhang Yi (張一), aged 35, was appointed as our non-executive Director in May 2025. Ms. Zhang is primarily responsible for participating in the formulation of our Company’s corporate and business strategies.

Ms. Zhang worked at PricewaterhouseCoopers Zhong Tian LLP (普華永道中天會計師事務所) from 2011 to 2014, and worked at CEC Capital Group (易凱資本) from 2015 to 2017. Ms. Zhang has been the senior investment director of the strategic investment department of Beijing Xiaomi Mobile Software Co., Ltd. (北京小米移動軟件有限公司), part of Xiaomi Group (小米集團), since 2017.

Ms. Zhang received her bachelor’s degree in accounting from Wuhan University (武漢大學) in June 2011.

Independent Non-executive Directors

Mr. Li Shihong (李詩鴻), aged 40, has been appointed as a Director since April 2022, and was re-designated as an independent non-executive Director in May 2025.

Mr. Li joined the East China University of Political Science and Law (華東政法大學) in 2013 and serves as the associate professor of the East China University of Political Science and Law from July 2019 to present. Mr. Li is the responsible person of the Shanghai Chenguang Project (上海市晨光項目) of 2014, and a Member of the China Business Law Society and the Institute of Securities Law of CLS.

Mr. Li has served as the independent director of Yangzhou Tianfulong Group Co., Ltd. (揚州天富龍集團股份有限公司) since October 2021 and the independent director of Nantong Beixin Xinneng Technology Co., Ltd. (南通北新新能科技股份有限公司) since January 2022. Mr. Li was the independent director of Vohringer Home Technology Co., Ltd. (菲林格爾家居科技股份有限公司, stock code: 603226.SH), a company listed on the Shanghai Stock Exchange, from January 2022 to September 2023 and Shanghai Taisheng Wind Power Equipment Co., Ltd. (上海泰勝風能裝備股份有限公司, stock code: 300129.SZ), a company listed on the Shenzhen Stock Exchange, from June 2022 to March 2025. Mr. Li has been the independent director of SUZHOU DELPHI LASER CO., LTD. (蘇州德龍鐳射股份有限公司, stock code: 688170.SH), a company listed on the Shanghai Stock Exchange, since June 2022.

Mr. Li obtained his bachelor’s degree in law from East China University of Political Science and Law (華東政法大學) in July 2006, and subsequently obtained a master’s degree in economic law from the East China University of Political Science and Law. Mr. Li received a doctoral degree in international law from Peking University in July 2013.

DIRECTORS AND SENIOR MANAGEMENT

Ms. Wang Xia (王霞), aged 53, has been appointed as our independent non-executive Director in May 2025.

Ms. Wang served as the lecturer at Dongbei University of Finance & Economics (東北財經大學) from April 1996 to July 2001. Since 2005, Ms. Wang has served as the lecturer at Renmin University of China (中國人民大學). Ms. Wang has joined the East China Normal University (華東師範大學) in October 2008, and has served consecutively as an associate professor and the chair of the Department of Accounting (會計系主任), as well as the associate dean of the School of Business Administration (工商管理學院副院長). Ms. Wang has subsequently been engaged as a professor at the East China Normal University since December 2022. Ms. Wang was qualified as a certified public accountant in the PRC in 2003.

Ms. Wang has been the independent director of Shanghai Weihong Electronic Technology Co., Ltd (上海維宏電子科技股份有限公司, stock code: 300508.SZ) a company listed on the Shenzhen Stock Exchange, since May 2024.

Ms. Wang obtained her bachelor’s degree in trade economics from Anhui University of Finance and Economics 安徽財經大學 formerly known as Anhui Finance & Trade College 安徽財貿學院 in July 1993. She further earned a master’s degree in business economics in April 1996 from Dongbei University of Finance & Economics. Ms. Wang received her doctoral degree in business administration from Tsinghua University (清華大學) in July 2005.

Mr. Poon Wing Shing, Anthony (潘永誠), aged 52, has been appointed as our independent non-executive Director in May 2025.

Mr. Poon has over 25 years of experience in the legal and corporate affairs industry. From November 2006 to December 2024, he worked in the legal and compliance department at China Resources (Holdings) Company Limited with his last position as senior deputy general manager. His role at China Resources involved overseeing the legal and compliance aspects of equity market transactions and mergers and acquisitions of various business units of the China Resources group, including several initial public offerings on the Stock Exchange and projects relating acquisition of listed companies. Prior to joining the China Resources group, Mr. Poon served as a legal counsel at a company listed on the Stock Exchange and worked for an international law firm.

Mr. Poon obtained a bachelor’s degree in economics and statistics concentration from the University of Western Ontario, Canada in August 1994 and a postgraduate certificate in laws from The University of Hong Kong in June 1996.

Mr. Poon was admitted as a solicitor in Hong Kong in August 1998 and in England and Wales in April 1999. Mr. Poon is a member of the Recreation and Sports Committee of the Law Society of Hong Kong. He served as a member of the Greater China Legal Affairs Committee of the Law Society of Hong Kong from November 2022 to November 2024 and a member of the In-House Lawyers Committee of the Law Society of Hong Kong from October 2023 to September 2024.

DIRECTORS AND SENIOR MANAGEMENT

SENIOR MANAGEMENT

The following table sets out key information about our senior management.

Name	Age	Position/Title	Time of Joining our Group	Date of Appointment as Senior Management	Responsibilities
Mr. Lin Zhe (林喆)	49	Executive Director, chairperson of the Board and general manager	December 11, 2013	December 11, 2013	Presiding over our Board and being responsible for the overall management of business operation, strategy and corporate development of our Group
Mr. Chen Xiaojing (陳肖旌)	38	Executive Director and secretary of the Board	May 28, 2015	June 16, 2019	Responsible for investment, financing and government relations of our Group
Mr. Zhang Jinpu (張金普)	49	Executive Director and deputy general manager	February 22, 2018	June 16, 2019	Responsible for human resources and legal affairs of our Group
Ms. Zeng Guirong (曾桂榮)	45	Chief financial officer	June 1, 2022	March 1, 2023	Responsible for financial strategic planning, financial management and financial reporting, treasury management, tax management and risk management

Mr. Lin Zhe (林喆), aged 49, is an executive Director, the chairman of the Board and the general manager of our Company. See “— Executive Directors” above for details of his biography.

Mr. Chen Xiaojing (陳肖旌), aged 38, is an executive Director and the secretary of the Board of our Company. See “— Executive Directors” above for details of his biography.

Mr. Zhang Jinpu (張金普), aged 49, is an executive Director and the deputy general manager of our Company. See “— Executive Directors” above for details of his biography.

Ms. Zeng Guirong (曾桂榮), aged 45, has been the chief financial officer of our Company since March 2023. Ms. Zeng is primarily responsible for financial strategic planning, financial management and financial reporting, treasury management, tax management and risk management.

Ms. Zeng served at Baosteel Group Shanghai No.1 Iron and Steel Co., Ltd. (寶鋼集團上海第一鋼鐵有限公司) from July 2001 to February 2006. She then served at Henkel (China) Investment Co., Ltd. (漢高(中國)投資有限公司) from February 2006 to August 2008. Ms. Zeng served at Ingersoll Rand (China) Investment Co., Ltd. (英格索蘭(中國)投資有限公司) from September 2008 to May 2012, and served as the accounting manager from September 2010. Ms. Zeng served as the finance analysis manager of Shanghai Electric Leasing Co., Ltd. (上海電氣租賃有限公司) from June 2012 to January 2013. Ms. Zeng then worked at ASSA ABLOY China (亞薩合萊中國) from January 2013 to December 2016, where she was the finance

DIRECTORS AND SENIOR MANAGEMENT

director and the manager of the logistics order department. Subsequently, she served at AIWAYS Automobile (愛馳汽車) from December 2016 to May 2022, with her last position being the general manager of the finance department.

Ms. Zeng obtained her bachelor’s degree in accounting from Southwest University (西南大學) (formerly known as Southwest Normal University (西南師範大學)) in June 2001. She was awarded the accountant qualification in 2004 and became a Certified Public Accountant of the Chinese Institute of Certified Public Accountants (中國註冊會計師協會) in December 2004, and was awarded the Senior Accountant Qualification (高級會計師資格) issued by the Shanghai Municipal Human Resources and Social Security Bureau (上海市人力資源和社會保障局) in November 2018.

INTERESTS OF DIRECTORS AND SENIOR MANAGEMENT

Save as disclosed above, none of the Directors or members of senior management of our Company has been a director of any public company the securities of which are listed on any securities market in Hong Kong or overseas in the three years immediately preceding the date of this Document.

None of the Directors or members of the senior management of our Company is related to any other Directors and members of the senior management of our Company.

Save as disclosed herein, to the best knowledge, information and belief of our Directors having made all reasonable inquiries, there was no other matter with respect to the appointment of our Directors that needs to be brought to the attention of the Shareholders and there was no information relating to our Directors that is required to be disclosed pursuant to Rule 13.51(2)(h) to (v) of the Listing Rules as of the Latest Practicable Date.

JOINT COMPANY SECRETARIES

Mr. Chen Xiaojing (陳肖旌), aged 38, is an executive Director and the secretary of the Board of our Company. See “— Executive Directors” above for details of his biography.

Mr. Wong Chun Wing Samuel (黃俊穎) is the assistant manager of the Listing Services Department of TMF Hong Kong Limited and is responsible for provision of corporate secretarial and compliance services to listed company clients. Mr. Wong has approximately 8 years of experience in the company secretarial field. Mr. Wong received his bachelor’s degree of business administration from The Hong Kong University of Hong Kong in November 2017. Mr. Wong is an associate of both The Hong Kong Chartered Governance Institute and The Chartered Governance Institute in the United Kingdom.

BOARD COMMITTEES

Our Board delegates certain responsibilities to various committees. In accordance with the relevant PRC laws and regulations and the Corporate Governance Code, our Company has formed four Board committees, namely the Audit Committee, the Nomination Committee, the Remuneration Committee and the Corporate Governance Committee.

DIRECTORS AND SENIOR MANAGEMENT

Audit Committee

We have established an Audit Committee with written terms of reference in compliance with Rule 3.21 of the Listing Rules and paragraph D.3 of the Corporate Governance Code. The Audit Committee consists of three Directors, namely Ms. Wang Xia, Mr. Li Shihong and Mr. Poon Wing Shing, Anthony. Ms. Wang Xia holds the appropriate professional qualifications as required under Rules 3.10(2) and 3.21 of the Listing Rules and serves as the chairman of the Audit Committee. The primary duties of the Audit Committee include, but not limited to, the following:

- proposing the appointment or change of external auditors to our Board, and monitoring the independence of external auditors and evaluating their performance;
- examining the financial information of our Company and reviewing financial reports and statements of our Company;
- examining the financial reporting system, the risk management and internal control system of our Company, overseeing their rationality, efficiency and implementation and making recommendations to our Board; and
- dealing with other matters that are authorized by our Board.

Nomination Committee

We have established a Nomination Committee with written terms of reference in compliance with paragraph B.3 of the Corporate Governance Code. The Nomination Committee consists of three Directors, namely Mr. Li Shihong, Mr. Zhang Jinpu and Ms. Wang Xia. Mr. Li Shihong serves as the chairman of the Nomination Committee. The primary duties of the Nomination Committee include, but not limited to, the following:

- conducting extensive search and providing to our Board suitable candidates for our Directors, chief executive officer and other members of the senior management;
- reviewing the structure, size and composition of our Board at least annually, assist the Board in maintaining a board skills matrix and making recommendations on any proposed changes to our Board;
- researching and developing standards and procedures for the election of our Board members, chief executive officer and members of the senior management, and making recommendations to our Board;
- supporting the Company’s regular evaluation of the Board’s performance; and
- dealing with other matters that are authorized by our Board.

DIRECTORS AND SENIOR MANAGEMENT

Remuneration Committee

We have established a Remuneration Committee with written terms of reference in compliance with paragraph E.1 of the Corporate Governance Code. The Remuneration Committee consists of three Directors, namely Mr. Poon Wing Shing, Anthony, Mr. Lin and Mr. Li Shihong. Mr. Poon Wing Shing, Anthony serves as the chairman of the Remuneration Committee. The primary duties of the Remuneration Committee include, but not limited to, the following:

- making recommendations to the Board on the Company’s policy and structure for all Directors’ and senior managements remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy;
- monitoring the implementation of remuneration system of our Company;
- making recommendations on the remuneration packages of our Directors and senior management; and
- dealing with other matters that are authorized by our Board.

Corporate Governance Committee

We [have established] a Corporate Governance Committee in compliance with Chapter 8A of the Listing Rules. The Corporate Governance Committee comprises three independent non-executive Directors, namely Mr. Li Shihong, Ms. Wang Xia and Mr. Poon Wing Shing, Anthony. Mr. Li Shihong is the chairperson of the Corporate Governance Committee. The primary duties of the corporate governance committee are, among other things, to ensure that the Company is operated and managed for the benefit of all Shareholders and to ensure the Company’s compliance with the Listing Rules and safeguards relating to the weighted voting right structures of the Company.

In accordance with Rule 8A.30 of the Listing Rules and the Corporate Governance Code, the work of our corporate governance committee as set out in its terms of reference includes:

- (a) to develop and review the Company’s policies and practices on corporate governance and make recommendations to the Board;
- (b) to review and monitor the training and continuous professional development of Directors and senior management;
- (c) to review and monitor the Company’s policies and practices on compliance with legal and regulatory requirements;
- (d) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and directors;

DIRECTORS AND SENIOR MANAGEMENT

- (e) to review the Company’s compliance with the Corporate Governance Code and disclosure in the Corporate Governance Report;
- (f) to review and monitor whether the Company is operated and managed for the benefit of all its Shareholders;
- (g) to confirm, on an annual basis, that the beneficiaries of weighted voting rights have been members of the Board throughout the year and that no matters under Rule 8A.17 of the Listing Rules have occurred during the relevant financial year;
- (h) to confirm, on an annual basis, whether or not the beneficiaries of weighted voting rights have complied with Rules 8A.14, 8A.15, 8A.18 and 8A.24 of the Listing Rules throughout the year;
- (i) to review and monitor the management of conflicts of interests and make a recommendation to the Board on any matter where there is a potential conflict of interest between the Company, a subsidiary of the Company and/or Shareholders of the Company (considered as a group) on one hand and any beneficiary of weighted voting rights on the other;
- (j) to review and monitor all risks related to the Company’s weighted voting rights structure, including connected transactions between the Company and/or a subsidiary of the Company on one hand and any beneficiary of weighted voting rights on the other and make a recommendation to the Board on any such transaction;
- (k) to make a recommendation to the Board as to the appointment or removal of the Compliance Adviser;
- (l) to seek to ensure effective and on-going communication between the Company and its Shareholders, particularly with regards to the requirements of Rule 8A.35 of the Listing Rules;
- (m) to report on the work of the corporate governance committee on at least a half-yearly and annual basis covering all areas of its terms of reference; and
- (n) to disclose, on a comply or explain basis, its recommendations to the Board in respect of the matters in sub-paragraphs (i) to (l) above in the report referred to in sub-paragraph (m) above.

Pursuant to Rule 8A.32 of the Listing Rules, the Corporate Governance Report prepared by the Company for inclusion in our interim and annual reports after [REDACTED] will include a summary of the work of the corporate governance committee for the relevant period.

DIRECTORS AND SENIOR MANAGEMENT

ROLE OF OUR INDEPENDENT NON-EXECUTIVE DIRECTORS

Pursuant to Rule 8A.26 of the Listing Rules, the role of the independent non-executive directors of a listed company with WVR structure must include, but is not limited to, the functions described in Code Provisions C.1.2, C.1.6 and C.1.7 of part 2 of the Corporate Governance Code as set out in Appendix C1 to the Listing Rules. The functions of the independent non-executive Directors include:

- participating in Board meetings to bring an independent judgment to bear on issues of strategy, policy, performance, accountability, resources, key appointments and standards of conduct;
- taking the lead where potential conflicts of interests arise;
- serving on the audit, remuneration and appraisal, nomination and corporate governance committees, if invited;
- scrutinizing the Company’s performance in achieving agreed corporate goals and objectives, and monitoring performance reporting;
- giving the Board and any committees on which they serve the benefit of their skills, expertise and varied backgrounds and qualifications through regular attendance and active participation;
- making a positive contribution to the development of the Company’s strategy and policies through independent, constructive and informed comments; and
- attending general meetings and developing a balanced understanding of the views of our Shareholders.

CONFIRMATION FROM OUR DIRECTORS

Rule 8.10 of the Listing Rules

Each of our Directors confirms that as of the Latest Practicable Date, he or she did not have any interest in a business which competes or is likely to compete, either directly or indirectly, with our Company’s business which would require disclosure under Rule 8.10 of the Listing Rules.

Rule 3.09D of the Listing Rules

Each of our Directors confirms that he or she (i) has obtained the legal advice referred to under Rule 3.09D of the Listing Rules in May 2025, and (ii) understands his or her obligations as a director of a listed issuer under the Listing Rules.

Rule 3.13 of the Listing Rules

Each of the independent non-executive Directors has confirmed (i) his or her independence as regards each of the factors referred to in Rules 3.13(1) to (8) of the Listing Rules, (ii) he or she has no past or present financial or other interest in the business of the Company or its subsidiaries or any connection with any core connected person of the Company under the Listing Rules as of the Latest Practicable Date, and (iii) that there are no other factors that may affect his or her independence at the time of his or her appointment.

DIRECTORS AND SENIOR MANAGEMENT

COMPENSATION OF DIRECTORS

Our Directors receive compensation in the form of fees, salaries, allowances, discretionary bonuses, share-based compensation, retirement benefit scheme contributions and other benefits in kind.

For the years ended December 31, 2022, 2023 and 2024, the aggregate amount of remuneration paid or payable to our Directors amounted to RMB14.6 million, RMB11.2 million, and RMB11.4 million, respectively.

Under the current compensation arrangement, we estimate the total compensation before taxation to be accrued to our Directors for the year ending December 31, 2025 to be approximately RMB9 million.

The total emoluments for the remaining individuals among the five highest paid individuals amounted to RMB23.9 million, RMB10.4 million and RMB17.4 million for the years ended December 31, 2022, 2023 and 2024 respectively.

During the Track Record Period, no remuneration was paid by our Company to, or receivable by, our Directors or the five highest paid individuals as an inducement to join or upon joining our Company or as compensation for loss of office in connection with the management positions of our Company or any of our subsidiaries.

During the Track Record Period, none of our Directors waived any remuneration. Save as disclosed above, no other payments have been paid, or are payable, by our Company or any of our subsidiaries to our Directors or the five highest paid individuals during the Track Record Period.

CORPORATE GOVERNANCE

Pursuant to Code Provision C.2.1 of part 2 of the Corporate Governance Code as set out in Appendix C1 of the Listing Rules, companies listed on the Stock Exchange are expected to comply with, but may choose to deviate from the requirement that the responsibilities between the chairman and the chief executive officer should be separate and should not be performed by the same individual. We do not have a separate chairman and general manager and Mr. Lin currently performs these two roles. The Board believes that vesting the roles of both chairman and general manager in the same person has the benefit of ensuring consistent leadership within the Group and enables more effective and efficient overall strategic planning for the Group. The Board considers that the balance of power and authority for the present arrangement will not be impaired and this structure will enable the Company to make and implement decisions promptly and effectively.

BOARD DIVERSITY POLICY

In order to enhance the effectiveness of our Board and to maintain the high standard of corporate governance, we have adopted the board diversity policy which sets out the objective and approach to achieve and maintain diversity of our Board. Pursuant to the board diversity policy, we seek to achieve board diversity through the consideration of a number of factors when selecting the candidates to our Board, including but not limited to gender, skills, age, professional experience, knowledge, cultural and educational background, and length of service. The ultimate decision of the appointment will be based on merit and the contribution which the selected candidates will bring to our Board.

Our Directors have a balanced mix of knowledge and skills, including overall management and strategic development, finance, accounting and corporate governance in addition to industry experience. We have three independent non-executive Directors with different industry backgrounds, representing one-third of the members of our Board. Our Company has evaluated the structure, size and composition of our Board, and is of

DIRECTORS AND SENIOR MANAGEMENT

the opinion that the structure of our Board is reasonable, and the experience and skills of the Directors in various aspects and fields can enable our Company to maintain a high standard of operations.

Besides, we particularly recognize the importance of gender diversity. We have taken, and will continue to take, steps to promote gender diversity at all levels of our Company, including but without limitation to our Board and senior management levels. Going forward, we will continue to work to enhance gender diversity of our Board when selecting and recommending suitable candidates for Board appointments. Our Company also intends to promote gender diversity at the mid to senior level so that our Company can maintain a balanced gender ratio at different levels. Taking into account our existing business model and specific needs as well as the different background of our Directors, the composition of our Board satisfies our board diversity policy.

Our Nomination Committee is responsible for ensuring the diversity of our Board members. After the [REDACTED], our Nomination Committee will examine the board diversity policy from time to time to ensure its continued effectiveness and we will disclose in our corporate governance report about the implementation of the board diversity policy on an annual basis.

COMPLIANCE ADVISER

We have appointed Rainbow Capital (HK) Limited as our Compliance Adviser pursuant to Rules 3A.19 and 3A.23 of the Listing Rules. The Compliance Adviser will provide us with guidance and advice as to compliance with the Listing Rules and other applicable laws, rules, codes and guidelines. Pursuant to Rule 3A.23 of the Listing Rules, the Compliance Adviser will advise our Company in certain circumstances including:

- (a) before the publication of any regulatory announcement, circular or financial report;
- (b) where a transaction, which might be a notifiable or connected transaction, is contemplated, including share issues, sales or transfers of treasury shares and share repurchases;
- (c) the WVR Structure;
- (d) 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;
- (e) where the Stock Exchange makes an inquiry to our Company regarding unusual movements in the price or [REDACTED] of its [REDACTED] securities or any other matters in accordance with Rule 13.10 of the Listing Rules;
- (f) transactions in which the WVR Beneficiary has an interest; and
- (g) where there is a potential conflict of interest between the Company, its subsidiary and/or Shareholders (considered as a group) on one hand and WVR Beneficiary in the Company on the other.

Pursuant to Rule 3A.24 of the Listing Rules, the Compliance Adviser will, on a timely basis, inform our Company of any amendment or supplement to the Listing Rules that are announced by the Stock Exchange. The Compliance Adviser will also inform our Company of any new or amended law, regulation or code in Hong Kong applicable to us, and advise us on the applicable requirements under the Listing Rules and laws and regulations.

DIRECTORS AND SENIOR MANAGEMENT

The term of the appointment will commence on the [REDACTED]. Pursuant to Rule 8A.33 of the Listing Rules, the Company is required to engage a compliance adviser on a permanent basis.

RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS

OUR CONTROLLING SHAREHOLDERS

Immediately following the completion of the [REDACTED] (assuming that the [REDACTED] is not exercised), Mr. Lin will directly hold 98,584,276 Class A Shares and will control a total of 41,251,282 Class B Ordinary Shares through Woyou ESOP, Woyou Partnership and Ningbo Woyou as their general partner, representing a total of (i) [REDACTED]% of the voting rights in our issued share capital in general meetings (except for resolutions with respect to the Reserved Matters and the Special Matters) with each Class A Shares entitling the holder to exercise ten votes and each Class B Ordinary Shares entitling the holder to exercise one vote, and (ii) [REDACTED]% of the voting rights in our issued share capital in general meetings for resolutions with respect to the Reserved Matters and the Special Matters with each Share entitling the holder to exercise one vote. Therefore, Mr. Lin, Woyou ESOP, Woyou Partnership and Ningbo Woyou will be our Controlling Shareholders upon the [REDACTED].

RULE 8.10 OF THE LISTING RULES

As of the Latest Practicable Date, none of our Controlling Shareholders or Directors had any interest in any business which competes or is likely to compete, either directly or indirectly, with our Company’s business which would require disclosure under Rule 8.10 of the Listing Rules.

INDEPENDENCE OF OUR BUSINESS

Having considered the following factors, our Directors are satisfied that we are able to carry out our business independently from our Controlling Shareholders and their respective close associates upon and after the [REDACTED].

Operational Independence

Our Company has full rights to make all decisions on, and to carry out, our own business operations independently. We hold our own operation resources including but not limited to customers and suppliers, as well as our own registered patents which can be used for carrying out our businesses. We have a team of senior management to operate the business independently from our Controlling Shareholders and their respective close associates. We also have access to third parties independently from, and not connected with, our Controlling Shareholders for sources of suppliers, customers and business partners.

Based on the above, our Directors believe that we are operationally independent from our Controlling Shareholders and their respective close associates.

Management Independence

Our management and operational decisions are made by the Board in a collective manner. The Board comprises nine Directors, including four executive Directors, two non-executive Directors and three independent non-executive Directors.

RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS

Our Directors have relevant experience to ensure the proper functioning of the Board. We further believe that our Directors and members of the senior management are able to perform their roles in our Company in managing our business independently from our Controlling Shareholders and their respective close associates for the following reasons:

- (a) our independent non-executive Directors have extensive experience in different areas. We believe that they will be able to exercise their independent judgment and will be able to provide impartial opinions in the decision-making process of our Board to protect the interests of our Shareholders;
- (b) each of our Directors is aware of his or her fiduciary duties as a director, which requires, among other things, that he or she acts for our Company’s best interests and he or she must not allow any conflict between his or her duties as a Director and his or her personal interests; and
- (c) where a Board meeting or Shareholders’ meeting is held to consider a proposed transaction in which our Directors or Controlling Shareholders or any of their respective close associates have a material interest, the relevant Directors or our Controlling Shareholders and their respective close associates shall abstain from voting on the relevant resolutions and shall not be counted towards the quorum for the voting.

Financial Independence

During the Track Record Period, Mr. Lin, one of our Controlling Shareholders, provided guarantees over certain bank loans for the benefit of our Group (the “**Founder’s Guarantees**”) which were applied in our ordinary course of business. The Founders’ Guarantees are on normal commercial terms and are not secured by any assets of the Group, therefore are fully exempted connected transactions in accordance with Rule 14A.90 of the Listing Rules. As of the Latest Practicable Date, we had an aggregate of approximately RMB924.9 million outstanding bank loans guaranteed by Mr. Lin (the “**Founder Guaranteed Loans**”), of which the latest maturity date is in June 2026.

Our Directors are of the view that premature replacement or discharge of the Founder’s Guarantees would be impractical and unduly onerous to the Group and would not be in the best interests of our Group and our Shareholders, considering that early replacement or discharge of the Founder Guaranteed Loans would require renegotiation of the terms with the relevant banks, and the renegotiation would take considerable time which may affect our normal operation. Therefore, we currently do not intend to release or replace the Founder’s Guarantees before the Founder Guaranteed Loans become due.

Notwithstanding the above, our Directors are of the view that we are financially independent of our Controlling Shareholders and/or their close associates for the following reasons:

- (1) we have sufficient capital to operate our business independently. As of the Latest Practicable Date, our banking deposit balance amounted to approximately RMB2,185.0 million. We are capable of obtaining, if necessary, financing from banks without relying on any guarantee or security provided by our Controlling Shareholders and/or their close associates. Having

RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS

considered the financial status and business development of the Group, the Company considers that it can obtain the bank loans on comparable terms as the existing loans obtained by the Group. Such loans from independent commercial banks can be used as our working capital, and are sufficient to cover the Founder’s Guaranteed Loans;

- (2) we have an independent financial system and make financial decisions according to our Group’s own business needs independently. We have internal control and accounting systems and an independent finance department for discharging the treasury function. None of our Controlling Shareholders and/or their close associates interferes with our use of funds;
- (3) Before and during the Track Record Period, we had received the [REDACTED] Investments from third party investors independently. For details of the [REDACTED] Investments, see “History, Development and Corporate Structure”; and
- (4) saved as disclosed in this Document and as of the Latest Practicable Date, there were no loans, advances and balances due to or from our Controlling Shareholder or their close associates, nor were there any pledges and guarantees provided by and to our Controlling Shareholders or their respective close associates.

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

CORPORATE GOVERNANCE MEASURES

The Company [has established] a corporate governance committee pursuant to Rule 8A.30 which has adopted terms of reference consistent with Code Provision A.2.1 in Part 2 of Appendix C1 to and Rule 8A.30 of the Listing Rules effective upon Listing. The members of the corporate governance committee are independent non-executive Directors with experience in overseeing corporate governance related functions of private and listed companies. The primary duties of the corporate governance committee are to ensure that the Company is operated and managed for the benefit of all shareholders and to ensure the Company’s compliance with the Listing Rules and safeguards relating to its WVR structure.

Our Directors believe that there are adequate corporate governance measures in place to manage the potential conflict of interests between our Controlling Shareholders and our Group and to safeguard the interests of our Shareholders taken as a whole for the following reasons:

- where a Shareholders’ meeting is to be held for considering proposed transactions in which our Controlling Shareholders or any of their respective close associates has a material interest, our Controlling Shareholders will not vote on the resolutions and shall not be counted in the quorum in the voting;
- our Group has established internal control mechanisms to identify connected transactions. Upon the [REDACTED], if any transaction is proposed between our Group and our Controlling Shareholders

RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS

and their respective associates, we will comply with the requirements of the Articles of Association and the Listing Rules, including, where appropriate, the reporting, annual review by the independent non-executive Directors, announcement and independent shareholders' approval;

- our Board consists of a balanced composition of executive Directors and independent non-executive Directors, with independent non-executive Directors representing more than one-third of our Board to ensure that our Board is able to effectively exercise independent judgment in its decision-making process and provide independent advice to our Shareholders. Our independent non-executive Directors individually and collectively possess the requisite knowledge and experience to perform their duties. They will review whether there is any conflict of interests between our Group and our Controlling Shareholders and provide impartial and professional advice to protect the interests of our minority Shareholders;
- where our Directors reasonably request the advice of independent professionals, such as financial advisers, the appointment of such independent professionals will be made at our Company's expenses; and
- we have appointed Rainbow Capital (HK) Limited as our Compliance Adviser, who will provide advice and guidance to us in respect of compliance with the applicable laws and the Listing Rules including various requirements relating to directors' duties and corporate governance, and inform us on a timely basis of any amendment or supplement to the Listing Rules or applicable laws and regulations in Hong Kong.

Based on the above, our Directors are satisfied that sufficient corporate governance measures have been put in place to manage conflicts of interest that may arise between our Company and our Controlling Shareholders, and to protect our minority Shareholders' interests after the [REDACTED].

SHARE CAPITAL

This section presents certain information regarding our share capital before and upon completion of the [REDACTED].

BEFORE THE COMPLETION OF THE [REDACTED]

As of the Latest Practicable Date, the registered capital of our Company was RMB360,000,000, comprising 360,000,000 Unlisted Shares (including 98,584,276 Class A Shares and 261,415,724 Class B Ordinary Shares) in issue of nominal value RMB1.00 each.

UPON THE COMPLETION OF THE [REDACTED]

Immediately following the completion of the [REDACTED] and the conversion of certain Unlisted 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 percentage of the total share capital
Unlisted Class A Shares in issue	[REDACTED]	[REDACTED]%
Unlisted Class B Ordinary Shares in issue	[REDACTED]	[REDACTED]%
H Shares to be converted from Unlisted Shares (all being Class B Ordinary Shares)	[REDACTED]	[REDACTED]%
H Shares to be issued under the [REDACTED] (all being Class B Ordinary Shares)	[REDACTED]	[REDACTED]%
Total	[REDACTED]	100%

Immediately following the completion of the [REDACTED] and the conversion of certain Unlisted Shares into H Shares, assuming the [REDACTED] is fully exercised, the issued share capital of our Company will be as follows:

Description of Shares	Number of Shares	Approximate percentage of the total share capital
Unlisted Class A Shares in issue	[REDACTED]	[REDACTED]%
Unlisted Class B Ordinary Shares in issue	[REDACTED]	[REDACTED]%
H Shares to be converted from Unlisted Shares (all being Class B Ordinary Shares)	[REDACTED]	[REDACTED]%
H Shares to be issued under the [REDACTED] (all being Class B Ordinary Shares)	[REDACTED]	[REDACTED]%
Total	[REDACTED]	100%

RANKING

Upon completion of the [REDACTED] and the conversion of [261,415,724] Unlisted Shares into H Shares, the Shares will consist of H Shares (all comprising of Class B Ordinary Shares) and Unlisted Shares (all comprising unlisted Class A Shares). However, apart from certain

SHARE CAPITAL

qualified domestic institutional investors in the PRC, the qualified PRC investors under the Shanghai — Hong Kong Stock Connect or the Shenzhen — Hong Kong Stock Connect and other persons who are entitled to hold our H Shares pursuant to relevant PRC laws and regulations or upon approvals of any competent authorities, H Shares generally cannot be subscribed for by or traded between investors of the PRC. All dividends for H Shares will be denominated and declared in Renminbi, and paid in Hong Kong dollars or Renminbi, whereas all dividends for Unlisted Shares will be paid in Renminbi. Other than cash, dividends could also be paid in the form of Shares.

The [REDACTED] (all comprising of Class B Ordinary Shares) will rank *pari passu* in all respects with all Class B Ordinary Shares (including H Shares) currently in issue or to be issued as mentioned in this Document, and will qualify and rank equally for all dividends or other distributions declared, made or paid on the Shares on a record date which falls after the date of this Document.

H-SHARE WEIGHTED VOTING RIGHTS STRUCTURE

The Company has an H-Share weighted voting rights structure. Under our weighted voting rights structure, our share capital comprises Class A Shares and Class B Ordinary Shares. As of the Latest Practicable Date and upon the completion of the [REDACTED], each Class A Share shall entitle the holder to exercise ten votes and each Class B Ordinary Share shall entitle the holder to exercise one vote, respectively, on any matters subject to the vote at general meetings of the Company, subject to Rule 8A.24 of the Listing Rules, the PRC Company Law and the Articles of Association that require the Reserved Matters and the Special Matters to be voted on a one vote per share basis.

The Reserved Matters are:

- (i) any amendment to the Articles of Association;
- (ii) the variation of the rights attached to any class of Shares;
- (iii) the appointment, election or removal of any independent non-executive Director;
- (iv) the appointment or removal of the Company’s auditors; and
- (v) the voluntary winding-up of the Company.

The Special Matters are:

- (i) merger, division, dissolution or change of corporate form of the Company;
- (ii) determining the remunerations of Directors who are not employee representatives; and
- (iii) the election and change of the members of the Audit Committee.

SHARE CAPITAL

In addition, Shareholders, including holders of Class B Ordinary Shares, holding not less than one-tenth of the share capital of the Company that carries the right of voting at general meetings (on a one share one vote basis) are entitled to convene an extraordinary general meeting of the Company and add resolutions to the meeting agenda. See “Appendix III — Summary of Articles of Association” for further details.

Class A Shares may be converted into Class B Ordinary Shares on a one to one basis, subject to the procedures required under relevant PRC laws and regulations, the Articles of Association, and the securities regulatory rules of the place where the Company’s shares are [REDACTED]. Also see “— Conversion of our Unlisted Shares into H Shares” below. Upon the conversion of all the issued and outstanding Class A Shares into Class B Ordinary Shares, the Company will issue [REDACTED] Class B Ordinary Shares, representing approximately [REDACTED]% of the total number of issued Class B Ordinary Shares immediately following the [REDACTED] (assuming the [REDACTED] is not exercised).

The weighted voting rights attached to our Class A Shares will cease when the WVR Beneficiary cease to have beneficial ownership of any of our Class A Shares, in accordance with Rule 8A.22 of the Listing Rules and Articles of Association. This may occur:

- (i) upon the occurrence of any of the circumstances set out in Rule 8A.17 of the Listing Rule, in particular where the WVR Beneficiary is: (1) deceased; (2) no longer a member of our Board; (3) deemed by the Stock Exchange to be incapacitated for the purpose of performing his duties as a director; or (4) deemed by the Stock Exchange to no longer meet the requirements of a director set out in the Listing Rules;
- (ii) when the holders of Class A Shares have transferred to another person the beneficial ownership of, or economic interest in, the Class A Shares or the control over the voting rights attached to them, other than in the circumstances permitted by Rule 8A.18 of the Listing Rule;
- (iii) where a vehicle holding Class A Shares on behalf of the WVR Beneficiary no longer complies with Rule 8A.18(2) of the Listing Rule;
- (iv) when all of the Class A Shares have been converted to Class B Ordinary Shares; and
- (v) other circumstances as stipulated in the Articles of Association.

Shareholding Structure of the WVR Beneficiary

The table below sets out the beneficial interests and voting rights that the WVR Beneficiary upon the completion of the [REDACTED] (assuming the [REDACTED] is not exercised):

	<u>Number of Class A Shares held</u>	<u>Number of Class B Ordinary Shares held</u>	<u>Approximate percentage of beneficial interests in our total share capital</u>	<u>Approximate percentage of voting rights⁽¹⁾</u>
Mr. Lin ⁽²⁾	98,584,276	41,251,282	[REDACTED]%	[REDACTED]%

SHARE CAPITAL

Notes:

- (1) On the basis that each Class B Ordinary Share entitles the Shareholder to one vote per Share and each Class A Share entitles the Shareholder to ten votes per Share.
- (2) For details of the shareholding structure of Mr. Lin and his controlled entities, see “History, Development and Corporate Structure — Capitalization”.

The Company confirms that the holding arrangement through which the WVR Beneficiary hold the Class A Shares as described above meets the requirements in Rule 8A.18 of the Listing Rules and the holding arrangement is permitted under the “Consultation Conclusions — a listing regime for companies from emerging and innovative sectors” issued by the Stock Exchange in April 2018, namely: (a) a partnership of which the WVR Beneficiary is a partner and the terms of which must expressly specify that the voting rights attached to any and all of the Class A Shares held by such partnership are solely dictated by the WVR Beneficiary; (b) a trust of which the WVR Beneficiary is a beneficiary and that meets the following conditions: (i) the WVR Beneficiary must in substance retain an element of control of the trust and any immediate holding companies of, or, if not permitted in the relevant tax jurisdiction, retain a beneficial interest in any and all of the Class A Shares held by such trust; and (ii) the purpose of the trust must be for estate planning and/or tax planning purposes; or (c) a private company or other vehicle wholly owned and wholly controlled by the WVR Beneficiary or by a trust referred to in paragraph (b) above.

To ensure that there will not be any circumvention of Rule 8A.18(1), each of the Company and Mr. Lin undertakes that so long there is any weighted voting rights attached to the Shares held by Mr. Lin, he will not transfer any beneficial ownership of or economic interest or the control over the voting rights attached to the Shares held by him to another person. In the event that there is any change in the beneficial ownership of or economic interest in the Shares held by Mr. Lin or the control over the voting rights attached to the Shares held by Mr. Lin to another person, the Company and Mr. Lin will notify the Stock Exchange pursuant to Rule 8A.19 of the Listing Rules and comply with the relevant statutory obligations including obligations of disclosure of interests under the SFO, and the weighted voting rights attached to the Class A Shares held by Mr. Lin shall cease upon such transfer accordingly. The Company will also comply with Rule 8A.30 of the Listing Rules to confirm, on an annual basis, that the WVR Beneficiary has complied with Rule 8A.18 of the Listing Rules.

Contribution of the WVR Beneficiary

Our executive team is headed by our WVR Beneficiary, namely Mr. Lin, who has been materially responsible for the growth of the Company’s business since its establishment by way of his skills, knowledge and/or insights to the industry. Being at the core of the Group’s leadership team and leveraging his professional experience in the industry, Mr. Lin is pivotal to the success of the Group and has continuously introduced innovation to the Group’s business model and technologies through his visionary leadership. In 2013, Mr. Lin founded the Company and led the launch of the Company’s intelligent commercial IoT platform in 2015. Driven by a pioneering spirit and extensive experience in commercial hardware research and design, Mr. Lin was the first to introduce the next-generation concept of “hardware + software+ services” in the field of commercial IoT terminals. In addition, leveraging his long-term and in-depth understanding of the industry, Mr. Lin led the Company in establishing its inner and outer ecosystem with many other players in the industry, including strategic cooperation partners, the Group’s major

SHARE CAPITAL

suppliers and customers, and other market participants. This laid the foundation for the Company’s future national and international development strategy and was critical to the Company’s future business development when the Company promoted cooperation among industry participants and worldwide practices and standards.

Mr. Lin has been integral to the success of the Company and has been materially responsible for the operation and growth of the Company’s business since its inception until now, and will continue to lead the future development and operations of the Company. Mr. Lin has been and will continue to be responsible for the Company’s overall business strategies, research and development as well as talents recruiting. He also leads the Company in formulating its corporate values, as well as setting a distinct vision to drive the Company’s long-term sustainable growth.

Our Company is adopting the WVR structure to enable the WVR Beneficiary to exercise voting control over our Company. This will enable our Company to benefit from the continuing vision and leadership of the WVR Beneficiary who will control our Company with a view to its long-term prospects and strategy. Taking into account the WVR Beneficiary’s contribution to the Group, it is in the best interests of the Company and its Shareholders as a whole.

Prospective [REDACTED] are advised to be aware of the potential risks of [REDACTED] in companies with weighted voting rights structures, in particular that interests of the WVR Beneficiary may not necessarily always be aligned with those of our Shareholders as a whole, and that the WVR Beneficiary will be in a position to exercise their higher voting power to influence the affairs of our Company and the outcome of Shareholders’ resolutions, irrespective of how other Shareholders vote.

Prospective [REDACTED] should make the decision to [REDACTED] in the Company only after due and careful consideration. For further information about the risks associated with the WVR structure adopted by the Company, see “Risk Factors — Risks Related to the WVR Structure.” Save for the weighted voting rights attached to Class A Shares, the rights attached to Class A Shares and Class B Ordinary Shares are identical. For further information about the rights, privileges and restrictions of the Class A Shares and Class B Ordinary Shares, see “Appendix III — Summary of Articles of Association.”

Undertakings by the WVR Beneficiary

Pursuant to Rule 8A.43 of the Listing Rules, the WVR Beneficiary is required to give a legally enforceable undertaking to the Company that he will comply with the relevant requirements as set out in Rule 8A.43, which is intended to be for the benefit of and enforceable by the Shareholders. On [●], 2025, Mr. Lin made an undertaking to the Company (the “**Undertaking**”), that for so long as he is a WVR Beneficiary:

- (a) he shall comply with (and, if the shares to which the weighted voting rights that he is beneficially interested in are attached are held through a limited partnership, trust, private company, or other vehicle, use his best endeavors to procure that such limited partnership, trust, private company or other vehicle complies with) all applicable requirements under Rules 8A.09, 8A.14, 8A.15, 8A.17, 8A.18 and 8A.24 of the Listing Rules from time to time in force (the “**Requirements**”); and

SHARE CAPITAL

- (b) he shall use his best endeavors to procure that the Company complies with all applicable Requirements.

For the avoidance of doubt, the Requirements are subject to Rule 2.04 of the Listing Rules. The WVR Beneficiary acknowledged and agreed that the Shareholders rely on the Undertaking in acquiring and holding their Shares. The WVR Beneficiary acknowledged and agreed that the Undertaking is intended to confer a benefit on the Company and all Shareholders and may be enforced by the Company and/or any Shareholder against the WVR Beneficiary.

The Undertaking shall automatically terminate upon the earlier of (i) the date of [REDACTED] of the Company from the Stock Exchange, and (ii) the date on which the relevant WVR Beneficiary ceases to be a beneficiary of weighted voting rights in the Company. For the avoidance of doubt, the termination of the Undertaking shall not affect any rights, remedies, obligations or liabilities of the Company and/or any Shareholder and/or the WVR Beneficiary himself that have accrued up to the date of termination, including the right to claim damages and/or apply for any injunction in respect of any breach of the Undertaking which existed at or before the date of termination.

The Undertaking shall be governed by the laws of Hong Kong and all matters, claims or disputes arising out of the Undertaking shall be subject to the exclusive jurisdiction of the courts of Hong Kong.

CONVERSION OF OUR UNLISTED SHARES INTO H SHARES

According to the regulations issued by the CSRC, the holders of our Unlisted Shares may, at their own option, authorize the Company to apply to the CSRC for conversion of their respective Unlisted Shares to H Shares, and such converted Shares may be listed and traded on an overseas stock exchange provided that the required filings with the CSRC for the conversion, listing and trading of such converted Shares have been completed. Additionally, such conversion, trading and listing shall meet any requirement of internal approval process and in all respects comply with the regulations prescribed by the securities regulatory authorities of the State Council and the regulations, requirements and procedures prescribed by the relevant overseas stock exchange. Save as disclosed in this Document and to the best knowledge of our Directors, we are not aware of the intention of such existing Shareholders to convert their Unlisted Shares.

If any of the Unlisted Shares are to be converted, listed and traded as H Shares on the Stock Exchange, the filings with the relevant PRC regulatory authorities, including the CSRC, and the approval of the Stock Exchange are necessary for such conversion. Based on the procedures for the conversion of Unlisted Shares into H Shares as set forth below, we will apply for the listing of all or any portion of the Unlisted Shares on the Stock Exchange as H Shares in advance of any proposed conversion after the [REDACTED] to ensure that the conversion process can be completed promptly upon notice to the Stock Exchange and delivery of Shares for entry on the H Share register. As the [REDACTED] of additional Shares after the [REDACTED] on the Stock Exchange is ordinarily considered by the Stock Exchange to be a purely administrative matter, it does not require such prior application for [REDACTED] at the time of our [REDACTED] in Hong Kong. No class Shareholder voting is required for the conversion of such Shares or the listing and trading of such converted Shares on an overseas stock exchange. Any application for listing of the converted shares on the Stock Exchange after our initial [REDACTED] is subject to prior notification by way of announcement to inform our Shareholders and the public of any proposed conversion.

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After all the requisite filings have been completed and approvals have been obtained, the relevant Unlisted Shares will be withdrawn from the Unlisted Share register, and our Company will re-register such Shares on the H Share register maintained in Hong Kong and instruct the [REDACTED] to issue H Share certificates. Registration on the H Share register of our Company will be on the conditions that (i) the [REDACTED] lodges with the Stock Exchange a letter confirming the entry of the relevant H Shares on the H Share register and the due dispatch of H Share certificates; and (ii) the admission of the H Shares to be [REDACTED] on the Stock Exchange complies with the Listing Rules and the [REDACTED] in force from time to time. Until the converted Shares are re-registered on the H Share register of our Company, such Shares would not be [REDACTED] as H Shares. For details of our existing Shareholders’ proposed conversion of Unlisted Shares into H Shares, see “History, Development and Corporate Structure — Capitalization.”

TRANSFER OF OUR SHARES ISSUED PRIOR TO THE [REDACTED]

Pursuant to the PRC Company Law, our Shares issued prior to the [REDACTED] shall not be transferred within one year from the [REDACTED].

Shares transferred by our Directors and members of the senior management each year during their term of office shall not exceed 25% of their total respective shareholdings in our Company unless otherwise permitted by applicable laws and regulations. The Shares that the aforementioned persons hold in our Company cannot be transferred within half a year after they leave their positions as Directors and members of the senior management in our Company.

REGISTRATION OF SHARES NOT LISTED ON THE 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 of China Securities Depository and Clearing Corporation Limited (《中國證券登記結算有限責任公司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 of China Securities Depository and Clearing Corporation Limited Shenzhen Branch (《中國證券登記結算有限責任公司深圳分公司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 Shares that are not listed on the overseas stock exchange with the Shenzhen Branch of the CSDC.

SHAREHOLDERS’ GENERAL MEETING

See the section headed “Appendix III — Summary of Articles of Association” for details of circumstances under which our general Shareholders’ meeting is required.

SUBSTANTIAL SHAREHOLDERS

SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, immediately following completion of the [REDACTED] and conversion of our Unlisted Shares to H Shares, assuming the [REDACTED] is not exercised, the following persons will have interests and/or short positions in the Shares or underlying shares of our Company which would fall to be disclosed to us pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who is, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company. Our Directors are not aware of any arrangement which may at a subsequent date result in a change of control of our Company:

As of Latest Practicable Date

Name of Shareholders	Nature of Interest	Number of Shares	Approximate percentage of interests in respective class
Class A Shares			
Mr. Lin	Beneficial Owner	98,584,276	100%
Class B Ordinary Shares			
Woyou ESOP ⁽¹⁾	Beneficial Owner	28,877,670	11.05%
Woyou Partnership ⁽¹⁾	Beneficial Owner	10,622,371	4.06%
Ningbo Woyou ⁽¹⁾	Beneficial Owner	1,751,241	0.67%
Mr. Lin ⁽¹⁾	Interests in controlled corporations	41,251,282	15.78%
Yunxin Venture ⁽²⁾	Beneficial Owner	98,182,427	37.56%
Ant Group Co., Ltd. ⁽²⁾	Interests in controlled corporations	98,182,427	37.56%
Hantao Consulting ⁽³⁾	Beneficial Owner	29,515,358	11.29%
Meituan ⁽³⁾	Interests in controlled corporations	29,515,358	11.29%
Jinxing Venture ⁽⁴⁾	Beneficial Owner	28,011,271	10.72%
Xiaomi Corporation ⁽⁴⁾	Interests in controlled corporations	28,011,271	10.72%
Shenzhen Capital Group	Beneficial Owner	24,777,737	9.48%
Shanshang Investment ⁽⁵⁾	Beneficial Owner	14,832,000	5.67%
Zhejiang Kunxin Investment Management Co. Ltd. ⁽⁵⁾	Interests in controlled corporations	14,832,000	5.67%
Zhejiang Zheli Investment Management Co., Ltd. ⁽⁵⁾	Interests in controlled corporations	14,832,000	5.67%
Zhejiang Equity Service Group Co., Ltd. ⁽⁵⁾	Interests in controlled corporations	14,832,000	5.67%
Jiashan County Shanrui Venture Capital Co., Ltd. ⁽⁵⁾	Interests in controlled corporations	14,832,000	5.67%
Jiashan County Zhongxin Industrial Development Investment Co., Ltd. ⁽⁵⁾	Interests in controlled corporations	14,832,000	5.67%
Jiashan County Financial Investment Co., Ltd. ⁽⁵⁾	Interests in controlled corporations	14,832,000	5.67%
Jiashan County State-owned Assets Investment Group Co., Ltd. ⁽⁵⁾	Interests in controlled corporations	14,832,000	5.67%
Jiashan County Shancheng Industry Co., Ltd. ⁽⁵⁾	Interests in controlled corporations	14,832,000	5.67%

Immediately following completion of the [REDACTED]

Name of Shareholders	Nature of Interest	Number of Shares	Approximate percentage of interests in respective class
Class A Shares			
Mr. Lin	Beneficial Owner	[98,584,276]	[100%]
Class B Ordinary Shares/ H Shares⁽⁶⁾			
Woyou ESOP ⁽¹⁾	Beneficial Owner	[REDACTED]	[REDACTED]%
Woyou Partnership ⁽¹⁾	Beneficial Owner	[REDACTED]	[REDACTED]%
Ningbo Woyou ⁽¹⁾	Beneficial Owner	[REDACTED]	[REDACTED]%
Mr. Lin ⁽¹⁾	Interests in controlled corporations	[REDACTED]	[REDACTED]%
Yunxin Venture ⁽²⁾	Beneficial Owner	[REDACTED]	[REDACTED]%
Ant Group Co., Ltd. ⁽²⁾	Interests in controlled corporations	[REDACTED]	[REDACTED]%
Hantao Consulting ⁽³⁾	Beneficial Owner	[REDACTED]	[REDACTED]%
Meituan ⁽³⁾	Interests in controlled corporations	[REDACTED]	[REDACTED]%
Jinxing Venture ⁽⁴⁾	Beneficial Owner	[REDACTED]	[REDACTED]%
Xiaomi Corporation ⁽⁴⁾	Interests in controlled corporations	[REDACTED]	[REDACTED]%
Shenzhen Capital Group	Beneficial Owner	[REDACTED]	[REDACTED]%

SUBSTANTIAL SHAREHOLDERS

Notes:

- (1) Mr. Lin is the general partner of Woyou ESOP, Woyou Partnership and Ningbo Woyou. Therefore, Mr. Lin is deemed to be interested in the Shares held by Woyou ESOP, Woyou Partnership and Ningbo Woyou in our Company under the SFO.
- (2) Yunxin Venture is wholly-owned by Ant Group Co., Ltd.. Therefore, Ant Group Co., Ltd. is deemed to be interested in the Shares held by Yunxin Venture in our Company under the SFO.
- (3) Hantao Consulting is a consolidated affiliated entity of Meituan. Therefore, Meituan is deemed to be interested in the Shares held by Hantao Consulting in our Company under the SFO.
- (4) Jinxing Venture is a consolidated affiliated entity of Xiaomi Corporation. Therefore, Xiaomi Corporation is deemed to be interested in the Shares held by Jinxing Venture in our Company under the SFO.
- (5) Shanshang Investment is owned as to 1% by its general manager, Zhejiang Kunxin Investment Management Co. Ltd., which is wholly-owned by Zhejiang Zheli Investment Management Co., Ltd, which is in turn wholly-owned by Zhejiang Equity Service Group Co., Ltd. The remaining 39.6% partnership interests is owned by Jiashan County Shanrui Venture Capital Co., Ltd. (嘉善縣善瑞創業投資有限公司) and 59.40% partnership interests is owned by Jiashan County Zhongxin Industrial Development Investment Co., Ltd. (嘉善縣中新產業發展投資有限公司) as limited partners. Jiashan County Shanrui Venture Capital Co., Ltd. is controlled by Jiashan County Financial Investment Co., Ltd., which is wholly owned by Jiashan County State-owned Assets Investment Group Co., Ltd. Jiashan County Zhongxin Industrial Development Investment Co., Ltd. is wholly owned by Jiashan County Shancheng Industry Co., Ltd. Therefore, each of Zhejiang Kunxin Investment Management Co. Ltd., Zhejiang Zheli Investment Management Co., Ltd, Zhejiang Equity Service Group Co., Ltd., Jiashan County Shanrui Venture Capital Co., Ltd., Jiashan County Zhongxin Industrial Development Investment Co., Ltd. Jiashan County Financial Investment Co., Ltd., Jiashan County State-owned Assets Investment Group Co., Ltd. and Jiashan County Shancheng Industry Co., Ltd. is deemed to be interested in the Shares held by Shanshang Investment in our Company under the SFO.
- (6) After completion of the [REDACTED], all Class B Ordinary Shares in issues as of the Latest Practicable Date will be converted to H Shares.

Save as disclosed above and the section headed “Appendix IV – Statutory and General Information – Further Information about our Directors and Substantial Shareholders,” our Directors are not aware of any person who will, immediately following completion of the [REDACTED] (assuming that the [REDACTED] and the [REDACTED] are not exercised), have any interest and/or short position in the Shares or underlying Shares of our Company 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, who are, 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 meeting of the Company or any other member of our Group.

FINANCIAL INFORMATION

You should read the following discussion and analysis in conjunction with our consolidated financial statements and the accompanying notes included in the Accountant’s Report set forth in Appendix I to this Document. Our consolidated financial statements have been prepared in accordance with IFRS Accounting Standards, which may differ in material aspects from generally accepted accounting principles in other jurisdictions. You should read the entire Accountant’s Report and not merely rely on the information contained in this section.

The following discussion and analysis contain forward-looking statements that reflect the current views with respect to future events and financial performance. 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 that we believe are appropriate under the circumstances. However, whether the actual outcome and developments will meet our expectations and predictions depends on a number of risks and uncertainties over which we do not have control. In evaluating our business, you should carefully consider all of the information provided in this Document.

For the purposes of this section, unless the context otherwise requires, references to the years of 2022, 2023 and 2024 refer to our financial year ended December 31 of such year. Unless the context otherwise requires, financial information described in this section is described on a consolidated basis.

OVERVIEW

We are a leading global Business Internet of Things (BIoT) solution provider. Our disruptive solutions integrate smart hardware, software, and data insights to enable the digital transformation of a vast array of offline commercial scenarios, streamlining essential business operations such as payments, membership management, order fulfillment, inventory control, and workforce management.

Today, we are the largest Android-based BIoT solution provider in the world in terms of revenue in 2024, with a market share of over 10%, according to CIC. According to CIC, the market for Android-based BIoT solutions is expected to experience explosive growth over the next five years.

- Our end-to-end BIoT solutions have served approximately 61,000 business partners worldwide as of Latest Practicable Date. Our business partners increased from approximately 44,000 as of December 31, 2022 to approximately 58,000 as of December 31, 2024 worldwide.
- We have the most extensive global presence, with solutions deployed in over 200 countries and geographic regions, according to CIC.
- We cover the broadest range of industry verticals including more than 100 industry sub-verticals, such as restaurant, supermarket, sport & fitness, clinic, and delivery, according to CIC.
- Our monthly active smart devices reached approximately 4.9 million units as of December 31, 2024 from approximately 3.2 million as of December 31, 2022.

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We are pioneering the BIoT industry with a track record of product and technology innovations in smart device design and engineering, PaaS platform and software technologies, and AI-driven data analytics. Since we first launched our V1, the world’s first all-in-one BIoT terminal, this continuum of innovations has propelled us to surpass US\$100 million in global revenue within just three years, establishing us as a clear industry leader and the youngest company among the top ten industry players.

Our BIoT solutions mainly include smart devices and BIoT PaaS platform. Each of our smart devices is powered by our proprietary operating system, namely SUNMI OS, allowing merchants to efficiently manage and optimize their transactions and operations. Our BIoT PaaS platform offers a unified software infrastructure equipped with ready-to-use development tools that enable merchants and developers to efficiently develop, manage and upgrade vertical-specific software applications for use on smart devices. As of December 31, 2024, we recorded approximately 0.2 billion cumulative application downloads in our SUNMI App Store.

KEY FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our business and results of operations are influenced by various general factors that affect overall consumer demands and market conditions for smart BIoT solutions. These factors include macroeconomic trends, industry dynamics, and competitive landscape. Any negative change in these conditions may adversely impact our results of operations.

In addition to these general factors, the following specific factors have a more direct impact on our results of operations.

Expanding BIoT Hardware Reach and Penetration

We have established a unique competitive edge in the global BIoT landscape through our multi-layered hardware deployment network. Under our globalization strategy, our smart devices have been deployed to over 200 countries and geographic regions, with localized adaptations tailored to regional market characteristics. For instance, in markets with diverse payment preferences, we have introduced smart devices supporting multiple mainstream payment protocols while deepening collaborations to expand into emerging markets.

By focusing on industries such as food service, retail, and healthcare, we have developed a modular hardware portfolio that integrates BIoT device solutions with AI cameras, smart weighing devices, and other peripherals, delivering end-to-end digital solutions. We cover the broadest range of industry verticals including more than 100 industry sub-verticals, such as restaurant, sport & fitness, clinic, delivery and logistics, according to CIC. This dual approach not only combines broad geographic reach with industry-specific customization, but also allows us to quickly penetrate into new markets, such as new countries in Europe.

Developing an Open, Scalable Software Ecosystem

Leveraging a architecture, we have built an open and customizable software ecosystem. Our proprietary operating system seamlessly integrates AI algorithms and IoT protocols, enabling functional

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expansions ranging from basic transaction processing to advanced data analytics. As of December 31, 2024, SUNMI APP Store hosts approximately 28,000 business application software, and recorded the total number of cumulated app downloads of approximately 0.2 billion.

Catering to businesses of all scales, we offer both plug-and-play PaaS solutions for SMEs and private cloud deployments with dedicated data hubs for large enterprises. Through continuous iterations of our SUNMAX BIoT PaaS Platform, we have attracted over 39,000 developers to co-create applications spanning supply chain management, customer loyalty programs, and financial analytics, as of December 31, 2024. Open API integration further bridges third-party systems, eliminating data silos and fostering interoperability. As of December 31, 2024, we offered approximately 800 APIs and flexible integration options.

Cost Optimization through Refined Supply Chain Management and Technological Innovation

In hardware production, our hybrid model of core component self-procurement reduces procurement costs via domestic sourcing of critical parts like batteries and communication modules. Leveraging China’s OEM/ODMs for scalable production, we collaborated with top-tier China’s OEM/ODM during the Track Record Period to manage our product quality effectively and efficiently. Additionally, our CBB technology enables standardized modular application of our devices. This allows us to centralize procurement, enhance bargaining power, ultimately achieving cost optimization.

BASIS OF PREPARATION

The historical financial information of our Group has been prepared in accordance with the accounting policies which confirm with the IFRS Accounting Standards issued by the International Accounting Standards Board (“IASB”). The historical financial information of our Group is presented in RMB and all values are rounded to the nearest thousand except when otherwise indicated.

The preparation of the historical financial information in conformity with IFRS Accounting Standards requires the use of certain material accounting policy information and estimates. It also requires management to exercise its judgment in the process of applying our Group’s accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the historical financial information, are disclosed in Notes 4 and 5 of the Accountant’s Report included in Appendix I to this Document.

MATERIAL ACCOUNTING POLICY INFORMATION AND ESTIMATES

We have identified certain accounting policies that are significant to the preparation of our consolidated financial statements. Some of our accounting policies involve subjective assumptions and estimates.

Some of our accounting policies require us to apply estimates, assumptions. These estimates, assumptions have a significant impact on our financial position and operational results. Our management continuously evaluates such estimates, assumptions based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed

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to be reasonable under the circumstances. There has not been any material deviation between our management’s estimates or assumptions and actual results, and we have not made any material changes to these estimates or assumptions during the Track Record Period. We do not expect any material changes in these estimates and assumptions in the foreseeable future.

We set forth below those accounting policies that we believe are of critical importance to us or involve the most material estimates, assumptions used in the preparation of our consolidated financial statements. Our material accounting policies and estimates, which are important for an understanding of our financial condition and results of operations, are set forth in detail in Notes 4 and 5 to the Accountants’ Report in Appendix I to this Document.

Revenue Recognition

Sale of smart devices

We sell smart devices to customers. Revenue is recognized at a point in time when the control of the goods has transferred to the customers, mainly being when the goods are either picked up at site or delivered to the designated locations. Transportation and handling activities that occur before customers obtain control are considered as fulfilment activities.

Product warranties associated with goods sold cannot be purchased separately and they serve as an assurance that the products sold comply with agreed-upon specifications. We account for such warranties in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets.

Certain customers are required to make a percentage of total consideration as prepayments before we deliver the products. Contract liabilities are recognized when consideration is received in which revenue has yet not been recognized.

PaaS platform and customization services fees

PaaS platform and customization services mainly include revenue generated from:

- (a) provision of customization services based on PaaS platform, charged on project basis. Revenue is recognised based on the terms stipulated in individual contract. During the Track Record Period, the revenue for customization service is recognised at a point in time when the service result is delivered to the customers or accepted by the customers.
- (b) software subscription fees, charged to customers on annual basis. During the Track Record Period, the revenue is recognised over time over the term of the agreement.

Inventory

Inventories are stated at the lower of cost and net realizable value. Costs of inventories are determined on a weighted average method. Net realizable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale. Costs necessary to make the sale include incremental costs directly attributable to the sale and non-incremental costs which we must incur to make the sale.

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Write-down of Inventories

We review the conditions of inventories and makes provision for obsolete and slow-moving inventory items by using the lower of cost and net realizable value. Net realizable value of inventories is the estimated selling price in the ordinary course of business, less estimated cost to be incurred to completion and make the sale. These estimates are based on the current market condition and the historical experience of selling products of a similar nature. Our Directors reassess these estimates at the end of the reporting period.

Impairment Assessment Under Expected Credit Loss (“ECL”) Model

We perform impairment assessment under ECL model on financial assets, including trade and other receivables, term deposits, restricted bank deposits and bank balance which are subject to impairment assessment under IFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL (“12m ECL”) represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment is done based on our 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.

We always recognized lifetime ECL for trade receivables.

For all other instruments, we measure the loss allowance equal to 12m ECL, unless there has been a significant increase in credit risk since initial recognition, in which case we recognized lifetime ECL. The assessment of whether lifetime ECL should be recognized is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

Provisions

Provisions are recognized when we have a present obligation (legal or constructive) as a result of a past event, it is probable that we will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

Provisions for the expected cost of assurance-type warranty obligations under the relevant contracts with customers for sales of smart devices are recognized at the date of sale of the relevant products, at our Directors’ best estimate of the expenditure required to settle our obligation.

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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 items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. Our liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of each reporting period.

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the Historical Financial Information and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit and at the time of the transaction does not give rise to equal taxable and deductible temporary differences. In addition, deferred tax liabilities are not recognized if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries or associates except where we are able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of each reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which we expect, at the end of each reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax for leasing transactions in which we recognized the right-of-use assets and the related lease liabilities, we first determine whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, we apply IAS 12 requirements to the lease liabilities and the related assets separately. We recognized a deferred tax

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asset related to lease liabilities to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilized and a deferred tax liability for all taxable temporary differences.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied to the same taxable entity by the same taxation authority.

Current and deferred tax are recognized in profit or loss.

Financial instruments

Financial assets and financial liabilities are recognized when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with IFRS 15. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities 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 or financial liabilities at FVTPL are recognized immediately in profit or loss.

The effective interest method is a method of calculating the amortized cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Financial assets

Classification and subsequent measurement of financial assets

Financial assets that meet the following conditions are subsequently measured at amortized cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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Financial assets that meet the following conditions are subsequently measured at FVTOCI:

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at FVTPL.

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 substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognized at the proceeds received, net of direct issue costs.

Financial liabilities

All financial liabilities are subsequently measured at amortized cost using the effective interest method or at FVTPL.

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is held for trading.

A financial liability is held for trading if:

- it has been acquired principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative, except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument.

Fair value measurement of unlisted financial instruments

As of December 31, 2022, 2023 and 2024, certain of our financial assets which are unquoted equity instruments amounting to RMB37.2 million, RMB48.7 million and RMB52.2 million are measured at fair value. Fair values are estimated using valuation techniques that require significant unobservable inputs. Changes in key unobservable inputs could result in material adjustments to the fair value of these instruments.

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Some of the Group’s financial assets and financial liabilities are measured at level 3 fair value at the end of the reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation techniques and inputs used).

Financial assets/ liabilities	Fair value as of December 31,			Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable inputs	Relationship of unobservable inputs to fair value
	2022	2023	2024				
	RMB'000	RMB'000	RMB'000				
Financial assets at FVTPL– other financial investments at FVTPL	37,188	48,747	52,196	Level 3	Market comparison approach – reference to enterprise value to sales multiple (“EV/Sales”)	DLOM-discount of lack of marketability/ EV/Sales	The higher the DLOM is, the lower the fair value is. The higher the EV/Sales is, the higher the fair value is.

The following table presents the reconciliation of Level 3 measurements of financial assets during the years:

	Financial assets at fair value through profit or loss
	RMB'000
As at January 1, 2022	30,867
Fair value changes	6,321
At December 31, 2022	37,188
Purchase of financial assets	5,000
Fair value changes	6,559
At December 31, 2023	48,747
Purchase of financial assets	5,141
Fair value changes	(1,692)
At December 31, 2024	52,196

Of the total gains or losses for the period included in profit or loss, RMB6,321,000 gain, RMB6,559,000 gain and RMB1,692,000 loss relates to financial assets at FVTPL–other financial investments at FVTPL held at December 31, 2022, 2023 and 2024, respectively. Fair value gains or losses on financial assets at FVTPL–other financial investments at FVTPL are included in ‘other gains and losses’.

Based on the above measures, our Directors are of the view that the valuation and reconciliation analysis performed during the Track Record Period is fair and reasonable, and our financial statements are properly prepared.

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CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

The following table sets forth a summary of our consolidated statements of profit or loss for the years indicated, derived from our consolidated statements of profit or loss set out in the Accountant’s Report included in Appendix I to this document.

	Years Ended December 31,		
	2022	2023	2024
	<i>(RMB in thousands)</i>		
Revenue	3,404,380	3,070,569	3,456,377
Cost of sales	(2,447,159)	(2,249,409)	(2,459,046)
Gross profit	957,221	821,160	997,331
Other income	19,838	50,569	94,855
Other gains and losses	(4,836)	8,038	39,550
Distribution and selling expenses	(346,865)	(321,878)	(360,985)
Administrative expenses	(90,677)	(84,996)	(135,076)
Research and development expenses	(358,503)	(353,647)	(394,453)
Impairment losses under expected credit loss (“ECL”) model, net of reversal	(13)	(2,290)	(3,910)
Finance costs	(11,173)	(16,641)	(30,103)
Profit before tax	164,992	100,315	207,209
Income tax (expense) / credit	(5,476)	913	(26,166)
Profit for the year	159,516	101,228	181,043

Non-IFRS Measures

To supplement our consolidated statements of profit or loss which are presented in accordance with IFRS, we use adjusted net profit (Non-IFRS measure) as non-IFRS measures, which are not required by, or presented in accordance with, IFRS.

We define adjusted net profit (Non-IFRS measure) as profit for the periods adjusted by adding back (i) share-based payments, which are non-cash in nature, and (ii) [REDACTED], which relate to the [REDACTED] We believe that Non-IFRS measures facilitate the comparisons of operating performance and provide useful information to [REDACTED] and others in understanding and evaluating our operating performance in the same manner as it helps our management. However, our presentation of Non-IFRS measures for the periods may not be comparable to similarly titled measures presented by other companies. The use of Non-IFRS measures has limitations as an analytical tool, and [REDACTED] should not consider it in isolation from, or as a substitute for analysis of, our results of operations or financial condition as reported under IFRS Accounting Standards.

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The following table reconciles Non-IFRS measures for the periods presented with the nearest measures prepared in accordance with IFRS Accounting Standards.

	For the Year Ended December 31		
	2022	2023	2024
	(RMB in thousands)		
Profit for the year	159,516	101,228	181,043
<i>adjusted for</i>			
Share-based payment expenses	46,670	4,201	39,324
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Adjusted net profit (Non-IFRS measure)	[REDACTED]	[REDACTED]	[REDACTED]

DESCRIPTION OF MAJOR COMPONENTS OF OUR RESULTS OF OPERATIONS

Revenue

During the Track Record Period, we generated our revenue primarily from sales of smart devices, and to a lesser extent, from PaaS platform and customization services. Our PaaS platform and customization services mainly consist of (a) self-developed supporting software products or systems (e.g. upgraded SUNMI OS system and DMP system), which is charged to the relevant customers on an annual basis, (b) provision of PaaS platform services, which is charged to the relevant customers in accordance with (i) the number of SUNMI smart devices connected and/or (ii) their transaction amount, and (c) provision of customization services for BIOT hardware and software developed based on our PaaS platform, which is charged to the relevant customers on a project basis. The following table sets forth a breakdown of our revenue by business segment and as a percentage of our total revenue, for the years indicated.

	For the Year Ended December 31,					
	2022		2023		2024	
	RMB	%	RMB	%	RMB	%
	(in thousands, except for percentages)					
Sales of smart devices						
- Smart desktop devices	1,283,002	37.7	954,216	31.1	959,202	27.8
- Smart mobile devices	993,820	29.2	659,879	21.5	808,764	23.4
- Smart payment devices	862,685	25.3	1,222,771	39.8	1,463,896	42.3
- Accessories and parts	249,537	7.3	170,953	5.6	206,131	6.0
Subtotal	3,389,044	99.5	3,007,819	98.0	3,437,993	99.5
PaaS platform and customization services	15,336	0.5	62,750	2.0	18,384	0.5
Total revenue	3,404,380	100.0	3,070,569	100.0	3,456,377	100.0

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Since our inception, we have steadily expanded our global footprint. The following table sets forth our revenue breakdown by geographical locations and as a percentage of our total revenue, for the years indicated.

	For the Year Ended December 31,					
	2022		2023		2024	
	RMB	%	RMB	%	RMB	%
<i>(in thousands, except for percentages)</i>						
Asia Pacific, Middle East and Africa (“APMEA”)	1,560,785	45.9	1,802,593	58.7	1,553,130	44.9
Americas	1,266,885	37.2	809,599	26.4	1,186,183	34.3
Europe	576,710	16.9	458,377	14.9	717,064	20.8
Total revenue	3,404,380	100.0	3,070,569	100.0	3,456,377	100.0

Cost of Sales

The following table sets forth a breakdown of cost of sales by business segment and as a percentage of our total cost of sales, for the years indicated.

	For the Year Ended December 31,					
	2022		2023		2024	
	RMB	%	RMB	%	RMB	%
<i>(in thousands, except for percentages)</i>						
Sales of smart devices						
- Smart desktop devices	892,585	36.5	724,266	32.2	674,157	27.4
- Smart mobile devices	681,839	27.8	436,186	19.4	525,203	21.3
- Smart payment devices	681,242	27.8	929,475	41.3	1,096,938	44.6
- Accessories and parts	182,778	7.5	120,946	5.4	153,761	6.3
Subtotal	2,438,444	99.6	2,210,873	98.3	2,450,059	99.6
PaaS platform and customization services	8,715	0.4	38,536	1.7	8,987	0.4
Total	2,447,159	100.0	2,249,409	100.0	2,459,046	100.0

Our cost of sales primarily consists of (i) cost of inventories sold, mainly representing smart devices we procured from OEMs and ODMs; (ii) logistic expenses; (iii) warranties; (iv) costs of other customization services and (v) others.

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The following table sets forth a breakdown of cost of sales by nature and as a percentage of our total cost of sales, for the years indicated.

	For the Year Ended December 31,					
	2022		2023		2024	
	RMB	%	RMB	%	RMB	%
	<i>(in thousands, except for percentages)</i>					
Cost of inventories sold	2,405,890	98.3	2,184,478	97.1	2,402,727	97.7
Logistic expenses	13,035	0.5	10,135	0.5	24,485	1.0
Warranties	16,447	0.7	12,200	0.5	13,371	0.5
Cost of other customization services	8,090	0.3	39,559	1.8	2,100	0.1
Others	3,697	0.2	3,037	0.1	16,363	0.7
	<u>2,447,159</u>	<u>100.0</u>	<u>2,249,409</u>	<u>100.0</u>	<u>2,459,046</u>	<u>100.0</u>

Gross Profit and Gross Profit Margin

For the years ended December 31, 2022, 2023 and 2024, we recorded gross profit of RMB957.2 million, RMB821.2 million and RMB997.3 million, respectively, representing gross profit margin of 28.1%, 26.7% and 28.9%, respectively.

The following table sets forth a breakdown of our gross profit and gross profit margin by business segment, for the years indicated.

	For the Year Ended December 31,					
	2022		2023		2024	
	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin
	RMB	%	RMB	%	RMB	%
	<i>(in thousands, except for percentages)</i>					
Sales of smart devices						
- Smart desktop devices	390,417	30.4	229,950	24.1	285,045	29.7
- Smart mobile devices	311,981	31.4	223,693	33.9	283,561	35.1
- Smart payment devices	181,443	21.0	293,296	24.0	366,958	25.1
- Accessories and parts	66,759	26.8	50,007	29.3	52,370	25.4
Subtotal	950,600	28.0	796,946	26.5	987,934	28.7
PaaS platform and						
customization services	6,621	43.2	24,214	38.6	9,397	51.1
Total	<u>957,221</u>	<u>28.1</u>	<u>821,160</u>	<u>26.7</u>	<u>997,331</u>	<u>28.9</u>

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The following table sets forth a breakdown of our gross profit and gross profit margin by geographical locations for the years indicated.

	For the Year Ended December 31,					
	2022		2023		2024	
	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin
	<i>RMB</i>	<i>%</i>	<i>RMB</i>	<i>%</i>	<i>RMB</i>	<i>%</i>
<i>(in thousands, except for percentages)</i>						
Asia Pacific, Middle East and						
Africa (“APMEA”)	381,565	24.4	439,122	24.4	396,584	25.5
Americas	384,036	30.3	198,641	24.5	319,622	26.9
Europe	191,620	33.2	183,397	40.0	281,125	39.2
Total	<u>957,221</u>	<u>28.1</u>	<u>821,160</u>	<u>26.7</u>	<u>997,331</u>	<u>28.9</u>

Distribution and Selling Expenses

Our distribution and selling expenses primarily consist of employee expenses, promotional expenses, logistic and rental expenses, depreciation and amortization charges and others. Employee expenses represent the compensation and other benefits to our employees. Promotional expenses represent display charges, sample costs, and other professional expenses and commission arising from our promotional activities. In 2022, 2023 and 2024, our distribution and selling expenses was RMB346.9 million, RMB321.9 million and RMB361.0 million, respectively, representing 10.2%, 10.5% and 10.4% of our revenue, respectively.

The following table sets forth a breakdown of our distribution and selling expenses, in an absolute amount and as a percentage of our total distribution and selling expenses, for the years indicated.

	Years Ended December 31,					
	2022		2023		2024	
	<i>RMB</i>	<i>%</i>	<i>RMB</i>	<i>%</i>	<i>RMB</i>	<i>%</i>
	<i>(in thousands, except for percentages)</i>					
Employee expenses	232,588	67.1	201,942	62.7	231,140	64.1
Promotional expenses	58,851	17.0	69,268	21.5	71,124	19.7
Logistic and rental expenses	18,848	5.3	16,064	5.0	21,648	6.0
Depreciation and amortization charges	13,772	4.0	13,705	4.3	13,805	3.8
Others*	22,806	6.6	20,899	6.5	23,268	6.4
	<u>346,865</u>	<u>100.0</u>	<u>321,878</u>	<u>100.0</u>	<u>360,985</u>	<u>100.0</u>

Note:

* Others mainly represent insurance expenses and office expenses.

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Administrative Expenses

Our administrative expenses consist primarily of employee expenses, professional service fees, office expenses, depreciation and amortization charges, rental expenses and others. Employee expenses represent the compensation and other benefits to our employees. Professional service fees represent fees for audit, financial, tax and legal services. In 2022, 2023 and 2024, our administrative expenses was RMB90.7 million, RMB85.0 million and RMB135.1 million, respectively, representing 2.7%, 2.8% and 3.9% of our revenue, respectively.

The following table sets forth a breakdown of administrative expenses, in an absolute amount and as a percentage of our total administrative expenses, for the years indicated.

	Years Ended December 31,					
	2022		2023		2024	
	<i>RMB</i>	<i>%</i>	<i>RMB</i>	<i>%</i>	<i>RMB</i>	<i>%</i>
	<i>(in thousands, except for percentages)</i>					
Employee expenses	50,331	55.5	50,009	58.9	87,520	64.8
Professional service fees	13,971	15.4	11,814	13.9	17,861	13.2
Office expenses	9,489	10.5	7,734	9.1	11,177	8.3
Depreciation and amortization charges	6,557	7.2	6,303	7.4	8,872	6.6
Rental expenses	1,749	1.9	2,068	2.4	2,585	1.9
Others*	8,580	9.5	7,068	8.3	7,061	5.2
Total	<u>90,677</u>	<u>100.0</u>	<u>84,996</u>	<u>100.0</u>	<u>135,076</u>	<u>100.0</u>

Note:

* Others mainly represent travel expenses, bank surcharges and others.

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Research and Development Expenses

Our research and development expenses consist primarily of employee expenses, depreciation and amortization changes, material expenses, rental expenses and others. Employee expenses represent the compensation and other benefits to our employees. Material expenses represent the sample costs and expenses for R&D materials. In 2022, 2023 and 2024, our research and development expenses was RMB358.5 million, RMB353.6 million and RMB394.5 million, respectively, representing 10.5%, 11.5% and 11.4% of our revenue, respectively.

The following table sets forth the breakdown of our research and development expenses, in an absolute amount and as a percentage of total research and development expenses, for the years indicated.

	Years Ended December 31,					
	2022		2023		2024	
	RMB	%	RMB	%	RMB	%
<i>(in thousands, except for percentages)</i>						
Employee expenses	298,384	83.2	283,176	80.1	317,566	80.5
Depreciation and amortization changes	6,790	1.9	6,737	1.9	8,099	2.1
Material expenses	13,299	3.7	16,299	4.6	17,562	4.5
Rental expenses	17,770	5.0	16,496	4.7	15,447	3.9
Others*	22,260	6.2	30,939	8.7	35,779	9.0
Total	358,503	100.0	353,647	100.0	394,453	100.0

Note:

* Others mainly represent travel expenses and other miscellaneous expenses.

Other Income

Our other income consists of (i) interest income, (ii) government grants related to income, represents government incentive to support our business, R&D activities and local tax contributions, (iii) government grants related to assets, represents grants obtained by us for the purpose of purchasing R&D equipments, and (iv) sundry income. The government grants received from relevant PRC local government authorities are unconditional.

The following table sets forth a breakdown of our other income for the years indicated.

	Years Ended December 31,					
	2022		2023		2024	
	RMB	%	RMB	%	RMB	%
<i>(in thousands, except for percentages)</i>						
Interest income	9,044	45.6	33,867	67.0	63,664	67.2
Government grants related to income	8,755	44.1	8,436	16.7	17,672	18.6
Government grants related to assets	1,340	6.8	6,533	12.9	3,732	3.9
Sundry income	699	3.5	1,733	3.4	9,787	10.3
Total	19,838	100.0	50,569	100.0	94,855	100.0

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Other Gains and Losses

Our other gains and losses consist of (i) net foreign exchange gains (losses), (ii) fair value (losses) gains on derivative financial instruments, (iii) fair value gains (losses) on other financial investments, and (iv) others.

The following table sets forth a breakdown of our other gains and losses for the years indicated.

	Years Ended December 31,		
	2022	2023	2024
	<i>(RMB in thousands)</i>		
Net foreign exchange gains (losses)	43,258	(816)	41,981
Fair value (losses) gains on derivative financial instruments	(54,039)	744	–
Fair value gains (losses) on other financial investments	6,321	6,559	(1,692)
Others	(376)	1,551	(739)
Total	<u>(4,836)</u>	<u>8,038</u>	<u>39,550</u>

Impairment Losses Under Expected Credit Loss (“ECL”) Model, Net of Reversal

We record impairment losses under ECL model, net of reversal, of RMB13,000, RMB2.3 million and RMB3.9 million in 2022, 2023 and 2024, respectively.

Finance Costs

Our finance costs consist of interest expenses on bank borrowings and interest expenses on lease liabilities. We recorded finance costs of RMB11.2 million, RMB16.6 million and RMB30.1 million in 2022, 2023 and 2024, respectively.

Income Tax Credit/(Expense)

We record income tax expense of RMB5.5 million in 2022, income tax credit of RMB0.9 million in 2023, and income tax expense of RMB26.2 million in 2024.

Profit for the Year

We recorded profit for the year of RMB159.5 million, RMB101.2 million and RMB181.0 million in 2022, 2023 and 2024, respectively.

TAXATION

PRC

Income tax expense primarily represents income tax paid or payable by us in accordance with the EIT Law and its corresponding implementation regulations. This income tax expense comprises both current income tax and deferred income tax.

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Entities located in the PRC are subject to a statutory income tax rate of 25.0%. During the Track Record Period, certain subsidiaries within our Group were eligible for preferential income tax rates pursuant to the relevant tax regulations. During the Track Record Period and as of the Latest Practicable Date, we did not have any disputes or unresolved tax issues with the relevant tax authorities.

Hong Kong

Under the two-tiered profits tax rates regime, the first HK\$2 million of profits of our qualifying entities will be taxed at 8.25%, and profits above HK\$2 million will be taxed at 16.5%. The profits of our entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate 16.5%.

Other Countries

Income tax on profit arising from other jurisdictions, including the United States, European countries and Southeast Asian countries, among others, had been calculated on the estimated assessable profit for the year at the respective rates prevailing in the relevant jurisdictions, ranging from 17.0% to 25.0%.

DISCUSSION OF RESULTS OF OPERATIONS

Year Ended December 31, 2024 Compared to Year Ended December 31, 2023

Revenue

Our revenue increased by 12.6% from RMB3,070.6 million in 2023 to RMB3,456.4 million in 2024. Such increase was primarily attributable to the increase in the sales of our smart devices, which is the result of the expansion of our customer base as well as increased revenue contributions from our existing customers.

- **Sales of smart devices.** Revenue from sales of smart devices increased by 14.3% from RMB3,007.8 million in 2023 to RMB3,438.0 million in 2024. The increase was primarily attributable to (i) an increase in revenue from our smart payment devices by 19.7% from RMB1,222.8 million in 2023 to RMB1,463.9 million in 2024, which is the result of the increased sales volume from SUNMI P series and (ii) an increase in revenue from our smart mobile devices by 22.6% from RMB659.9 million in 2023 to RMB808.8 million in 2024, mainly due to our strategic expansion in Europe.
- **PaaS platform and customization services.** Revenue from PaaS platform and customization services decreased by 70.7% from RMB62.8 million in 2023 to RMB18.4 million in 2024, primarily due to completion of major customization service projects in 2023.

Our revenue from APMEA decreased from RMB1,802.6 million in 2023 to RMB1,553.1 million in 2024, primarily due to the decrease in revenue from China, mainly as a result of the completion of the customization services for some customers in China. Our revenue from Americas increased from RMB809.6 million in 2023 to RMB1,186.2 million in 2024, and from Europe increased from RMB458.4 million in 2023 to RMB717.1 million in 2024, primarily due to expanded our sales channel in such regions.

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Cost of Sales

Our cost of sales increased by 9.3% from RMB2,249.4 million in 2023 to RMB2,459.0 million in 2024, which was primarily due to an increase in the cost of inventories by 10.0% from RMB2,184.5 million in 2023 to RMB2,402.7 million in 2024, which was driven by the expansion of our procurement scale as a result of higher customer demand and growth in sales revenue.

Gross Profit and Gross Profit Margin

As a result of the foregoing, our gross profit increased by 21.5% from RMB821.2 million in 2023 to RMB997.3 million in 2024. Our gross profit margin increased from 26.7% in 2023 to 28.9% in 2024.

The increase in our overall gross profit margin was primarily attributable to (i) the increase in sales in Europe and other developed countries, which are regions with relatively higher gross profit margins due to relatively higher pricing strategies in such regions, and (ii) our cost management efforts. In particular, the gross profit margin for sales of smart devices increased from 26.5% in 2023 to 28.7% in 2024, primarily due to (i) decreased purchase costs for certain raw materials as a result of the continued scaling of our business, and (ii) our cost management efforts.

The gross profit margin of our PaaS platform and customization services increased from 38.6% in 2023 to 51.1% in 2024, primarily due to a decrease in revenue from customization services, which generally have relatively lower gross profit margins.

Distribution and Selling Expenses

Our distribution and selling expenses increased by 12.1% from RMB321.9 million in 2023 to RMB361.0 million in 2024, which was mainly attributable to an increase in employee expenses of RMB29.2 million, primarily due to the expansion of our sales team to support our business growth, as well as an increase in average compensation levels for our sales personnel driven by increased sales.

Administrative Expenses

Our administrative expenses increased by 58.9% from RMB85.0 million in 2023 to RMB135.1 million in 2024, which was mainly attributable to an increase in employee expenses of RMB37.5 million, primarily due to the expansion of our administrative team to support our business growth, as well as an increase in average compensation levels for our administrative staff.

Research and Development Expenses

Our research and development expenses increased by 11.6% from RMB353.6 million in 2023 to RMB394.5 million in 2024, which was mainly due to our research and development efforts related to the PaaS platform and software applications. Specifically, the increase was mainly driven by an increase in employee expenses of RMB34.4 million due to the expansion of our research and development staff headcount, as well as the increase in average compensation levels for our research and development staff.

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Other Income

Our other income increased by 87.6% from RMB50.6 million in 2023 to RMB94.9 million in 2024. This was primarily due to (i) an increase in interest income of RMB29.8 million from our bank deposits, (ii) an increase in government grants related to income of RMB9.2 million due to our eligibility for certain tax benefits under relevant local policies, and (iii) an increase in sundry income of RMB8.1 million, mainly representing forfeited customer prepayment resulting from order cancellations.

Other Gains

Our other gains increased from RMB8.0 million in 2023 to RMB39.6 million in 2024, primarily due to a shift from net foreign exchange losses of RMB0.8 million in 2023 to net foreign exchange gains of RMB42.0 million in 2024, driven by fluctuations in foreign exchange rates.

Impairment Losses Under Expected Credit Loss (“ECL”) Model, Net of Reversal

We recorded impairment losses under ECL model, net of reversal, of RMB2.3 million and RMB3.9 million in 2023 and 2024, respectively. The increase was primarily attributed to our increased trade receivables in 2024.

Finance Costs

Our finance costs increased by 80.9% from RMB16.6 million in 2023 to RMB30.1 million in 2024. The increase was primarily attributed to the increase in interest expense on bank borrowings of RMB14.4 million.

Income Tax Credit/(Expense)

We record income tax credit of RMB0.9 million in 2023, compared to income tax expense of RMB26.2 million in 2024, primarily due to (i) the increased profit before tax in 2024, and (ii) the tax benefits we received from certain deductions related to our research and development activities in 2023.

Profit for the Year

As a result of the foregoing, our profit for the year increased by 78.8% from RMB101.2 million in 2023 to RMB181.0 million in 2024. Our net profit margin increased from 3.3% in 2023 to 5.2% in 2024.

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Year Ended December 31, 2023 Compared to Year Ended December 31, 2022

Revenue

Our revenue decreased by 9.8% from RMB3,404.4 million in 2022 to RMB3,070.6 million in 2023. Such decrease was primarily attributable to a decline in revenue from our smart mobile devices and smart desktop devices.

- ***Sales of smart devices.*** Revenue from sales of smart devices decreased by 11.2% from RMB3,389.0 million in 2022 to RMB3,007.8 million in 2023. The decrease was primarily attributable to (i) a decrease in revenue from our smart mobile devices by 33.6% from RMB933.8 million in 2022 to RMB659.9 million in 2023, due to decreased sales from food delivery platforms and restaurant customers because such customers placed large orders in the previous year, and (ii) a decrease in revenue from our smart desktop devices by 25.6% from RMB1,283.0 million in 2022 to RMB954.2 million in 2023, primarily because certain customers in Americas made additional purchases in 2022 based on their own assessments.
- ***PaaS platform and customization services.*** Revenue from PaaS platform and customization services increased significantly by 309.2% from RMB15.3 million in 2022 to RMB62.8 million in 2023, primarily due to an increase in demand for our customization services from Asia and Americas.

Our revenue from APMEA increased from RMB1,560.8 million in 2022 to RMB1,802.6 million in 2023, primarily due to increased demand from the Asia-Pacific region and increased demand from medical sector in China. Our revenue from Americas decreased from RMB1,266.9 million in 2022 to RMB809.6 million in 2023 and from Europe decreased from RMB576.7 million in 2022 to RMB458.4 million in 2023, primarily due to major customers from these regions placed large orders in the previous year.

Cost of Sales

Our cost of sales decreased by 8.1% from RMB2,447.2 million in 2022 to RMB2,249.4 million in 2023, primarily due to a decrease in revenue, which caused a corresponding decrease of RMB 221.4 million in the cost of inventories, driven by the decrease in average price as a result of the change of our product mix.

Gross Profit and Gross Profit Margin

As a result of the foregoing, our gross profit decreased by 14.2% from RMB957.2 million in 2022 to RMB821.2 million in 2023. Our gross profit margin decreased from 28.1% in 2022 to 26.7% in 2023.

The decrease in our overall gross profit margin was primarily due to the decrease in the proportion of revenue generated from Americas, which has a relatively higher gross profit margin compared to other geographical locations. In particular, the gross profit margin for sales of smart devices decreased from

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28.0% in 2022 to 26.5% in 2023, primarily attributed to the decrease in the proportion of revenue generated from smart mobile devices and smart payment devices, which typically have a relatively higher gross profit margin due to our new generation upgrade.

The gross profit margin of our PaaS platform and customization services decreased from 43.2% in 2022 to 38.6% in 2023. Such decrease was mainly due to the completion of major customization service projects in 2023, which are typically associated with lower gross profit margins to attract more sales orders to our smart devices.

Distribution and Selling Expenses

Our distribution and selling expenses decreased by 7.2% from RMB346.9 million in 2022 to RMB321.9 million in 2023, which was mainly driven by a decrease in employee costs of RMB30.6 million in 2023.

Administrative Expenses

Our administrative expenses decreased by 6.3% from RMB90.7 million in 2022 to RMB85.0 million in 2023, which was mainly driven by increases in professional service fees and office expenses.

Research and Development Expenses

Our research and development expenses decreased by 1.4% from RMB358.5 million in 2022 to RMB353.6 million in 2023, which was mainly due to a decrease in employee costs of RMB15.2 million.

Other Income

Our other income increased significantly by 154.9% from RMB19.8 million in 2022 to RMB50.6 million in 2023. This was primarily due to (i) an increase in interest income of RMB24.8 million from our bank deposits, and (ii) an increase in government grants related to assets of RMB5.2 million due to our eligibility for certain project-based government subsidies under relevant local policies.

Other Gains and Losses

We recorded other losses of RMB4.8 million in 2022, compared to other gains of RMB8.0 million in 2023. This was primarily due to a shift from fair value losses on derivative financial instruments of RMB54.0 million in 2022 to fair value gains on derivative financial instruments of RMB0.7 million in 2023, driven by strategic adjustments in our derivative products.

Impairment Losses Under Expected Credit Loss (“ECL”) Model, Net of Reversal

We recorded impairment losses under ECL model, net of reversal, of RMB13,000 and RMB2.3 million in 2022 and 2023, respectively. The increase was primarily attributed to our increased trade receivables in 2023.

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Finance Costs

Our finance costs increased by 48.9% from RMB11.2 million in 2022 to RMB16.6 million in 2023. The increase was primarily attributed to the increases in interest expenses on borrowings and interest expenses on lease liabilities of RMB3.7 million and RMB1.8 million, respectively.

Income Tax Credit/(Expense)

We record income tax expense of RMB5.5 million in 2022, compared to income tax credit of RMB0.9 million in 2023, primarily due to (i) the decrease in our profit before tax from RMB165.0 million in 2022 to RMB100.3 million in 2023, and (ii) certain tax benefits in resulted from our research and development activities.

Profit for the Year

As a result of the foregoing, our profit for the year decreased by 36.5% from RMB159.5 million in 2022 to RMB101.2 million in 2023. Our net profit margin decreased from 4.7% in 2022 to 3.3% in 2023.

DISCUSSION OF CERTAIN KEY ITEMS FROM OUR CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

The table below sets forth the selected information from our consolidated statements of financial position as of the dates indicated, which have been extracted from our consolidated financial statements included in Appendix I to this Document.

	As of December 31,		
	2022	2023	2024
	(RMB in thousands)		
Non-current assets	286,928	275,608	365,516
Current assets	2,606,680	3,185,912	4,037,756
Total assets	2,893,608	3,461,520	4,403,272
Non-current liabilities	78,193	50,452	73,223
Current liabilities	1,153,276	1,635,548	2,490,302
Total liabilities	1,231,469	1,686,000	2,563,525
Net current assets	1,453,404	1,550,364	1,547,454
Net assets	1,662,139	1,775,520	1,839,747
Total equity	1,662,139	1,775,520	1,839,747

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

	As of December 31,			As of April 30,
	2022	2023	2024	2025
	(RMB in thousands)			(unaudited)
Inventories	541,836	407,758	501,737	597,257
Trade and other receivables	798,325	1,083,271	1,573,246	931,171
Contract costs	23,840	1,613	429	429
Tax recoverable	4,105	4,816	4,363	890
Financial assets at FVTPL	3,795	—	—	30,000
Bills receivables measured at fair value through other comprehensive income (“FVTOCI”)	559	11,714	3,289	5,058
Term deposits with an original maturity over three months but within one year	13,929	134,217	57,500	40,000
Restricted bank deposits	103,278	121,688	79,344	57,756
Cash and cash equivalents	1,117,013	1,420,835	1,817,848	1,852,766
Current assets	2,606,680	3,185,912	4,037,756	3,515,327
Trade and other payables	651,795	820,132	1,426,338	825,864
Income tax payable	3,397	1,208	1,676	1,945
Bank borrowings	296,734	685,101	938,485	1,191,138
Deferred income	2,660	3,732	4,921	3,410
Lease liabilities	25,136	24,447	25,412	26,155
Provisions	29,447	14,933	12,941	13,353
Contract liabilities	131,605	85,995	80,529	97,937
Financial liabilities at FVTPL	12,502	—	—	—
Current liabilities	1,153,276	1,635,548	2,490,302	2,159,802
Net current asset	1,453,404	1,550,364	1,547,454	1,355,525

Our net current assets decreased from RMB1,547.5 million as of December 31, 2024 to RMB1,355.5 million as of April 30, 2025, which was primarily due to (i) the decrease in trade and other receivables of RMB642.1 million; (ii) the increase in bank borrowings of RMB252.7 million. The decrease in our net current asset was partially offset by the decrease in trade and other payable of RMB600.5 million.

Our net current assets decreased from RMB1,550.4 million as of December 31, 2023 to RMB1,547.5 million as of December 31, 2024, which was primarily due to (i) the increase in trade and other payables of RMB606.2 million; (ii) the increase in bank borrowings of RMB253.4 million; (iii) the decrease in term deposit with an original maturity over three months but within one year of RMB76.7 million; and (iv) the decrease in restricted bank deposits of RMB42.3 million. The decrease in our net current assets was partially offset by (i) the increase in trade and other receivables of RMB490.0 million; (ii) the increase in cash and cash equivalents of RMB397.0 million; and (iii) the increase in inventories of RMB94.0 million.

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Our net current assets increased from RMB1,453.4 million as of December 31, 2022 to RMB1,550.4 million as of December 31, 2023, which was primarily due to (i) the increase in cash and cash equivalents of RMB303.8 million; (ii) the increase in trade and other receivables of RMB284.9 million; and (iii) the increase in term deposit with an original maturity over three months but within one year of RMB120.3 million. The increase in our net current assets was partially offset by (i) the increase in bank borrowings of RMB388.4 million; (ii) the increase in trade and other payables of RMB168.3 million; and (iii) the decrease in inventories of RMB134.1 million.

Inventories

Our inventories primarily consist of (i) raw materials and consumables, which primarily consist of electronic components and materials, (ii) work in progress, which primarily consist of smart devices that are in the early stage of manufacturing, and (iii) finished goods, which primarily consist of smart devices and accessories ready for sale.

The following table sets forth a summary of our inventory balances as of the dates indicated.

	As of December 31,		
	2022	2023	2024
	<i>(RMB in thousands)</i>		
Raw materials and consumables	263,800	185,974	186,165
Work in progress	13,342	10,173	7,884
Finished goods	264,694	211,611	307,688
Total	<u>541,836</u>	<u>407,758</u>	<u>501,737</u>

Our inventories decreased from RMB541.8 million as of December 31, 2022 to RMB407.8 million as of December 31, 2023, primarily due to the decrease in finished goods by RMB53.1 million and the decrease in raw materials and consumables by RMB77.8 million, reflecting our strategic inventory management efforts. Our inventories increased from RMB407.8 million as of December 31, 2023 to RMB501.7 million as of December 31, 2024, which was generally aligned with our business growth.

Our provision for impairment of inventories increased from RMB11.6 million as of December 31, 2022 to RMB12.1 million as of December 31, 2023, and further to RMB16.4 million as of December 31, 2024. This was primarily because we recorded additional provisions based on the lower of cost or net realizable value for certain slow-moving inventories that are not our core products.

The following table sets forth the aging analysis of our inventory as of the dates indicated.

	As of December 31,		
	2022	2023	2024
	<i>(RMB in thousands)</i>		
Within one year	465,560	344,399	450,175
Over one year	87,846	75,444	67,986
Provision for impairment of inventories	(11,570)	(12,085)	(16,424)
Total	<u>541,836</u>	<u>407,758</u>	<u>501,737</u>

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As of December 31, 2024, the inventories that aged over one year amounted to RMB68.0 million, representing 13.1% of total inventories, which is insignificant.

We believe we have a comprehensive and adequate system in place for identifying and accounting for inventory risks and impairment provisions. We regularly review our inventories to identify items with low sales or usage value and make impairment provisions accordingly. We further assess inventories based on the lower of cost or net realizable value to make any additional impairment provisions.

The following table sets forth inventory turnover days for the years indicated:

	For the Year Ended December 31,		
	2022	2023	2024
Inventory turnover days ⁽¹⁾	90	77	67

Notes:

- (1) Calculated using the average of opening balance and closing balance of the inventories for such period divided by cost of sales for the relevant period and multiplied by the number of days for the years ended December 31 is 365 days.

Our inventories turnover days decreased from 90 days in 2022 to 77 days in 2023 primarily due to optimization of inventory management. Subsequently, our inventories turnover days decreased to 67 days in 2024, mainly as a result of our inventory management efforts.

As of April 30, 2025, RMB325.0 million, or 64.8% of our inventories outstanding as of December 31, 2024 had been subsequently sold or utilized.

Trade and Other Receivables

Our trade and other receivables primarily represent outstanding amounts due from some customers, to which we supplied certain smart devices in accordance with specific credit periods during the Track Record Period. We normally grant a credit period of 30 to 120 days or a particular period agreed with customers effective from the date when the goods and services have been completed and accepted by customers. The following table sets forth a breakdown of our trade and other receivables as of the dates indicated.

	As of December 31,		
	2022	2023	2024
	(RMB in thousands)		
Non-current:			
Rental deposits	8,421	9,383	10,183
Total non-current trade and other receivables, net	8,421	9,383	10,183
Current:			
Trade receivables	406,259	637,580	1,048,839

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	As of December 31,		
	2022	2023	2024
	<i>(RMB in thousands)</i>		
Other receivables	221,564	300,621	393,598
Interest receivables	1,283	6,632	1,536
Prepayments to suppliers	99,726	66,398	32,029
VAT recoverable	27,853	9,241	5,863
VAT export refund receivable	40,988	61,394	87,169
Advance to employees	652	322	339
Others	–	1,083	3,873
Total current trade and other receivables, net	798,325	1,083,271	1,573,246
Total trade and other receivables, net	806,746	1,092,654	1,583,429

Our trade and other receivables increased from RMB806.7 million as of December 31, 2022 to RMB1,092.7 million as of December 31, 2023, and further to RMB1,583.4 million as of December 31, 2024. The increase from 2022 to 2024 was primarily due to the expansion of our business operations that leads to higher trade receivables.

As of December 31, 2022, 2023 and 2024, we recorded allowance for expected credit losses for trade and other receivables of RMB4.7 million, RMB7.0 million and RMB10.9 million, respectively. We have performed impairment analysis on trade and other receivables to measure the expected credit losses, and we believe that we have made sufficient impairment allowance on trade receivables during the Track Record Period. For details on impairment provisions for trade and other receivables, see Note 40 to the Accountant’s Report set out in Appendix I to this Document.

Having considered that (i) the trade receivables balances were mainly due from customers with ongoing business relationships with us, (ii) there were no material ongoing disputes with such customers, (iii) these customers had been making continuous subsequent repayment to us and their historical repayment patterns were generally consistent during the Track Record Period, and (iv) we have continuously carried out stringent credit management policy and increased effort in trade receivables collection, we are of the view that there is no material recoverability issue for our trade and other receivables.

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The following table sets forth the aging analysis of our trade receivables as of the dates indicated.

	As of December 31,		
	2022	2023	2024
	<i>(RMB in thousands)</i>		
Up to two months	339,093	470,954	739,964
Two to four months	20,644	141,217	233,077
Four to six months	15,185	15,658	44,218
Six months to one year	31,337	5,349	17,648
Over one year	—	4,402	13,932
Total	406,259	637,580	1,048,839

The following table sets forth the turnover days of our trade receivables for the years indicated.

	For the Year Ended December 31,		
	2022	2023	2024
Trade receivable turnover days ⁽¹⁾	36	62	89

Notes:

- (1) Trade receivable turnover days for a period equal the average of the opening and closing trade receivables balance (net of allowance) divided by revenue for the relevant period and multiplied by the number of days during such period. The number of days for the years ended December 31 is 365 days.

Our trade receivables turnover days increased from 36 days in 2022 to 62 days in 2023, and to 89 days in 2024, primarily because we granted longer credit periods to our long-term customers as our cooperation with such customer deepened. Despite the increase in our trade receivables turnover days, we remain focused on managing our trade receivables by enhancing our collection efforts. For instance, we closely monitor the collection progress of trade receivables, hold periodic meetings to discuss the status of trade receivables, and follow up with customers regularly on outstanding amounts through various channels. If the recoverability of our trade receivables becomes lower than expected, we may make impairment allowance on trade receivables.

As of April 30, 2025, RMB719.6 million, or 68.6% of our trade receivables outstanding as of December 31, 2024 had been subsequently settled.

Restricted Bank Deposits

Our restricted bank deposits consist primarily of restricted bank balances for the issuance of bills. Our restricted bank deposits amounted to RMB103.3 million, RMB121.7 million and RMB79.3 million as of December 31, 2022, 2023 and 2024, respectively.

Cash and Cash Equivalents

We had cash and cash equivalents of RMB1,117.0 million, RMB1,420.8 million and RMB1,817.8 million as of December 31, 2022, 2023 and 2024, respectively. For details, see “— Liquidity and Capital Resources — Cash Flow Analysis.”

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Trade and Other Payables

Our trade and other payables primarily represent amounts due to raw materials suppliers and other product suppliers incurred in the ordinary course of business. The following table sets forth our trade and other payables as of the dates indicated.

	As of December 31,		
	2022	2023	2024
	(RMB in thousands)		
Trade payables	161,187	386,996	818,599
Other payables	35,576	27,973	98,105
Bills payables	327,278	298,849	191,114
Payroll payables	98,365	59,958	130,199
Other tax payables	4,683	20,466	32,070
Accrued expenses	22,354	23,963	43,858
Dividend payables	—	—	151,200
Others	2,352	1,927	1,811
Total trade and other payables	651,795	820,132	1,466,956

Our trade and other payables increased from RMB651.8 million as of December 31, 2022 to RMB820.1 million as of December 31, 2023, and further to RMB1,467.0 million as of December 31, 2024, which aligned with our business expansion.

The following table sets forth the aging analysis of our trade payables as of the dates indicated.

	As of December 31,		
	2022	2023	2024
	(RMB in thousands)		
Up to two months	155,339	382,637	797,471
Two to four months	3,707	3,669	20,400
Four to six months	485	289	293
Six months to one year	1,656	212	294
Over one year	—	189	141
Total	161,187	386,996	818,599

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The following table sets forth the turnover days of our trade payables for the years indicated.

	For the Year Ended December 31,		
	2022	2023	2024
Trade payables turnover days ⁽¹⁾	40	44	89

Notes:

- (1) Trade payables turnover days are based on the average balance of trade payables divided by cost of sales for the relevant period and multiplied by the number of days in the relevant period. Average balance is calculated as the average of the beginning balance and ending balance of a given period. The number of days for the years ended December 31 is 365 days.

Our trade payables turnover days increased from 40 days in 2022 to 44 days in 2023, and further to 89 days in 2024, reflecting the credit treatment extended by suppliers as of the respective dates in light of stronger bargaining power.

As of April 30, 2025, RMB805.4 million, or 98.4% of our trade payables outstanding as of December 31, 2024 had been subsequently settled.

Bank Borrowings

Our bank borrowings represent bank loans from commercial banks in China. Our bank borrowings increased from RMB296.7 million as of December 31, 2022 to RMB685.1 million as of December 31, 2023, and further to RMB938.5 million as of December 31, 2024, mainly due to our additional bank loans secured for working capital purposes.

Contract Liabilities

Our contract liabilities primarily arise from customer prepayments for the purchase of our smart devices. The following table sets forth the details of our contract liabilities as of the dates indicated.

	As of December 31,		
	2022	2023	2024
	(RMB in thousands)		
Prepayments for the purchase of smart devices	131,605	85,995	80,529
Total	131,605	85,995	80,529

Our contract liabilities decreased from RMB131.6 million as of December 31, 2022 to RMB86.0 million as of December 31, 2023, and further to RMB80.5 million as of December 31, 2024, primarily due to declined contract liabilities related to sales of goods.

Lease Liabilities

Our lease liabilities pertain to payment obligations for properties leased primarily as our offices and showrooms. The carrying amount of our lease liabilities amounted to RMB97.8 million, RMB71.2 million and RMB54.0 million as of December 31, 2022, 2023 and 2024, respectively.

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Property and Equipment

Our property and equipment consist of (i) machinery and equipment, (ii) office equipment and furniture, (iii) molds, and (iv) leasehold improvements. The following table sets forth a breakdown of our property and equipment as of the dates indicated.

	As of December 31,		
	2022	2023	2024
	(RMB in thousands)		
Machinery and equipment	10,443	8,996	11,447
Office equipment and furniture	393	249	278
Moulds	17,668	15,125	13,651
Leasehold improvements	3,321	3,294	4,719
Total	<u>31,825</u>	<u>27,664</u>	<u>30,095</u>

The carrying amount of our property and equipment decreased slightly from RMB31.8 million as of December 31, 2022 to RMB27.7 million as of December 31, 2023, primarily due to the depreciation of our property and equipment. The carrying amount of our property and equipment subsequently increased from RMB27.7 million as of December 31, 2023 to RMB30.1 million as of December 31, 2024, primarily due to the expansion of our production capacity to support our business growth.

Right-of-Use Assets

Our right-of-use assets mainly consist of leased offices, plant and warehouse and equipment. Our right-of-use assets decreased from RMB100.8 million as of December 31, 2022 to RMB72.4 million as of December 31, 2023, and further to RMB53.4 million as of December 31, 2024, primarily due to depreciation in the ordinary course of business.

LIQUIDITY AND CAPITAL RESOURCES

We have historically funded our cash requirements mainly from cash generated from our business operations and bank loans. After the [REDACTED], we intend to finance our future capital requirements through cash generated from our business operations, and the net [REDACTED] from the [REDACTED]. We currently do not anticipate any changes to the availability of financing to fund our operations in the near future. We had cash and cash equivalents of RMB1,117.0 million, RMB1,420.8 million and RMB1,817.8 million as of December 31, 2022, 2023 and 2024, respectively.

FINANCIAL INFORMATION

Cash Flow Analysis

The following table sets forth our cash flows for the years indicated.

	For the Year Ended December 31,		
	2022	2023	2024
	<i>(RMB in thousands)</i>		
Net cash flows generated from operating activities	166,797	82,894	155,844
Net cash flows generated from/(used in) investing activities . . .	24,499	(131,356)	50,921
Net cash flows generated from financing activities	256,282	346,369	195,497
Net increase in cash and cash equivalents	447,578	297,907	402,263
Cash and cash equivalents at beginning of the year	672,085	1,117,013	1,420,835
Cash and cash equivalents at end of the year	<u>1,117,013</u>	<u>1,420,835</u>	<u>1,817,848</u>

Operating Activities

Net cash flows generated from operating activities in 2024 was RMB155.8 million, which was primarily attributable to our profit before tax of RMB207.2 million, adjusted for certain non-cash and non-operating items, which primarily include (i) interest income of RMB63.7 million, (ii) share-based payment expenses of RMB39.3 million, (iii) depreciation of right-of-use assets of RMB27.9 million, (iv) interest on bank borrowing of RMB26.6 million, and (v) amortization of other intangible assets of RMB21.8 million. The amount was further adjusted by changes in working capital, primarily including increase in trade and other receivables of RMB499.0 million and increase in inventories of RMB98.3 million, partially offset by increase in trade and other payables of RMB439.1 million.

Net cash flows generated from operating activities in 2023 was RMB82.9 million, which was primarily attributable to our profit before tax of RMB100.3 million, adjusted for certain non-cash and non-operating items, which primarily include (i) interest income of RMB33.9 million, (ii) depreciation of right-of-use assets of RMB27.2 million, and (iii) depreciation of property and equipment of RMB19.2 million. The amount was further adjusted by changes in working capital, primarily including increase in trade and other receivables of RMB281.9 million and decrease in contract liabilities of RMB45.6 million, partially offset by increase in trade and other payables of RMB164.6 million and decrease in inventories of RMB133.6 million.

Net cash flows generated from operating activities in 2022 was RMB166.8 million, which was primarily attributable to our profit before tax of RMB165.0 million, adjusted for certain non-cash and non-operating items, which primarily include (i) loss arising from changes in fair value of derivatives of RMB54.0 million, (ii) share-based payment expenses of RMB46.7 million, (iii) depreciation of right-of-use assets of RMB30.3 million, and (iv) depreciation of property and equipment of RMB18.3 million. The amount was further adjusted by changes in working capital, primarily including decrease in trade and other payables of RMB208.7 million and decrease in contract liabilities of RMB109.8 million, partially offset by decrease in inventories of RMB120.8 million and decrease in trade and other receivables of RMB84.9 million.

FINANCIAL INFORMATION

Investing Activities

Net cash flows generated from investing activities in 2024 was RMB50.9 million, which consists primarily of (i) withdrawal of term deposits of RMB136.2 million, and (ii) interest received of RMB68.8 million, partially offset by placement of term deposits of RMB127.5 million and purchase of property and equipment of RMB21.2 million.

Net cash flows used in investing activities in 2023 was RMB131.4 million, which consists primarily of (i) gross cash outflows from forward exchange contracts of RMB240.7 million, and (ii) placement of term deposits of RMB176.0 million, partially offset by gross cash inflows from forward exchange contracts of RMB228.9 million.

Net cash flows generated from investing activities in 2022 was RMB24.5 million, which consists primarily of (i) gross cash inflows from forward exchange contracts of RMB817.6 million, and (ii) withdrawal of term deposits of RMB184.8 million, partially offset by gross cash outflows from forward exchange contracts of RMB859.2 million.

Financing Activities

Net cash flows generated from financing activities in 2024 was RMB195.5 million, which consists primarily of proceeds from bank borrowings of RMB1,102.4 million, partially offset by repayment of bank borrowings of RMB849.1 million.

Net cash flows generated from financing activities in 2023 was RMB346.4 million, which consists primarily of proceeds from bank borrowings of RMB740.2 million, partially offset by repayment of bank borrowings of RMB351.8 million.

Net cash flows generated from financing activities in 2022 was RMB256.3 million, which consists primarily of proceeds from bank borrowings of RMB336.2 million, partially offset by repayment of bank borrowings of RMB40.0 million and repayment of lease liabilities of RMB31.8 million.

FINANCIAL INFORMATION

INDEBTEDNESS

The following table sets forth our indebtedness as of the dates indicated.

	For the Year Ended December 31,			As of April 30,
	2022	2023	2024	2025
	<i>(RMB in thousands)</i>			<i>(unaudited)</i>
Current				
Bank borrowings	296,734	685,101	938,485	1,191,138
- Unsecured and guaranteed	149,960	541,458	614,889	761,613
- Unsecured and unguaranteed	146,774	143,643	286,096	419,525
- Secured and unguaranteed	—	—	37,500	10,000
Lease liabilities	25,136	24,447	25,412	26,155
Other payable	—	—	23,717	23,717
Non-Current				
Lease liabilities	72,634	46,739	28,579	29,785
Other payable	—	—	40,618	40,618
Total	394,504	756,287	992,476	1,311,413

Our bank borrowings increased from RMB296.7 million as of December 31, 2022 to RMB685.1 million as of December 31, 2023, and further to RMB938.5 million as of December 31, 2024, mainly due to our additional bank loans secured for working capital purposes. Our bank borrowings subsequently increased to RMB1,191.1 million as of April 30, 2025. For further details of our bank borrowings and lease liabilities during the Track Record Period, see “— Discussion of Certain Key Items from Our Consolidated Statements of Financial Position.” During the Track Record Period and up to the date of this Document, we did not have any material contingent liabilities.

As of April 30, 2025, we had unutilized bank facilities of RMB237.7 million.

During the Track Record Period, our lease liabilities were mainly related to the offices, plant and warehouse and equipment we leased for business operations. Our lease liabilities are secured and unguaranteed, and amounting to RMB97.8 million, RMB71.2 million and RMB54.0 million as of December 31, 2022, 2023 and 2024, respectively.

During the Track Record Period, the other payables are payables for intangible assets acquisitions, which is unsecured and unguaranteed. The other payables are due in five years with annual payment.

Our Directors confirm that as of the Latest Practicable Date, the agreements under our bank borrowings did not contain any covenant that would have a material and adverse effect on our ability to make additional borrowings or issue debt or equity securities in the future. Our Directors further confirm that we had no defaults in bank borrowings, nor did we breach any covenants (that were not waived) during the Track Record Period and up to the Latest Practicable Date. Our Directors further confirm that during the Track Record Period and up to the Latest Practicable Date, we did not experience any difficulties in obtaining credit facilities, or withdrawal of facilities or requests for early repayment.

FINANCIAL INFORMATION

Save as otherwise disclosed under sections headed “— Indebtedness”, as of April 30, 2025, being the latest practicable date for determining our indebtedness, we did not have any material bank overdrafts, loans and other similar indebtedness, liabilities under acceptances or acceptance credits, debentures, mortgages, charges, other recognized lease liabilities, guarantees or other material contingent liabilities. Our Directors confirm that there were no material changes in our indebtedness since April 30, 2025 and up to the date of this Document.

CAPITAL EXPENDITURES

Our capital expenditures primarily include property and equipment, other intangible assets and right-of-use assets. The following table sets forth our capital expenditures for the years indicated.

	For the Year Ended December 31,		
	2022	2023	2024
	<i>(RMB in thousands)</i>		
Capital expenditures			
Property and equipment	20,713	15,425	20,729
Other intangible assets	2,676	15,505	72,583
Right-of-use assets	100,340	1,869	8,901
Subtotal	123,729	32,799	102,213

We will continue to make capital expenditures to meet the expected growth of our business and our expansion plan. See “Future Plans and Use of [REDACTED] — Use of [REDACTED]”. We intend to fund our future capital expenditures with financial resources available to us, including our existing cash and bank balances, cash flows generated from our operating activities, and net [REDACTED] from the [REDACTED].

KEY FINANCIAL RATIOS

The following table sets forth some of our key financial ratios for the dates indicated.

	As of / For the Years Ended December 31,		
	2022	2023	2024
Gross profit margin ⁽¹⁾	28.1%	26.7%	28.9%
Net profit margin ⁽²⁾	4.7%	3.3%	5.2%
Adjusted net profit margin (Non-IFRS measure) ⁽³⁾	6.1%	3.4%	6.4%
Gearing ratio ⁽⁴⁾	17.9%	38.6%	51.0%

Notes:

- (1) Gross profit margin is calculated using gross profit for the year divided by revenue for the year and multiplied by 100%.
- (2) Net profit margin is calculated using net profit for the year divided by revenue for the year and multiplied by 100%.
- (3) Adjusted net profit margin is calculated using adjusted net profit for the year divided by revenue for the year and multiplied by 100%.
- (4) Gearing ratio equals loans and borrowings divided by total equity for the respective year and multiplied by 100%.

FINANCIAL INFORMATION

Analysis of Key Financial Ratios

Gross Profit Margin and Net Profit Margin

See “—Period to Period Comparison” for a discussion of the factors affecting our gross profit margin and net profit margin during the Track Record Period.

Adjusted net profit margin (Non-IFRS measure)

See “—Non-IFRS Measures” for a discussion of the factors affecting our adjusted net profit margin (Non-IFRS measure) during the Track Record Period.

Gearing Ratio

Our gearing ratio increased from 17.9% as of December 31, 2022, to 38.6% as of December 31, 2023, and further to 51.0% as of December 31, 2024. The increases were primarily driven by the rise in loans and borrowings that outpaced the growth in total equity in 2023 and 2024.

For a more comprehensive discussion of the factors affecting our key financial ratios during the Track Record Period, see “— Discussion of Results of Operations.”

CONTINGENT LIABILITIES

As of December 31, 2022, 2023 and 2024, we did not have any contingent liabilities. Our Directors confirm that there has been no material change in our contingent liabilities as of the Latest Practicable Date.

RELATED PARTY TRANSACTIONS

We enter into transactions with our related parties from time to time. For details of our related party transactions, see Note 37 to the Accountants’ Report included in Appendix I to this Document.

Our Directors are of the view that each of the related party transactions set out in Note 37 to the Accountants’ Report included in Appendix I to this Document was conducted in the ordinary course of business on an arm’s length basis and with normal commercial terms between the relevant parties. Our Directors are also of the view that our related party transactions during the Track Record Period would not distort our track record results or cause our historical results to become non-reflective of our future performance.

OFF-BALANCE SHEET ARRANGEMENTS

As of the Latest Practicable Date, we had not entered into any financial guarantees or other commitments to guarantee the payment obligations of any third parties. We have not entered into any derivative contracts that are indexed to our shares and classified as Shareholder’s equity or that are not reflected in our consolidated financial statements. Furthermore, we do not have any retained or contingent interest in assets transferred to an unconsolidated entity that serves as credit, liquidity or market risk support to such entity. We do not have any variable interest in any unconsolidated entity that provides financing, liquidity, market risk or credit support to us or engages in leasing, hedging or product development services with us.

FINANCIAL INFORMATION

FINANCIAL RISK DISCLOSURE

Our major financial assets and liabilities include trade and other receivables, financial assets at FVTPL, cash and cash equivalents, restricted bank deposits, term deposits, trade and other payables, financial liabilities at FVTPL and bank borrowings.

The risks associated with these financial assets and liabilities include market risk (foreign 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. Our Directors manage and monitor these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Foreign Currency Risk

Cash and cash equivalents, restricted bank deposits, term deposits, trade and other receivables, and trade and other payables are denominated in foreign currency of respective group entities which are exposed to foreign currency risk. We currently do not have a foreign currency hedging policy. However, our Directors monitor foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise. For further details of our foreign currency risk, see Note 40 to the Accountants’ Report included in Appendix I to this Document.

Interest Rate Risk

We are exposed to fair value interest rate risk in relation to restricted bank deposits, term deposits, fixed-rate bank borrowings and lease liabilities. Our cash flow interest rate risk is mainly concentrated on the fluctuation of interest rates on bank balances. Our Directors consider that the exposure of cash flow interest rate risk arising from variable-rate bank balances is insignificant.

Other price risk

We are exposed to other price risk arising from other financial investments at FVTPL. Our management monitors the price risk and will consider hedging the risk exposure should the need arise.

Credit Risk

The carrying amounts of trade and other receivables, cash and cash equivalents, restricted bank deposits and term deposits included in the consolidated statements of financial position represent our maximum exposure to credit risk in relation to its financial assets.

For trade receivables, we have applied the simplified approach in IFRS 9 to measure the loss allowance at lifetime ECL. The ECL on trade receivables are assessed collectively, based on the past default experience of the debtor, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forward-looking information that is available without undue cost or effort at the end of each reporting period.

FINANCIAL INFORMATION

According to assessment of the management, since the majority of the trade receivables is still within the credit term and there’s no indicator that the credit risk would significantly increase in the foreseeable future, in the opinion of the management, the impairment loss for the trade receivables is insignificant.

In order to minimize the credit risk with customers, our management has delegated its finance team responsible for determination of credit limits and credit approvals. Other monitoring procedures are in place to ensure that follow-up action is taken to recover overdue debts.

For further details of our credit risk, see Note 40 to the Accountants’ Report included in Appendix I to this Document.

Liquidity Risk

In the management of the liquidity risk, we monitor and maintain a level of cash and cash equivalents deemed adequate by the management to finance our operations and mitigate the effects of fluctuations in cash flows.

For further details of our liquidity risk, see Note 40 to the Accountants’ Report included in Appendix I to this Document.

DIVIDENDS

During the year ended December 31, 2022, 2023 and 2024, we declared dividends amounting to nil, nil and RMB151,200,000, respectively, to its shareholders. The corresponding dividend per share was nil, nil and RMB0.42 for the respective periods.

Subsequent to the end of the Track Record Period and up to the Latest Practicable Date, we have settled dividend payable to its shareholders.

As of the Latest Practicable Date, we did not have a formal dividend policy or a fixed dividend distribution ratio. PRC laws require that dividends be paid only out of our distributable profits. Distributable profits are our after-tax profits, less appropriations to statutory and other reserves that we are required to make. Pursuant to our Articles of Association, our Board may declare dividends in the future after taking into account our results of operations, financial conditions, cash requirements and availability, and other factors as it may deem relevant at such time. Any declaration and payment as well as the amount of dividends will be subject to our constitutional documents, applicable PRC laws and approval by our Shareholders.

After the [REDACTED], we may declare and pay dividends mainly by cash or by stock that we consider appropriate. Decisions to declare or to pay any dividends in the future, will depend on, among other things, our Company’s profitability, operations and development plans, external financing environment, costs of capital, our Company’s cash flows and other factors that our Directors may consider relevant. Our ability to distribute dividends in the future also depends on whether we can receive dividends from our subsidiaries.

FINANCIAL INFORMATION

WORKING CAPITAL SUFFICIENCY

Our Directors are of the opinion that, taking into account the financial resources available to our Group, including the estimated net [REDACTED] from the [REDACTED] and the expected cash flows generated from operating activities, we have sufficient working capital for our present requirements and for the next 12 months from the date of this Document. On the basis of the independent due diligence undertaken, the Joint Sponsors concur with the aforementioned views of our Directors. Our Directors further confirm that we had no material defaults on trade and non-trade payables and borrowings, nor did we breach any covenants during the Track Record Period and up to the date of this document.

DISTRIBUTABLE RESERVES

As of December 31, 2024, the retained profits attributable to the owners of the Company were RMB345.9 million. Such retained profits represent distributable reserves to our shareholders as of the same date.

[REDACTED]

Our [REDACTED] mainly include (i) [REDACTED], such as [REDACTED] and [REDACTED], and (ii) [REDACTED], comprising professional fees paid to our legal advisors and reporting accountants for their services rendered in relation to the [REDACTED] and the [REDACTED], and other fees and expenses. Assuming full payment of the [REDACTED], the estimated total [REDACTED] for the [REDACTED] are approximately HK\$[REDACTED], accounting for approximately [REDACTED]% of our gross [REDACTED]. Among such estimated total [REDACTED], we expect to pay [REDACTED] of HK\$[REDACTED], professional fees for our legal advisors and reporting accountants of HK\$[REDACTED] and other fees and expenses of HK\$[REDACTED]. An estimated amount of HK\$[REDACTED] for our [REDACTED], accounting for approximately [REDACTED]% of our gross [REDACTED], is expected to be expensed through the statement of profit or loss and an estimated amount of HK\$[REDACTED] is expected to be recognized directly as a deduction from equity upon the [REDACTED]. We did not recognize any [REDACTED] in 2022, 2023 and 2024.

NO MATERIAL ADVERSE CHANGE

Our Directors have confirmed that, up to the date of the Document, there had been no material adverse change in our financial, operational or trading position, indebtedness, contingent liabilities or prospects since December 31, 2024, being the end date of the periods reported on in the Accountants’ Report set out in Appendix I to this Document, and there had been no event since December 31, 2024 that would materially affect the information shown in the Accountants’ Report set out in Appendix I to this Document.

DISCLOSURE UNDER RULES 13.13 TO 13.19 OF THE LISTING RULES

Our Directors confirm that, except for the amounts due from related parties as disclosed in this section, as of the Latest Practicable Date, there were no circumstances that would give rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

FINANCIAL INFORMATION

UNAUDITED [REDACTED] ADJUSTED NET TANGIBLE ASSETS

[REDACTED]

FINANCIAL INFORMATION

[REDACTED]

FUTURE PLANS AND USE OF [REDACTED]

FUTURE PLANS

For further details of our future plans, see “Business — Growth Strategies.”

USE OF [REDACTED]

We estimate that the aggregate net [REDACTED] to our Company from the [REDACTED] (after deducting [REDACTED] and other estimated expenses in connection with the [REDACTED] paid and payable by us taking into account any additional [REDACTED] and assuming that the [REDACTED] is not exercised and an [REDACTED] of HK\$[REDACTED] per Share, being the mid-point of the indicative [REDACTED] of HK\$[REDACTED] to HK\$[REDACTED] per Share) will be approximately HK\$[REDACTED] million (US\$[REDACTED]). We currently intend to apply such net [REDACTED] we will receive from this [REDACTED] for the following purposes:

- approximately HK\$[REDACTED] (or approximately [REDACTED]% of the net [REDACTED]) to fund the research and development of BIoT hardware and software solutions:
 - approximately HK\$[REDACTED] (or approximately [REDACTED]% of the net [REDACTED]) to fund in-house R&D of core hardware components and support both the upgrade of existing smart devices and the development of next-generation smart devices. To this end, we plan to use the [REDACTED] from the [REDACTED] to (i) recruit additional R&D staff, particularly staff with extensive experience in IoT technologies, software and hardware engineering, gateways to develop products that align with market demands and reinforce our industry leadership through continuous innovation; and (ii) procure related hardware and software, including procurement of equipment for our laboratories in Shanghai, Shenzhen, and Jiashan;
 - approximately HK\$[REDACTED] (or approximately [REDACTED]% of the net [REDACTED]) to fund the development and upgrade of our PaaS platform. We intend to continuously develop, upgrade and optimize the modules and templates used in our PaaS platform based on customers’ evolving needs, and develop additional SaaS-based solution offerings to enrich our portfolio. To this end, we plan to use the [REDACTED] from the [REDACTED] to (i) recruit additional R&D staff with technical backgrounds in software engineering, programming, and productization to enhance our low-code PaaS capabilities and better serve developer needs; and (ii) invest in necessary software licenses, cloud resources, firewalls, and monitoring and management software to support relevant R&D activities and cover annual maintenance and update costs; and
 - approximately HK\$[REDACTED] (or approximately [REDACTED]% of the net [REDACTED]) to fund AI-centric R&D investments. To this end, we plan to use the [REDACTED] from the [REDACTED] to (i) hire R&D staff with expertise in AI, machine learning, and big data analytics to further integrate AI capabilities into our smart terminals, such as enhancing the intelligence of automated goods recognition through AI model empowerment and strengthening AI-driven PaaS and data insight capabilities; and (ii) procure AI-related hardware and software, including servers used for cloud source, compilation, storage, AI modeling, and related development tools.

FUTURE PLANS AND USE OF [REDACTED]

- approximately HK\$[REDACTED] (or approximately [REDACTED]% of the net [REDACTED]) to fund strengthen our supply chain and manufacturing operations:
- approximately HK\$[REDACTED] (or approximately [REDACTED]% of the net [REDACTED]) to fund the construction and upgrade of our production facilities. We intend to upgrade our Jiashan production base into an integrated R&D and manufacturing facility to support the production of our smart terminal products, as well as key modules. Specifically, we plan to use the [REDACTED] from the [REDACTED] for property acquisition or rental, land use rights, facility renovation, fixed asset purchases, and production equipment, as well as the establishment of flexible production lines. The integrated base will include an R&D center, exhibitions, and supporting production lines, thereby enhancing R&D efficiency, optimizing cost structure, and improving overall profitability; and
- approximately HK\$[REDACTED] (or approximately [REDACTED]% of the net [REDACTED]) to fund expansion of overseas production lines. To this end, we plan to use the [REDACTED] from the [REDACTED] to establish new overseas production lines with strategic OEM/ODM partners in key overseas markets such as Southeast Asia to ensure stable global supply chain capacity.
- approximately HK\$[REDACTED] (or approximately [REDACTED]% of the net [REDACTED]) to fund global market expansion initiatives. For example, we will expand and enhance our sales teams in high-value markets such as Europe, Japan, South Korea, Australia, and New Zealand to strengthen marketing and customer engagement; To this end, we plan to use the net [REDACTED] from the [REDACTED] to (i) maintain and expand our sales force in these selected markets, (ii) strengthen brand-building initiatives globally through exhibitions and online marketing and promotional campaigns, and (iii) expand the coverage of SUNMI Home, our offline experience center, through both strategic partnerships with local partners and self-operations based on the local dynamics; and
- approximately HK\$[REDACTED] (or approximately [REDACTED]% of the net [REDACTED]) will be used for working capital and other general corporate purposes.

If the [REDACTED] is exercised in full, the net [REDACTED] of the [REDACTED] would increase to approximately HK\$[REDACTED] (US\$[REDACTED]) (based on the mid-point [REDACTED] of HK\$[REDACTED] per Share). We intend to apply the additional net [REDACTED] to the above uses in the proportions stated above.

The allocation of the [REDACTED] used for the above will be adjusted in the event that the [REDACTED] is fixed at a higher or lower level compared to the mid-point of the estimated [REDACTED]. If the [REDACTED] is fixed at HK\$[REDACTED] per Share, being the high end of the stated [REDACTED], our net [REDACTED] will (i) assuming the [REDACTED] is not exercised, be increased by approximately HK\$[REDACTED] (US\$[REDACTED]), or (ii) assuming the [REDACTED] is exercised in full, be increased by approximately HK\$[REDACTED] (US\$[REDACTED]). In such circumstances, we currently intend to use such additional [REDACTED] to increase the net [REDACTED] applied for the same purposes as set out above on a pro rata basis. If the [REDACTED] is fixed at HK\$[REDACTED] per Share, being the low end of the stated [REDACTED], our net [REDACTED] will (i) assuming the [REDACTED] is not exercised, be decreased by

FUTURE PLANS AND USE OF [REDACTED]

approximately HK\$[REDACTED] (US\$[REDACTED]), or (ii) assuming the [REDACTED] is exercised in full, be decreased by approximately HK\$[REDACTED] (US\$[REDACTED]). In such circumstances, we currently intend to reduce the net [REDACTED] applied for the same purposes as set out above on a pro rata basis.

To the extent that our net [REDACTED] are not sufficient to fund the purposes set out above, we intend to fund the balance through a variety of means, including cash generated from operations, bank loans and other borrowings.

We will only place the net [REDACTED] from the [REDACTED] which are not immediately required for the disclosed purposes in short-term interest-bearing accounts at licensed banks or authorized financial institutions (as defined under the Securities and Futures Ordinance).

We will issue an appropriate announcement if there is any material change to the above proposed use of [REDACTED].

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

STRUCTURE OF THE [REDACTED]

[REDACTED]

STRUCTURE OF THE [REDACTED]

[REDACTED]

STRUCTURE OF THE [REDACTED]

[REDACTED]

STRUCTURE OF THE [REDACTED]

[REDACTED]

STRUCTURE OF THE [REDACTED]

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STRUCTURE OF THE [REDACTED]

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STRUCTURE OF THE [REDACTED]

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STRUCTURE OF THE [REDACTED]

[REDACTED]

STRUCTURE OF THE [REDACTED]

[REDACTED]

HOW TO APPLY FOR [REDACTED]

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HOW TO APPLY FOR [REDACTED]

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HOW TO APPLY FOR [REDACTED]

[REDACTED]

HOW TO APPLY FOR [REDACTED]

[REDACTED]

HOW TO APPLY FOR [REDACTED]

[REDACTED]

APPENDIX I

ACCOUNTANTS’ REPORT

The following is the text of a report set out on pages I-1 to I-88, received from the Company’s reporting accountants, [Deloitte Touche Tohmatsu], Certified Public Accountants, Hong Kong, for the purpose of incorporation in this document.

ACCOUNTANTS’ REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF SHANGHAI SUNMI TECHNOLOGY CO., LTD., DEUTSCHE SECURITIES ASIA LIMITED, CITIC SECURITIES (HONG KONG) LIMITED AND ABCI CAPITAL LIMITED

Introduction

We report on the historical financial information of Shanghai Sunmi Technology Co., Ltd.* (“上海商米科技集團股份有限公司”) (the “Company”) and its subsidiaries (together, the “Group”) set out on pages I-3 to I-88, which comprises the consolidated statements of financial position of the Group as at December 31, 2022, 2023 and 2024, the statements of financial position of the Company as at December 31, 2022, 2023 and 2024, and the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows of the Group for each of the three years ended December 31, 2024 (the “Track Record Period”) and material accounting policy information and other explanatory information (together, the “Historical Financial Information”). The Historical Financial Information set out on pages I-3 to I-88 forms an integral part of this report, which has been prepared for inclusion in the document of the Company dated [REDACTED] (the “document”) in connection with the initial [REDACTED] of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

Directors’ responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in Note 2 to the Historical Financial Information, and for such internal control as the directors of the Company determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountants’ responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 “Accountants’ Reports on Historical Financial Information in Investment Circulars” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants’ judgment, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity’s preparation of Historical Financial Information that gives a true and fair view in

* English name is for identification purpose.

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accordance with the basis of preparation set out in Note 2 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors of the Company, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountants’ report, a true and fair view of the Group’s financial position as at December 31, 2022, 2023 and 2024, of the Company’s financial position as at December 31, 2022, 2023 and 2024 and of the Group’s financial performance and cash flows for the Track Record Period in accordance with the basis of preparation set out in Note 2 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on the Stock Exchange and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I-3 have been made.

Dividends

We refer to Note 15 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]

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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 accounting policies which conform with IFRS Accounting Standards issued by International Accounting Standards Board (the “IASB”) and were audited by us in accordance with Hong Kong Standards on Auditing issued by the HKICPA (“Underlying Financial Statements”).

The Historical Financial Information is presented in Renminbi (“RMB”) and all values are rounded to the nearest thousand (“RMB’000”) except when otherwise indicated.

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CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	NOTES	Year ended December 31,		
		2022 RMB’000	2023 RMB’000	2024 RMB’000
Revenue	6	3,404,380	3,070,569	3,456,377
Cost of sales		(2,447,159)	(2,249,409)	(2,459,046)
Gross profit		957,221	821,160	997,331
Other income	8	19,838	50,569	94,855
Other gains and losses	9	(4,836)	8,038	39,550
Distribution and selling expenses		(346,865)	(321,878)	(360,985)
Administrative expenses		(90,677)	(84,996)	(135,076)
Research and development expenses		(358,503)	(353,647)	(394,453)
Impairment losses under expected credit loss (“ECL”) model, net of reversal		(13)	(2,290)	(3,910)
Finance costs	10	(11,173)	(16,641)	(30,103)
Profit before tax	11	164,992	100,315	207,209
Income tax (expense) credit	12	(5,476)	913	(26,166)
Profit for the year		159,516	101,228	181,043
Other comprehensive income (expense)				
<i>Item that may be reclassified subsequently to profit or loss:</i>				
Exchange differences arising on translation of foreign operations		2,420	7,952	(4,940)
Other comprehensive income (expense) for the year, net of income tax		2,420	7,952	(4,940)
Total comprehensive income for the year		161,936	109,180	176,103
Profit for the year attributable to:				
Owners of the Company		159,516	101,227	181,043
Non-controlling interests		*	1	*
		159,516	101,228	181,043
Total comprehensive income for the year attributable to:				
Owners of the Company		161,936	109,179	176,103
Non-controlling interests		*	1	*
		161,936	109,180	176,103
EARNINGS PER SHARE				
Basic (in RMB)	14	0.44	0.28	0.50

* Amount is less than RMB1,000.

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CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	NOTES	As at December 31,		
		2022 RMB’000	2023 RMB’000	2024 RMB’000
Non-Current Assets				
Property and equipment	16	31,825	27,664	30,095
Right-of-use assets	17	100,833	72,364	53,363
Other intangible assets	19	9,057	17,498	67,977
Financial assets at fair value through profit or loss (“FVTPL”)	23	37,188	48,747	52,196
Prepayment for purchase of non-current assets		9,097	4,674	6,946
Term deposits with an original maturity over one year	28	–	–	70,000
Deferred tax assets	20	90,507	95,278	74,756
Other receivables	22	8,421	9,383	10,183
		<u>286,928</u>	<u>275,608</u>	<u>365,516</u>
Current Assets				
Inventories	21	541,836	407,758	501,737
Trade and other receivables	22	798,325	1,083,271	1,573,246
Contract costs	27	23,840	1,613	429
Tax recoverable		4,105	4,816	4,363
Financial assets at FVTPL	23	3,795	–	–
Bills receivables measured at fair value through other comprehensive income (“FVTOCI”)	24	559	11,714	3,289
Term deposits with an original maturity over three months but within one year	28	13,929	134,217	57,500
Restricted bank deposits	28	103,278	121,688	79,344
Cash and cash equivalents	28	1,117,013	1,420,835	1,817,848
		<u>2,606,680</u>	<u>3,185,912</u>	<u>4,037,756</u>
Current Liabilities				
Trade and other payables	29	651,795	820,132	1,426,338
Income tax payable		3,397	1,208	1,676
Bank borrowings	30	296,734	685,101	938,485
Deferred income	31	2,660	3,732	4,921
Lease liabilities	32	25,136	24,447	25,412
Provisions	33	29,447	14,933	12,941
Contract liabilities	26	131,605	85,995	80,529
Financial liabilities at FVTPL	23	12,502	–	–
		<u>1,153,276</u>	<u>1,635,548</u>	<u>2,490,302</u>
Net current assets		<u>1,453,404</u>	<u>1,550,364</u>	<u>1,547,454</u>
Total assets less current liabilities		<u>1,740,332</u>	<u>1,825,972</u>	<u>1,912,970</u>

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	NOTES	As at December 31,		
		2022 RMB’000	2023 RMB’000	2024 RMB’000
Non-Current Liabilities				
Other payables	29	—	—	40,618
Deferred tax liabilities	20	338	607	741
Deferred income	31	5,221	3,106	3,285
Lease liabilities	32	72,634	46,739	28,579
		<u>78,193</u>	<u>50,452</u>	<u>73,223</u>
Net assets		<u>1,662,139</u>	<u>1,775,520</u>	<u>1,839,747</u>
Capital and Reserves				
Share capital	34	360,000	360,000	360,000
Reserves		<u>1,302,139</u>	<u>1,415,519</u>	<u>1,479,746</u>
Equity attributable to owners of the Company		1,662,139	1,775,519	1,839,746
Non-controlling interests		<u>*</u>	<u>1</u>	<u>1</u>
Total Equity		<u>1,662,139</u>	<u>1,775,520</u>	<u>1,839,747</u>

* Amount is less than RMB1,000.

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STATEMENTS OF FINANCIAL POSITION OF THE COMPANY

		As at December 31,		
	NOTES	2022 RMB’000	2023 RMB’000	2024 RMB’000
Non-Current Assets				
Property and equipment	16	29,556	24,793	22,228
Right-of-use assets	17	95,454	67,978	44,700
Investments in subsidiaries	18	80,295	90,330	211,978
Other intangible assets	19	8,952	17,406	66,813
Financial assets at FVTPL	23	15,517	21,882	17,548
Prepayment for purchase of non-current assets		9,097	4,543	5,330
Deferred tax assets	20	85,166	82,526	60,157
Other receivables	22	8,420	9,383	9,432
		<u>332,457</u>	<u>318,841</u>	<u>438,186</u>
Current Assets				
Inventories	21	426,069	369,178	450,945
Trade and other receivables	22	1,063,765	1,550,319	2,386,355
Contract costs	27	23,840	887	429
Bills receivables measured at FVTOCI	24	559	11,714	3,289
Term deposits with an original maturity over three months but within one year	28	–	63,036	50,000
Restricted bank deposits	28	97,174	121,470	71,844
Cash and cash equivalents	28	893,419	1,061,423	984,135
		<u>2,504,826</u>	<u>3,178,027</u>	<u>3,946,997</u>
Current Liabilities				
Trade and other payables	29	632,578	853,008	1,392,616
Bank borrowings	30	296,734	685,101	895,981
Deferred income	31	2,660	3,732	4,921
Lease liabilities	32	23,425	22,619	22,195
Provisions	33	26,170	14,594	12,654
Contract liabilities	26	114,022	57,675	32,569
Financial liabilities at FVTPL	23	12,502	–	–
		<u>1,108,091</u>	<u>1,636,729</u>	<u>2,360,936</u>
Net Current Assets		1,396,735	1,541,298	1,586,061
Total Assets Less Current Liabilities		1,729,192	1,860,139	2,024,247
Non-Current Liabilities				
Other payables	29	–	–	40,618
Deferred income	31	5,221	3,106	3,285
Lease liabilities	32	71,005	46,209	24,391
		<u>76,226</u>	<u>49,315</u>	<u>68,294</u>
Net assets		1,652,966	1,810,824	1,955,953
Capital and Reserves				
Share capital	34	360,000	360,000	360,000
Reserves	35	1,292,966	1,450,824	1,595,953
Total Equity		1,652,966	1,810,824	1,955,953

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CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to the Owners of the Company							Non-controlling interests	Total
	Share capital	Share premium	Foreign currency translation reserve	Share-based payments reserve	Statutory surplus reserve	Retained profits	Subtotal		
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at January 1, 2022	360,000	857,900	(2,083)	113,360	8,345	116,011	1,453,533	*	1,453,533
Profit for the year	–	–	–	–	–	159,516	159,516	*	159,516
Other comprehensive income for the year	–	–	2,420	–	–	–	2,420	*	2,420
Total comprehensive income for the year	–	–	2,420	–	–	159,516	161,936	*	161,936
Appropriation to statutory reserve (Note)	–	–	–	–	19,653	(19,653)	–	–	–
Recognition of equity settled share-based payments (Note 36)	–	–	–	46,670	–	–	46,670	–	46,670
Transfer upon vesting of shares granted (Note 36)	–	18,580	–	(18,580)	–	–	–	–	–
As at December 31, 2022	360,000	876,480	337	141,450	27,998	255,874	1,662,139	*	1,662,139
Profit for the year	–	–	–	–	–	101,227	101,227	1	101,228
Other comprehensive income for the year	–	–	7,952	–	–	–	7,952	*	7,952
Total comprehensive income for the year	–	–	7,952	–	–	101,227	109,179	1	109,180
Appropriation to statutory reserve (Note)	–	–	–	–	15,366	(15,366)	–	–	–
Recognition of equity settled share-based payments (Note 36)	–	–	–	4,201	–	–	4,201	–	4,201
Transfer upon vesting of shares granted (Note 36)	–	59,018	–	(59,018)	–	–	–	–	–
As at December 31, 2023	360,000	935,498	8,289	86,633	43,364	341,735	1,775,519	1	1,775,520
Profit for the year	–	–	–	–	–	181,043	181,043	*	181,043
Other comprehensive expense for the year	–	–	(4,940)	–	–	–	(4,940)	*	(4,940)

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	Attributable to the Owners of the Company								Total
	Share capital	Share premium	Foreign currency translation reserve	Share-based payments reserve	Statutory surplus reserve	Retained profits	Subtotal	Non-controlling interests	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Total comprehensive (expense) income for the year	–	–	(4,940)	–	–	181,043	176,103	*	176,103
Appropriation to statutory reserve (Note)	–	–	–	–	25,700	(25,700)	–	–	–
Dividends recognized as distribution	–	–	–	–	–	(151,200)	(151,200)	–	(151,200)
Recognition of equity settled share-based payments (Note 36)	–	–	–	39,324	–	–	39,324	–	39,324
Transfer upon vesting of shares granted (Note 36)	–	79,411	–	(79,411)	–	–	–	–	–
As at December 31, 2024	<u>360,000</u>	<u>1,014,909</u>	<u>3,349</u>	<u>46,546</u>	<u>69,064</u>	<u>345,878</u>	<u>1,839,746</u>	<u>1</u>	<u>1,839,747</u>

Note: In accordance with the Company Law of the People’s Republic of China (the “PRC”) and the Company’s Articles of Association, the Company is required to appropriate 10% of profit after tax for the year to the statutory surplus reserve. The Company can cease appropriation when the statutory surplus reserve has reached to more than 50% of the registered capital. As at December 31, 2024, the Company’s statutory surplus reserve has not reached 50% of the registered capital.

* Amount is less than RMB1,000.

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CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended December 31,		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
OPERATING ACTIVITIES			
Profit before tax	164,992	100,315	207,209
Adjustments for:			
Interest income	(9,044)	(33,867)	(63,664)
Interest expense on bank borrowing	8,598	12,294	26,649
Interest expense on lease liabilities	2,575	4,347	3,454
Government grants related to assets	(1,340)	(6,533)	(3,732)
Depreciation of property and equipment	18,310	19,165	18,175
Depreciation of right-of-use assets	30,267	27,216	27,875
Amortization of other intangible assets	5,101	7,064	21,785
Fair value (gain) loss on other financial investments	(6,321)	(6,559)	1,692
Fair value loss (gain) on derivative financial instruments	54,039	(744)	–
Impairment loss under ECL, net of reversal	13	2,290	3,910
Impairment loss on property and equipment	997	–	–
(Reversal of) provision of inventories	(2,150)	515	4,339
Net foreign exchange losses (gains)	5,113	1,839	(3,835)
(Gains) losses on disposal of property and equipment	(33)	13	122
Losses (gains) on early termination of leases	–	26	(35)
Share-based payment expenses	46,670	4,201	39,324
Operating cash flow before movements in working capital	317,787	131,582	283,268
Decrease (increase) in inventories	120,825	133,563	(98,318)
(Increase) decrease in contract cost	(21,072)	22,227	1,184
Decrease (increase) in trade and other receivables	84,929	(281,904)	(499,007)
Decrease (increase) in bills receivables measured at FVTOCI	325	(2,101)	(630)
(Increase) decrease in restricted bank deposits	(18,567)	(18,410)	42,344
Increase (decrease) in provisions	741	(14,514)	(1,992)
(Decrease) increase in trade and other payables	(208,739)	164,550	439,050
Decrease in contract liabilities	(109,753)	(45,610)	(5,466)
Cash generated from operations	166,476	89,383	160,433
Income tax refund (paid)	321	(6,489)	(4,589)
NET CASH FROM OPERATING ACTIVITIES	166,797	82,894	155,844

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	Year ended December 31,		
	2022	2023	2024
	RMB’000	RMB’000	RMB’000
INVESTING ACTIVITIES			
Interest income received	9,395	28,518	68,760
Payment for rental deposits	(1,889)	(1,097)	(800)
Refund of rental deposits	–	135	–
Purchase of property and equipment	(17,028)	(23,408)	(21,158)
Purchase of other intangible asset	(9,817)	(8,364)	(4,879)
Purchase of other financial investments	–	(5,000)	(5,141)
Proceeds on disposal of property and equipment	99	413	–
Proceeds on disposal of other intangible asset	–	–	319
Government grants related to assets received	3,000	5,490	5,100
Purchase of structured deposit	(3,750)	(11,310)	–
Proceeds from disposal of structured deposit	–	15,078	–
Gross cash outflows from forward exchange contracts	(859,217)	(240,683)	–
Gross cash inflows from forward exchange contracts	817,635	228,924	–
Withdrawal of term deposits	184,823	55,953	136,220
Placement of term deposits	(98,752)	(176,005)	(127,500)
NET CASH FROM (USED IN) INVESTING ACTIVITIES	<u>24,499</u>	<u>(131,356)</u>	<u>50,921</u>
FINANCING ACTIVITIES			
Repayment of lease liabilities	(31,821)	(29,704)	(29,508)
Payment for acquisition of other intangible assets with financing component	–	–	(1,730)
New bank borrowings raised	336,178	740,230	1,102,426
Repayment of bank borrowings	(40,047)	(351,824)	(849,133)
Bank interest paid	(8,028)	(12,333)	(26,558)
NET CASH FROM FINANCING ACTIVITIES	<u>256,282</u>	<u>346,369</u>	<u>195,497</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	<u>447,578</u>	<u>297,907</u>	<u>402,263</u>
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	<u>672,085</u>	<u>1,117,013</u>	<u>1,420,835</u>
Effects of exchange rate changes	(2,650)	5,915	(5,250)
TOTAL CASH AND CASH EQUIVALENTS AT END OF YEAR	<u><u>1,117,013</u></u>	<u><u>1,420,835</u></u>	<u><u>1,817,848</u></u>

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NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. GENERAL INFORMATION

The Company was established in the People’s Republic of China (the “PRC”) on December 11, 2013, as a limited liability company. On June 28, 2019, the Company was converted into a joint stock company with limited liability under the Company Law of the PRC. The respective address of the registered office and the principal place of business of the Company are set out in the section headed (“Corporate Information”) to the document.

The Group is primarily engaged in the design, research and development, production, and sales of smart devices, along with the provision of related services. Particulars and principal activities of the subsidiaries are disclosed in Note 42.

Throughout the Track Record Period, the Group is controlled by Mr. Lin Zhe, who is the founder of the Group.

The Historical Financial Information are presented in RMB, which is also the functional currency of the Company.

2. BASIS OF PREPARATION OF HISTORICAL FINANCIAL INFORMATION

The Historical Financial Information has been prepared based on the accounting policies set out in Note 4 which conform with IFRS Accounting Standards.

The statutory financial statements of the Company for each of the year ended December 31, 2022 and 2023 were prepared in accordance with Chinese Accounting Standard for Business Enterprise (“CASBE”) and were audited by Beijing Jiaxindasheng Certified Public Accountants Co., Ltd. [No statutory audit report has been issued for the Company’s financial statements for the year ended December 31, 2024.] Beijing Jiaxindasheng Certified Public Accountants Co., Ltd is certified public accountants registered in the PRC.

3. ADOPTION OF NEW AND AMENDMENTS TO IFRS ACCOUNTING STANDARDS

For the purpose of preparing and presenting the Historical Financial Information for the Track Record Period, the Group has consistently applied the accounting policies which conform with IFRS Accounting Standards, which are effective for the the accounting period beginning on January 1, 2024 throughout the Track Record Period.

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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 January 1, 2025.

³ Effective for annual periods beginning on or after January 1, 2026.

⁴ Effective for annual periods beginning on or after January 1, 2027.

Except for new IFRS Accounting Standard mentioned below, the directors of the Company anticipate that the application of these amendments to IFRS Accounting Standards will have no material impact on the consolidated financial statements in foreseeable future.

IFRS 18 Presentation and Disclosure in Financial Statements

IFRS 18 *Presentation and Disclosure in Financial Statements*, which sets out requirements on presentation and disclosures in financial statements, will replace IAS 1 *Presentation of Financial Statements*. This new IFRS Accounting Standard, while carrying forward many of the requirements in IAS 1, introduces new requirements to present specified categories and defined subtotals in the statement of profit or loss; provide disclosures on management-defined performance measures in the notes to the financial statements and improve aggregation and disaggregation of information to be disclosed in the financial statements. In addition, some IAS 1 paragraphs have been moved to IAS 8 and IFRS 7. Minor amendments to IAS 7 *Statement of Cash Flows* and IAS 33 *Earnings per Share* are also made.

IFRS 18, and amendments to other standards, will be effective for annual periods beginning on or after January 1, 2027, with early application permitted. The application of the new standard is expected to affect the presentation of the statement of profit or loss and disclosures in the future financial statements.

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4. MATERIAL ACCOUNTING POLICY INFORMATION

The Historical Financial Information has been prepared in accordance with the following accounting policies which conform 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 Listing of Securities on the Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

Basis of consolidation

The Historical Financial Information incorporate the financial statements of the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statements of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group’s accounting policies.

All intragroup assets and liabilities, equity, incomes, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group’s equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

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Investments in subsidiaries

Investments in subsidiaries are included in the statements of financial position of the Company at cost less any identified impairment loss, if any.

Revenue from contracts with customers

Information about the Group’s accounting policies relating to revenue from contracts with customers is provided in Notes 6, 26 and 27.

Leases

The Group assesses whether a contract is or contains a lease based on the definition under IFRS 16 Leases at inception of the contract. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

The Group as a lessee

Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

Non-lease components are separated from lease component and are accounted for by applying other applicable standards.

Short-term leases

The Group applies the short-term lease recognition exemption to leases of office premise that have a lease term of 12 months or less from the commencement date and do not contain a purchase option.

Right-of-use assets

The cost of right-of-use assets includes:

- the amount of the initial measurement of the lease liability; and
- any lease payments made at or before the commencement date.

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

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Right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets as a separate line item on the consolidated statements of financial position.

Refundable rental deposits

Refundable rental deposits paid are accounted under IFRS 9 Financial Instruments (“IFRS 9”) and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

Lease liabilities

At the commencement date of a lease, the Group recognizes and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include fixed payments (including in-substance fixed payments).

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.
- the lease payments change due to changes in market rental rates following a market rent review in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.
- a lease contract is modified and the lease modification is not accounted for as a separate lease (see below for the accounting policy for “lease modifications”).

The Group presents lease liabilities as a separate line item on the consolidated statements of financial position.

Lease modifications

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and

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- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group re-measures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group accounts for the remeasurement of lease liabilities by making corresponding adjustments to the relevant right-of-use asset.

When the modified contract contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the modified contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognized at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. When a fair value gain or loss on a non-monetary item is recognized in profit or loss, any exchange component of that gain or loss is also recognized in profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognized in profit or loss in the period in which they arise.

For the purposes of presenting the Historical Financial Information, the assets and liabilities of the Group’s foreign operations are translated into the presentation currency of the Group (i.e. RMB) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognized in other comprehensive income and accumulated in equity under the heading of foreign currency translation reserve (attributed to non-controlling interests as appropriate).

Borrowing costs

All borrowing costs are recognized in profit or loss in the period in which they are incurred.

Government grants

Government grants are not recognized until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

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Government grants are recognized in profit or loss on a systematic basis over the periods in which the Group recognizes as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase or otherwise acquire non-current assets are recognized as deferred income in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants related to income that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognized in profit or loss in the period in which they become receivable. Such grants are presented under “other income”.

Employee benefits

Retirement benefit costs

Payments to defined contribution retirement benefit plans are recognized as an expense when employees have rendered service entitling them to the contributions.

Short-term employee benefits

Short-term employee benefits are recognized at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognized as an expense unless another IFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognized for benefits accruing to employees (such as wages and salaries) after deducting any amount already paid.

Termination benefits

A liability for a termination benefit is recognized at the earlier of when the Group entity can no longer withdraw the offer of the termination benefit and when it recognizes any related restructuring costs.

Share-based payments

Equity-settled share-based payment transactions

Restricted shares units granted to employees

Equity-settled share-based payments to employees are measured at the fair value of the equity instruments at the grant date.

The fair value of the equity-settled share-based payments determined at the grant date without taking into consideration all non-market vesting conditions is expensed on a straight-line basis over the vesting period, based on the Group’s estimate of equity instruments that will eventually vest, with a corresponding increase in equity (share-based payments reserve). At the end of each reporting period, the Group revises its

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estimate of the number of equity instruments expected to vest based on assessment of all relevant non-market vesting conditions. The impact of the revision of the original estimates, if any, is recognized in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the share-based payments reserve.

When shares granted are vested, the amount previously recognized in the share-based payments reserve will be transferred to share premium.

Modification to the terms and conditions of the share-based payment arrangements

When the terms and conditions of an equity-settled share-based payment arrangement are modified, the Group recognizes, as a minimum, the services received measured at the grant date fair value of the equity instruments granted, unless those equity instruments do not vest because of failure to satisfy a vesting condition (other than a market condition) that was specified at grant date. In addition, if the Group modifies the vesting conditions (other than a market condition) in a manner that is beneficial to the employees, for example, by reducing the vesting period, the Group takes the modified vesting conditions into consideration over the remaining vesting period.

If the modification occurs during the vesting period, the incremental fair value granted is included in the measurement of the amount recognized for services received over the period from modification date until the date when the modified equity instruments are vested, in addition to the amount based on the grant date fair value of the original equity instruments, which is recognized over the remainder of the original vesting period.

If the modification reduces the total fair value of the share-based arrangement, or is not otherwise beneficial to the employee, the Group continues to account for the original equity instruments granted as if that modification had not occurred.

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 items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group’s liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of each reporting period.

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the Historical Financial Information and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit and at the time of the transaction does not give rise to equal taxable and deductible temporary differences.

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Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries or associates except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of each reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of each reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax for leasing transactions in which the Group recognized the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies IAS 12 requirements to the lease liabilities and the related assets separately. The Group recognized a deferred tax asset related to lease liabilities to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised and a deferred tax liability for all taxable temporary differences.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied to the same taxable entity by the same taxation authority.

Current and deferred tax are recognized in profit or loss.

Property and equipment

Property 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 and equipment are stated in the consolidated statements of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Property and equipment in the course of construction for production, supply or administrative purposes are carried at cost, less any recognized impairment loss. Costs include any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in

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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 recognized so as to write off the cost of assets 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 and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

Intangible assets

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortization for intangible assets with finite useful lives is recognized on a straight-line basis over their estimated useful lives. The estimated useful life and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Internally-generated intangible assets - research and development expenditure

Expenditure on research activities is recognized as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development activities (or from the development phase of an internal project) is recognized if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

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The amount initially recognized for internally-generated intangible asset is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally generated intangible asset can be recognized, development expenditure is recognized in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortization and accumulated impairment losses (if any), on the same basis as intangible assets that are acquired separately.

Impairment on property and equipment, right-of-use assets, contract costs and intangible assets

At the end of each reporting period, the Group reviews the carrying amounts of its property and equipment, right-of-use assets, intangible assets with finite useful lives and contract costs to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss, if any.

The recoverable amount of property and equipment, right-of-use assets, and intangible assets are estimated individually. When it is not possible to estimate the recoverable amount individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

In testing a cash-generating unit for impairment, corporate assets are allocated to the relevant cash-generating unit when a reasonable and consistent basis of allocation can be established, or otherwise they are allocated to the smallest group of cash generating units for which a reasonable and consistent allocation basis can be established. The recoverable amount is determined for the cash-generating unit or group of cash-generating units to which the corporate asset belongs, and is compared with the carrying amount of the relevant cash-generating unit or group of cash-generating units.

Before the Group recognizes an impairment loss for assets capitalised as contract costs under IFRS 15, the Group assesses and recognizes any impairment loss on other assets related to the relevant contracts in accordance with applicable standards. Then, impairment loss, if any, for assets capitalised as contract costs is recognized to the extent the carrying amounts exceeds the remaining amount of consideration that the Group expects to receive in exchange for related goods or services less the costs which relate directly to providing those goods or services that have not been recognized as expenses. The assets capitalised as contract costs are then included in the carrying amount of the cash-generating unit to which they belong for the purpose of evaluating impairment of that cash-generating unit.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or a cash-generating unit) for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and

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consistent basis to a cash-generating unit, the Group compares the carrying amount of a group of cash-generating units, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of cash-generating units, with the recoverable amount of the group of cash-generating units. In allocating the impairment loss, the impairment loss is allocated to reduce the carrying amount of other assets on a pro-rata basis based on the carrying amount of each asset in the unit or the group of cash-generating units. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit or the group of cash-generating units. An impairment loss is recognized immediately in profit or loss.

When an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit or a group of cash-generating units) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or a cash-generating unit or a group of cash-generating units) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

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; 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 realizable value. Costs of inventories are determined on a weighted average method. Net realizable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale. Costs necessary to make the sale include incremental costs directly attributable to the sale and non-incremental costs which the Group must incur to make the sale.

Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

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The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

Provisions for the expected cost of assurance-type warranty obligations under the relevant contracts with customers for sales of smart devices are recognized at the date of sale of the relevant products, at the directors’ best estimate of the expenditure required to settle the Group’s obligation.

Financial instruments

Financial assets and financial liabilities are recognized when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with IFRS 15. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities 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 or financial liabilities at FVTPL are recognized 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.

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Financial assets that meet the following conditions are subsequently measured at FVTOCI:

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at FVTPL.

(i) Amortised cost and interest income

Interest income is recognized 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 recognized 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 recognized by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit-impaired.

(ii) Bills receivables classified as at FVTOCI

Subsequent changes in the carrying amounts for bills receivables classified as at FVTOCI as a result of interest income calculated using the effective interest method are recognized in profit or loss. All other changes in the carrying amount of these bills receivables are recognized in other comprehensive income and accumulated under the heading of FVTOCI reserve. Impairment allowances are recognized in profit or loss with corresponding adjustment to other comprehensive income without reducing the carrying amounts of these receivables. When these bills receivables are derecognized, the cumulative gains or losses previously recognized in other comprehensive income are reclassified to profit or loss.

(iii) Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI or designated as FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognized in profit or loss. The net gain or loss recognised in profit or loss includes interest earned on the financial asset and is included in the “other gains and losses” line item.

Impairment of financial assets subject to impairment assessment under IFRS 9

The Group performs impairment assessment under ECL model on financial assets, including trade and other receivables, term deposits, restricted bank deposits and bank balances which are subject to impairment assessment under IFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

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Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL (“12m ECL”) represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment is done based on the Group’s historical credit loss experience, 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 recognized lifetime ECL for trade receivables.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless there has been a significant increase in credit risk since initial recognition, in which case the Group recognized lifetime ECL. The assessment of whether lifetime ECL should be recognized is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument’s external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor’s ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic or technological environment of the debtor that results in a significant decrease in the debtor’s ability to meet its debt obligations.

Despite the foregoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A debt instrument is determined to have low credit risk if i) it has a low risk of default, ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and iii)

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adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfill its contractual cash flow obligations. The Group considers a debt instrument to have low credit risk when it has an internal or external credit rating of “investment grade” as per globally understood definitions.

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).

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- (a) significant financial difficulty of the issuer or the borrower;
- (b) a breach of contract, such as a default or past due event;
- (c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower’s financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider; or
- (d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganization.

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceeding. Financial assets written off may still be subject to enforcement activities under the Group’s recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries made are recognized in profit or loss.

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information.

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Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights. The Group uses a practical expedient in estimating ECL on trade receivables using a provision matrix taking into consideration historical credit loss experience, adjusted for 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 all the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Lifetime ECL for trade receivables are considered on a collective basis taking into consideration past due information and relevant credit information such as forward-looking macroeconomic information.

For collective assessment, the Group takes into consideration the following characteristics when formulating the grouping:

- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

The Group recognizes an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade receivables and other receivables where the corresponding adjustment is recognized through a loss allowance account.

Foreign exchange gains and losses

The carrying amount of financial assets that are denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of each reporting period. Specifically:

- For financial assets measured at amortised cost, exchange differences are recognized in profit or loss in the “other gains and losses” line item (Note 9) as part of the net foreign exchange gains (losses);
- For financial assets measured at FVTPL, exchange differences are recognized in profit or loss in the “other gains and losses” line item (Note 9) as part of the fair value (losses) gains on derivative financial instruments.

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Derecognition of financial assets

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset measured at amortised cost, the difference between the asset’s carrying amount and the sum of the consideration received and receivable is recognized in profit or loss.

Financial liabilities and equity

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognized at the proceeds received, net of direct issue costs.

Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method or at FVTPL.

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is held for trading.

A financial liability is held for trading if:

- it has been acquired principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative, except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument.

Financial liabilities at amortised cost

Financial liabilities including trade and other payables and bank borrowings are subsequently measured at amortised cost, using the effective interest method.

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Foreign exchange gains and losses

For financial liabilities that are denominated in a foreign currency and are measured at amortised cost at the end of each reporting period, the foreign exchange gains and losses are determined based on the amortised cost of the instruments. These foreign exchange gains and losses are recognized in the “other gains and losses” line item in profit or loss as part of net foreign exchange losses.

The fair value of financial liabilities denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of the reporting period. For financial liabilities that are measured as at FVTPL, the foreign exchange component forms part of the fair value gains or losses and is recognized in profit or loss.

Derecognition of financial liabilities

The Group derecognized financial liabilities when, and only when, the Group’s obligations are discharged, canceled or expired. The difference between the carrying amount of the financial liabilities derecognized and the consideration paid and payable is recognized in profit or loss.

Derivative financial instruments

Derivatives are initially recognized at fair value at the date when derivative contracts are entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognized in profit or loss.

A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not due to be realized or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

Offsetting a financial asset and a financial liability

A financial asset and a financial liability are offset and the net amount presented in the consolidated statements of financial position when, and only when, the Group currently has a legally enforceable right to set off the recognized amounts; and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

5. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group’s accounting policies, which are described in Note 4, the directors of the Company are required to make judgments, 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 recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

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Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Deferred tax asset

As at December 31, 2022, 2023 and 2024, a deferred tax asset of RMB77,792,000, RMB80,405,000 and RMB56,617,000 in relation to unused tax losses for the Company and certain operating subsidiary has been recognized in the consolidated statements of financial position as disclosed in Note 20. No deferred tax asset has been recognized in respect of tax losses of RMB63,192,000, RMB169,257,000, and RMB333,693,000 respectively, due to the unpredictability of future profit streams. The realizability of the deferred tax asset mainly depends on whether sufficient taxable profits will be available in the future or taxable temporary differences are expected to reverse in the same period as the expected reversal of the deductible temporary differences, which is a key source of estimation uncertainty. The uncertainty would depend on how the ongoing uncertain macroeconomic and geopolitical environment may progress or evolve. 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 recognized in profit or loss for the period in which such a reversal or further recognition takes place.

Recognition of equity-settled share-based payment expenses

The share-based payment expenses are calculated using the fair value of the share rewards at the grant date. During the Track Record Period, share-based payment expenses of RMB46,670,000, RMB4,201,000, and RMB39,324,000, respectively, are recognized. Discounted cash flow model is used to determine the fair value of the share with key assumptions including discount rate, expected volatility and risk-free interest rate. Changes in these assumptions could significantly affect the fair value of share awards at the grant date and hence the amount of compensation expenses the Group recognize in the Historical Financial Information. Details of the share-based payment expenses are disclosed in Note 36.

Fair value measurement of other financial instruments

As at December 31, 2022, 2023 and 2024, certain of the Group’s financial assets which are unlisted equity interest amounting to RMB37,188,000, RMB48,747,000 and RMB52,196,000 are measured at fair value. Fair values are estimated using valuation techniques that require significant unobservable inputs. Changes in key unobservable inputs could result in material adjustments to the fair value of these instruments. See Note 40 for further disclosures.

Provision of ECL for trade receivables

The Group uses practical expedient in estimating ECL on trade receivables using a provision matrix. The provision rates are based on aging analysis as grouping of debtors that have similar loss patterns taking into consideration the historical default rates and forward-looking information that is reasonable and

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supportable available without undue costs or effort. At each reporting date, the historical observed default rates are reassessed and changes in the forward-looking information are considered. The provision of ECL is sensitive to changes in estimates. The information about the ECL of the Group’s and of the Company’s trade receivables are disclosed in Note 22 and Note 40.

Write-down of inventories

The Group reviews the conditions of inventories and makes provision for obsolete and slow-moving inventory items by using the lower of cost and net realizable value. Net realizable value of inventories is the estimated selling price in the ordinary course of business, less estimated cost to be incurred to completion and make the sale. These estimates are based on the current market condition and the historical experience of selling products of a similar nature. The directors reassess these estimates at the end of the reporting period.

As at December 31, 2022, 2023 and 2024, the carrying amount of inventories of the Group is RMB541,836,000, RMB407,758,000 and RMB501,737,000, respectively, net of accumulated inventory provision of RMB11,570,000, RMB12,085,000 and RMB16,424,000, respectively.

6. REVENUE

Disaggregation of revenue from contracts with customers

	Year ended December 31,		
	2022 RMB’000	2023 RMB’000	2024 RMB’000
Types of goods and services			
Sales of smart devices			
Smart desktop devices	1,283,002	954,216	959,202
Smart mobile devices	993,820	659,879	808,764
Smart payment devices	862,685	1,222,771	1,463,896
Accessories and parts	249,537	170,953	206,131
	3,389,044	3,007,819	3,437,993
PaaS platform and customization services	15,336	62,750	18,384
	<u>3,404,380</u>	<u>3,070,569</u>	<u>3,456,377</u>
Geographical information			
Asia Pacific, Middle East & Africa	1,560,785	1,802,593	1,553,130
Americas	1,266,885	809,599	1,186,183
Europe	576,710	458,377	717,064
	<u>3,404,380</u>	<u>3,070,569</u>	<u>3,456,377</u>
Timing of revenue recognition			
At a point in time	3,403,421	3,068,055	3,454,303
Over time	959	2,514	2,074
	<u>3,404,380</u>	<u>3,070,569</u>	<u>3,456,377</u>

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(i) Performance obligations for contracts with customers and revenue recognition policies

Sales of smart devices

The Group sells smart devices to customers. Revenue is recognized at a point in time when the control of the goods has transferred to the customers, mainly being when the goods are either picked up at site or delivered to the designated locations. Transportation and handling activities that occur before customers obtain control are considered as fulfilment activities.

Product warranties associated with goods sold cannot be purchased separately and they serve as an assurance that the products sold comply with agreed-upon specifications. Accordingly, the Group accounts for warranties in accordance with IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*.

Certain customers are required to make a percentage of total consideration as prepayments before the Group deliver the products. Contract liabilities are recognized when consideration is received in which revenue has yet not been recognized.

PaaS platform and customization services

PaaS platform and customization services mainly include revenue generated from:

(a) provision of customization services for hardware and software developed based on PaaS platform, which is charged to customers on a project basis. Revenue is recognized based on the terms stipulated in individual contract. During the Track Record Period, the revenue for customization service is recognized at a point in time when the service result is delivered to the customers or accepted by the customers.

(b) subscription of self-developed supporting software products, which the software subscription fees are charged to customers on an annual basis. During the Track Record Period, the revenue are recognised over time among the term of the subscription agreement.

Contract liabilities are recognised when consideration is received in which revenue has yet not been recognised.

(ii) Transaction price allocated to the remaining performance obligation for contracts with customers

Based on management’s estimate as at December 31, 2022, 2023 and 2024, all the performance obligation are expected to be recognized as revenue for periods of one year or less. As permitted under IFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

7. SEGMENT INFORMATION

Operating segments are identified on the basis of internal reports about components’ of the Group that are regularly reviewed by the chief operating decision maker (“CODM”), which is also identified as the chief executive officer of the Group, in order to allocate resources to segments and to assess their

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performance. During the Track Record Period, the Group is primarily engaged in the sales of smart devices. The CODM assesses the operating performance and allocated the resources of the Group as a whole. Therefore, the CODM considers the Group only has one operating segment.

The CODM reviews the overall results and financial position of the Group as a whole prepared based on the same accounting policies as set out in Note 4 and no further analysis of the single segment is presented.

Information about major customers

During the Track Record Period, revenue from customers of the corresponding years contributing over 10% of the total revenue of the Group are as follows:

	Year ended December 31,		
	2022 RMB’000	2023 RMB’000	2024 RMB’000
Customer A	655,553	N/A	N/A
Customer B	<u>370,326</u>	<u>505,365</u>	<u>758,908</u>

N/A: not disclosed as the revenue from such customers was less than 10% of total revenue during the corresponding years.

Geographical information

The Group’s operations are mainly located on Mainland China. Information about the Group’s non-current assets is presented based on the geographical location of the assets. Non-current assets excluded financial instruments and deferred tax assets.

	Year ended December 31,		
	2022 RMB’000	2023 RMB’000	2024 RMB’000
Mainland China	150,284	121,077	150,415
Overseas	<u>528</u>	<u>1,123</u>	<u>7,966</u>
	<u>150,812</u>	<u>122,200</u>	<u>158,381</u>

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8. OTHER INCOME

	Year ended December 31,		
	2022	2023	2024
	RMB’000	RMB’000	RMB’000
Interest income	9,044	33,867	63,664
Government grants related to income (note)	8,755	8,436	17,672
Government grants related to assets	1,340	6,533	3,732
Sundry income	699	1,733	9,787
	<u>19,838</u>	<u>50,569</u>	<u>94,855</u>

Note: The amount mainly represents various subsidies granted by the PRC local government authorities to group entities as incentives for the Group’s operating activities. The government grants were unconditional and had been approved by the PRC local government authorities, which are recognized when payments were received.

9. OTHER GAINS AND LOSSES

	Year ended December 31,		
	2022	2023	2024
	RMB’000	RMB’000	RMB’000
Net foreign exchange gains (losses)	43,258	(816)	41,981
Fair value (losses) gains on derivative financial instruments	(54,039)	744	–
Fair value gains (losses) on other financial investments	6,321	6,559	(1,692)
Others	(376)	1,551	(739)
	<u>(4,836)</u>	<u>8,038</u>	<u>39,550</u>

10. FINANCE COSTS

	Year ended December 31,		
	2022	2023	2024
	RMB’000	RMB’000	RMB’000
Interest expenses on bank borrowings	8,598	12,294	26,649
Interest expenses on lease liabilities	2,575	4,347	3,454
	<u>11,173</u>	<u>16,641</u>	<u>30,103</u>

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11. PROFIT BEFORE TAX

Profit before tax has been arrived at after charging (crediting):

	Year ended December 31,		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
Directors and supervisors’ remuneration	15,759	12,213	14,456
Other employee benefits expenses:			
- Salaries, bonus and other allowances	475,641	462,002	527,080
- Retirement benefit scheme contributions	45,644	48,004	48,892
- Equity-settled share-based payment expenses	39,709	(1,268)	36,743
	576,753	520,951	627,171
Amount capitalised in contract cost	(29,162)	(17,332)	(916)
	547,591	503,619	626,255
- Depreciation of property and equipment	18,310	19,165	18,175
- Depreciation of right-of-use assets	30,267	27,216	27,875
- Amortization of other intangible assets	5,101	7,064	21,785
	53,678	53,445	67,835
Contract cost recognized as an expense	8,090	39,559	2,100
Cost of inventories recognized as an expense (including reversal of write-down of inventories amounting to RMB2,150,000 as at December 31, 2022 and write-down of inventories amounting to RMB515,000 and RMB4,339,000 as at December 31, 2023 and 2024, respectively)	2,405,890	2,184,478	2,402,727
Auditor’s remuneration	—	—	—

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12. INCOME TAX EXPENSE (CREDIT)

	Year ended December 31,		
	2022	2023	2024
	RMB’000	RMB’000	RMB’000
Income tax expenses comprise:			
Current tax:			
the PRC	–	138	119
Hong Kong	2,158	2,796	3,835
Singapore	24	(1)	593
France	566	369	391
USA	204	187	241
Others	341	99	331
	3,293	3,588	5,510
Deferred tax (Note 20)	2,183	(4,501)	20,656
	<u>5,476</u>	<u>(913)</u>	<u>26,166</u>

Under the Law of the PRC on Enterprise Income Tax (the “EIT Law”) and Implementation Regulation of the EIT Law, the Company have been accredited as a High-New Technology Enterprise (the “HNTE”) by the Science and Technology Bureau of Shanghai and relevant authorities in November 2020. The HNTE qualification of the Company was renewed in November 2023 with the preferential tax rate period extended to November 2026. The Company was subject to a preferential income tax rate of 15.00% during the Track Record Period. Besides, Citaq Co., Ltd., a wholly-owned subsidiary of the Company, has been accredited as a HNTE in December 2019 and the HNTE qualification was renewed in December 2022 with the preferential tax rate period extended to December 2025, and subjected to the preferential income tax rate of 15.00% during the Track Record Period. Shanghai SunQuick Technology Co., Ltd. a wholly-owned subsidiary of the Company, has been accredited as a HNTE in December 2024 with a preferential tax rate period from December 2024 to December 2026. Shanghai SunQuick Technology Co., Ltd. was subjected to the preferential income tax rate of 15% for the year ended December 31, 2024.

Hangzhou Shangong Equity Investment Co., Ltd., Shanghai Sunquick Technology Co., Ltd., Shanghai Sunmi Home Business Management Co., Ltd., Sunmax (Hangzhou) Co., Ltd., Sunmax Technology (Zhejiang) Co., Ltd. have been recognised as small and micro enterprises. According to the relevant provisions of announcement by the State Administration of Taxation, a preferential enterprise income tax rate of 20.00% was applied to small and micro enterprise and discounts on taxable income were further applicable for the portion of annual taxable income not exceeding RMB3,000,000 ranged from 75.00% to 87.50% during the Track Record Period. Other subsidiaries in the PRC are subject to tax rate of 25.00% during the Track Record Period.

Under the two-tiered profits tax rates regime in Hong Kong Profits Tax, the first HKD2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HKD2 million will be taxed at 16.50% during the Track Record Period.

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The tax rate of the subsidiaries in Singapore is 17.00% during the Track Record Period.

The tax rate of the subsidiaries in France is 25.00% during the Track Record Period.

The tax rate of the subsidiaries in USA is 21.00% during the Track Record Period.

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

	Year ended December 31,		
	2022 RMB'000	2023 RMB'000	2024 RMB'000
Profit before tax	164,992	100,315	207,209
Tax at PRC EIT rate of 25%	41,248	25,079	51,802
Tax effect of expenses that are not deductible for tax purpose	15,073	1,903	14,298
Tax effect of income not taxable for tax purpose	(35)	(612)	(56)
Tax effect of tax losses not recognized	12,776	26,870	42,072
Utilization of tax losses previously not recognized	(24)	(354)	(389)
Tax effect of deductible temporary differences not recognized	8	41	934
Utilization of deductible temporary differences previously not recognized	(446)	–	(2)
Tax effect of extra deduction of research and development expenses (note)	(59,647)	(52,853)	(64,921)
Income tax at concessionary rate	(1,981)	1,832	(14,458)
Effect of different tax rates of subsidiaries operating in other jurisdictions	(1,496)	(2,819)	(3,114)
Income tax expense (credit) recognized in profit or loss	<u>5,476</u>	<u>(913)</u>	<u>26,166</u>

Note: Pursuant to Caishui 2018 circular No. 99, the Company enjoyed super deduction of 175% on qualified research and development expenditures throughout the first three quarters of the year ended December 31, 2022. Pursuant to Caishui 2023 circular No. 7, the Company enjoyed super deduction of 200% on qualified research and development expenditures in the last quarter of the year ended December 31, 2022 and the years ended December 31, 2023 and 2024.

Pursuant to Caishui 2022 circular No. 16 and Caishui 2023 circular No. 7, Citaq Co., Ltd. enjoyed super deduction of 200% on qualified research and development expenditures throughout the Track Record Period.

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13. DIRECTORS’, SUPERVISORS’ AND CHIEF EXECUTIVE OFFICER’S EMOLUMENTS AND FIVE HIGHEST PAID EMPLOYEES

Details of the emoluments paid or payable to the individuals who were appointed as directors, supervisors and the chief executive officer of the Company (including emoluments for services as employees/directors of the group entities prior to becoming the directors and supervisors of the Company) during the Track Record Period are as follows:

	Date of appointment	Salaries and other benefits	Retirement benefit scheme contributions	Share-based payments	Discretionary bonus	Expenses allowance	Total
		RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
For the year ended December 31, 2022							
Executive directors:							
Mr. Lin Zhe (chief executive officer)	June 16, 2019	1,922	63	—	660	—	2,645
Mr. Chen Xiaojing	June 16, 2019	735	63	457	393	—	1,648
Mr. Chen Guihong	June 16, 2019	820	63	721	504	—	2,108
Mr. Zhang Jinpu	October 9, 2020	1,298	63	5,783	676	—	7,820
Subtotal		4,775	252	6,961	2,233	—	14,221
Non-executive directors:							
Mr. Cao Kai	June 16, 2019	—	—	—	—	—	—
Mr. Jiang Wen	December 30, 2020	—	—	—	—	—	—
Subtotal		—	—	—	—	—	—
Independent non-executive directors:							
Mr. Zhu Qingbing (Note i)	June 16, 2019	—	—	—	—	30	30
Mr. Wang Cheng (Note i)	June 16, 2019	—	—	—	—	30	30
Mr. Gu Mengdi	March 8, 2021	—	—	—	—	120	120
Mr. Li Shihong	April 19, 2022	—	—	—	—	90	90
Ms. Peng Juan	April 19, 2022	—	—	—	—	90	90
Subtotal		—	—	—	—	360	360
Supervisors:							
Mr. Kong Min	June 16, 2019	873	63	—	242	—	1,178
Ms. Jia Wei	June 16, 2019	—	—	—	—	—	—
Mr. Zhou Yu (Note ii)	June 16, 2019	—	—	—	—	—	—
Ms. Zhang Lufang	April 19, 2022	—	—	—	—	—	—
Subtotal		873	63	—	242	—	1,178
Total		5,648	315	6,961	2,475	360	15,759

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	Date of appointment	Salaries and other benefits	Retirement benefit scheme contributions	Share-based payments	Discretionary bonus	Expenses allowance	Total
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
For the year ended							
December 31, 2023							
Executive directors:							
Mr. Lin Zhe (chief executive officer)	June 16, 2019	1,921	68	–	–	–	1,989
Mr. Chen Xiaojing	June 16, 2019	750	68	457	284	–	1,559
Mr. Chen Guihong	June 16, 2019	849	68	721	–	–	1,638
Mr. Zhang Jinpu	October 9, 2020	1,321	68	4,291	–	–	5,680
Subtotal		4,841	272	5,469	284	–	10,866
Non-executive directors:							
Mr. Cao Kai	June 16, 2019	–	–	–	–	–	–
Mr. Jiang Wen	December 30, 2020	–	–	–	–	–	–
Subtotal		–	–	–	–	–	–
Independent non-executive directors:							
Mr. Gu Mengdi	March 8, 2021	–	–	–	–	120	120
Mr. Li Shihong	April 19, 2022	–	–	–	–	120	120
Ms. Peng Juan	April 19, 2022	–	–	–	–	120	120
Subtotal		–	–	–	–	360	360
Supervisors:							
Mr. Kong Min	June 16, 2019	919	68	–	–	–	987
Ms. Jia Wei	June 16, 2019	–	–	–	–	–	–
Ms. Zhang Lufang (Note iii)	April 19, 2022	–	–	–	–	–	–
Ms. Gao Qi	June 29, 2023	–	–	–	–	–	–
Subtotal		919	68	–	–	–	987
Total		5,760	340	5,469	284	360	12,213

For the year ended
December 31, 2024

Executive directors:

Mr. Lin Zhe (chief executive officer)	June 16, 2019	1,919	71	–	2,116	–	4,106
Mr. Chen Xiaojing	June 16, 2019	749	71	349	409	–	1,578
Mr. Chen Guihong	June 16, 2019	849	71	722	203	–	1,845
Mr. Zhang Jinpu	October 9, 2020	1,326	71	1,162	992	–	3,551
Subtotal		4,843	284	2,233	3,720	–	11,080

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	Date of appointment	Salaries and other benefits	Retirement benefit scheme contributions	Share-based payments	Discretionary bonus	Expenses allowance	Total
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Non-executive directors:							
Mr. Cao Kai (Note iv)	June 16, 2019	—	—	—	—	—	—
Mr. Jiang Wen (Note iv)	December 30, 2020	—	—	—	—	—	—
Subtotal		—	—	—	—	—	—
Independent non-executive directors:							
Mr. Gu Mengdi (Note v)	March 8, 2021	—	—	—	—	120	120
Mr. Li Shihong	April 19, 2022	—	—	—	—	120	120
Ms. Peng Juan (Note v)	April 19, 2022	—	—	—	—	120	120
Subtotal		—	—	—	—	360	360
Supervisors: (Note vi)							
Mr. Kong Min	June 16, 2019	917	71	—	700	—	1,688
Ms. Jia Wei	June 16, 2019	—	—	—	—	—	—
Ms. Gao Qi	June 29, 2023	—	—	—	—	—	—
Mr. Lin Bo	February 6, 2024	143	19	232	100	—	494
Mr. Zhang Shuxuan	June 9, 2024	323	28	116	367	—	834
Subtotal		1,383	118	348	1,167	—	3,016
Total		6,226	402	2,581	4,887	360	14,456

Notes:

- (i) Mr. Zhu Qingbing and Mr. Wang Cheng retired as independent non-executive directors upon the expiry of their respective terms in 2022.
- (ii) Mr. Zhou Yu resigned as supervisor in 2022.
- (iii) Ms. Zhang Lufang resigned as supervisor in 2023.
- (iv) Mr. Cao Kai and Mr. Jiang Wen retired as non-executive directors upon the expiry of their respective terms in 2025.
- (v) Mr. Gu Mengdi and Ms. Peng Juan retired as independent non-executive directors upon the expiry of their respective terms in 2025.

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- (vi) Ms. Jia Wei and Mr. Lin Bo resigned as supervisors in 2024. All the rest supervisors retired upon the expiry of their respective terms in 2025.
- (vii) None of the directors nor the chief executive officer of the Company waived or agreed to waive any emoluments during the Track Record Period.
- (viii) During the Track Record Period, no emoluments were paid by the Group to any of the directors nor the chief executive officer of the Company as an inducement to join or upon joining the Group or as compensation for loss of office.
- (ix) Prior to the Track Record Period, certain directors and supervisors were granted restricted shares units, in respect of their services to the Group under the 2019 Share Incentive Plan of the Company. Details of the 2019 Share Incentive Plan are set out in Note 36.
- (x) The emoluments of executive directors shown above were for their services in connection with the management of the affairs of the Company and the Group. The emoluments of non-executive director shown above were for their services as directors of the Company and its subsidiaries, if applicable. The emoluments of supervisors shown above were for their services as supervisors of the Company and its subsidiaries, if applicable.
- (xi) Mr. Wang Huan and Ms. Zhang Yi were appointed as non-executive directors in 2025; Ms. Wang Xia and Mr. Poon Wing Shing, Anthony were appointed as independent non-executive directors in 2025.

FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees of the Group include one, one and one director of the Company whose emoluments are set out above for the Track Record Period. The emoluments of the remaining four, four and four highest paid employees for each of the year ended December 31, 2022, 2023 and 2024, respectively, are as follows:

	Year ended December 31,		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
Salaries and other benefits	6,888	4,400	4,452
Retirement benefit scheme contributions	590	191	239
Share-based payments	12,823	4,726	7,152
Discretionary bonus	3,574	1,112	5,558
	<u>23,875</u>	<u>10,429</u>	<u>17,401</u>

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The emoluments of these employees are within the following bands:

	Year ended December 31,		
	2022 <i>No.</i>	2023 <i>No.</i>	2024 <i>No.</i>
HK\$2,500,001 to HK\$3,000,000	–	3	–
HK\$3,000,001 to HK\$3,500,000	–	1	–
HK\$4,000,001 to HK\$4,500,000	–	–	4
HK\$4,500,001 to HK\$5,000,000	1	–	–
HK\$5,500,001 to HK\$6,000,000	1	–	–
HK\$6,000,001 to HK\$6,500,000	–	1	1
HK\$8,000,001 to HK\$8,500,000	1	–	–
HK\$8,500,001 to HK\$9,000,000	1	–	–
HK\$9,000,001 to HK\$9,500,000	1	–	–
	<u>5</u>	<u>5</u>	<u>5</u>

14. EARNINGS PER SHARE

The calculation of the basic earnings per share attributable to the owners of the Company is based on the following data:

	Year ended December 31,		
	2022 <i>RMB'000</i>	2023 <i>RMB'000</i>	2024 <i>RMB'000</i>
Profit for the year attributable to owners of the Company	<u>159,516</u>	<u>101,227</u>	<u>181,043</u>

Number of shares	Year ended December 31,		
	2022 <i>'000</i>	2023 <i>'000</i>	2024 <i>'000</i>
Weighted average number of ordinary shares for the purpose of basic earnings per share	<u>360,000</u>	<u>360,000</u>	<u>360,000</u>

No diluted earnings per share were presented as there were no potential ordinary shares in issue during the Track Record Period.

15. DIVIDENDS

During the year ended December 31, 2022, 2023 and 2024, the Company declared dividends amounting to nil, nil and RMB151,200,000, respectively, to its shareholders. The corresponding dividend per share was nil, nil and RMB0.42 for the respective periods.

Subsequent to the end of the Track Record Period and up to the date of this report, the Company has settled dividend payable to its shareholders.

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16. PROPERTY AND EQUIPMENT

The Group

	Machinery and equipment	Office equipment and furniture	Molds	Leasehold improvements	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
COST						
As at January 1, 2022	22,976	1,761	48,011	2,346	–	75,094
Additions	5,763	38	11,631	–	3,281	20,713
Disposals	(224)	(52)	(350)	–	–	(626)
Transfer	–	–	–	3,281	(3,281)	–
Exchange rate realignment	6	(3)	–	–	–	3
As at December 31, 2022	28,521	1,744	59,292	5,627	–	95,184
Additions	4,182	–	8,842	–	2,401	15,425
Disposals	(527)	(228)	(898)	–	–	(1,653)
Transfer	–	–	–	2,401	(2,401)	–
Exchange rate realignment	3	4	–	–	–	7
As at December 31, 2023	32,179	1,520	67,236	8,028	–	108,963
Additions	7,619	150	7,884	–	5,076	20,729
Disposals	(1,055)	(261)	(1,349)	–	–	(2,665)
Transfer	–	–	–	5,076	(5,076)	–
Exchange rate realignment	(8)	1	–	–	–	(7)
As at December 31, 2024	38,735	1,410	73,771	13,104	–	127,020
ACCUMULATED DEPRECIATION						
As at January 1, 2022	12,421	1,133	30,067	–	–	43,621
Provided for the year	5,187	262	10,555	2,306	–	18,310
Eliminated on disposals	(184)	(43)	(333)	–	–	(560)
Exchange rate realignment	2	(1)	–	–	–	1
As at December 31, 2022	17,426	1,351	40,289	2,306	–	61,372
Provided for the year	5,540	122	11,075	2,428	–	19,165
Eliminated on disposals	(436)	(203)	(588)	–	–	(1,227)
Exchange rate realignment	1	1	–	–	–	2
As at December 31, 2023	22,531	1,271	50,776	4,734	–	79,312
Provided for the year	5,084	108	9,332	3,651	–	18,175
Eliminated on disposals	(973)	(247)	(1,120)	–	–	(2,340)
Exchange rate realignment	(6)	–	–	–	–	(6)
As at December 31, 2024	26,636	1,132	58,988	8,385	–	95,141
ACCUMULATED IMPAIRMENT						
As at January 1, 2022	652	–	338	–	–	990
Provided for the year	–	–	997	–	–	997
As at December 31, 2022 and 2023	652	–	1,335	–	–	1,987
Eliminated on disposals	–	–	(203)	–	–	(203)
As at December 31, 2024	652	–	1,132	–	–	1,784
CARRYING VALUES						
As at December 31, 2022	10,443	393	17,668	3,321	–	31,825
As at December 31, 2023	8,996	249	15,125	3,294	–	27,664
As at December 31, 2024	11,447	278	13,651	4,719	–	30,095

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The Company

	Machinery and equipment	Office equipment and furniture	Molds	Leasehold improvements	Construction in progress	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
COST						
As at January 1, 2022	21,912	1,349	43,842	1,695	–	68,798
Additions	5,496	–	11,435	–	2,963	19,894
Disposals	(213)	(25)	–	–	–	(238)
Transfer	–	–	–	2,963	(2,963)	–
As at December 31, 2022	27,195	1,324	55,277	4,658	–	88,454
Additions	4,026	–	8,463	–	992	13,481
Disposals	(426)	(228)	(852)	–	–	(1,506)
Transfer	–	–	–	992	(992)	–
As at December 31, 2023	30,795	1,096	62,888	5,650	–	100,429
Additions	4,532	–	7,729	–	848	13,109
Disposals	(915)	(249)	(1,349)	–	–	(2,513)
Transfer	–	–	–	848	(848)	–
As at December 31, 2024	34,412	847	69,268	6,498	–	111,025
ACCUMULATED DEPRECIATION						
As at January 1, 2022	11,714	975	27,459	–	–	40,148
Provided for the year	4,980	200	9,977	1,802	–	16,959
Eliminated on disposals	(173)	(23)	–	–	–	(196)
As at December 31, 2022	16,521	1,152	37,436	1,802	–	56,911
Provided for the year	5,308	60	10,545	1,963	–	17,876
Eliminated on disposals	(347)	(203)	(588)	–	–	(1,138)
As at December 31, 2023	21,482	1,009	47,393	3,765	–	73,649
Provided for the year	4,660	22	8,768	2,104	–	15,554
Eliminated on disposals	(853)	(236)	(1,101)	–	–	(2,190)
As at December 31, 2024	25,289	795	55,060	5,869	–	87,013
ACCUMULATED IMPAIRMENT						
As at January 1, 2022	652	–	338	–	–	990
Provided for the year	–	–	997	–	–	997
As at December 31, 2022 and 2023	652	–	1,335	–	–	1,987
Eliminated on disposals	–	–	(203)	–	–	(203)
As at December 31, 2024	652	–	1,132	–	–	1,784
CARRYING VALUES						
As at December 31, 2022	10,022	172	16,506	2,856	–	29,556
As at December 31, 2023	8,661	87	14,160	1,885	–	24,793
As at December 31, 2024	8,471	52	13,076	629	–	22,228

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The above items of property and equipment except for construction in progress are depreciated on a straight-line basis after taking into account of the residual value as follows:

Machinery and equipment	19.00%-33.33% per annum
Office equipment and furniture	19.00% per annum
Molds	33.33% per annum
Leasehold improvements	Over the shorter of the lease term or 5 years

17. RIGHT-OF-USE ASSETS

The Group

	Offices	Plant and warehouse	Equipment	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
CARRYING AMOUT				
As at January 1, 2022	30,361	255	1,176	31,792
Additions	99,236	1,104	–	100,340
Depreciation charge	(29,099)	(444)	(724)	(30,267)
Modification	(551)	(159)	(452)	(1,162)
Exchange rate realignment	130	–	–	130
As at December 31, 2022	100,077	756	–	100,833
Additions	1,869	–	–	1,869
Depreciation charge	(26,867)	(349)	–	(27,216)
Modification	(3,122)	–	–	(3,122)
As at December 31, 2023	71,957	407	–	72,364
Additions	7,904	997	–	8,901
Depreciation charge	(27,161)	(714)	–	(27,875)
Exchange rate realignment	(27)	–	–	(27)
As at December 31, 2024	<u>52,673</u>	<u>690</u>	<u>–</u>	<u>53,363</u>

	Year ended December 31,		
	2022	2023	2024
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Expense relating to short-term leases	4,306	3,232	2,806
Total cash outflow for leases	<u>36,127</u>	<u>32,936</u>	<u>32,314</u>

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Rent concessions

During the year ended December 31, 2023, lessors provided rent concessions to the Group through rent reductions for 50% over 23 months. These rent concessions were concluded the changes in lease payments constitute lease modifications. The reduction of the Group’s lease liabilities of RMB2,763,000 and a corresponding adjustment of the same amount to the right-of-use assets were recognized.

18. INVESTMENTS IN SUBSIDIARIES

The Company

	At December 31,		
	2022	2023	2024
	RMB’000	RMB’000	RMB’000
Cost of investments	80,295	90,330	211,978

19. OTHER INTANGIBLE ASSETS

The Group

	Software	License	Patents	Total
	RMB’000	RMB’000	RMB’000	RMB’000
COST				
As at January 1, 2022	18,852	–	–	18,852
Additions	2,676	–	–	2,676
As at December 31, 2022	21,528	–	–	21,528
Additions	13,969	–	1,536	15,505
As at December 31, 2023	35,497	–	1,536	37,033
Additions	14,702	57,881	–	72,583
Disposals	(619)	–	–	(619)
As at December 31, 2024	49,580	57,881	1,536	108,997
ACCUMULATED AMORTIZATION				
As at January 1, 2022	7,370	–	–	7,370
Provided for the year	5,101	–	–	5,101
As at December 31, 2022	12,471	–	–	12,471
Provided for the year	6,985	–	79	7,064
As at December 31, 2023	19,456	–	79	19,535
Provided for the year	9,902	11,576	307	21,785
Eliminated on disposals	(300)	–	–	(300)
As at December 31, 2024	29,058	11,576	386	41,020
CARRYING VALUES				
As at December 31, 2022	9,057	–	–	9,057
As at December 31, 2023	16,041	–	1,457	17,498
As at December 31, 2024	20,522	46,305	1,150	67,977

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The Company

	<u>Software</u>	<u>License</u>	<u>Patents</u>	<u>Total</u>
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
COST				
As at January 1, 2022	17,830	–	–	17,830
Additions	2,675	–	–	2,675
As at December 31, 2022	20,505	–	–	20,505
Additions	13,980	–	1,505	15,485
As at December 31, 2023	34,485	–	1,505	35,990
Additions	13,508	57,881	–	71,389
Disposals	(619)	–	–	(619)
As at December 31, 2024	47,374	57,881	1,505	106,760
ACCUMULATED AMORTIZATION				
As at January 1, 2022	6,481	–	–	6,481
Provided for the year	5,072	–	–	5,072
As at December 31, 2022	11,553	–	–	11,553
Provided for the year	6,956	–	75	7,031
As at December 31, 2023	18,509	–	75	18,584
Provided for the year	9,786	11,576	301	21,663
Eliminated on disposals	(300)	–	–	(300)
As at December 31, 2024	27,995	11,576	376	39,947
CARRYING VALUES				
As at December 31, 2022	8,952	–	–	8,952
As at December 31, 2023	15,976	–	1,430	17,406
As at December 31, 2024	19,379	46,305	1,129	66,813

The above intangible assets have finite useful lives. Such intangible assets are amortised on a straight-line basis over 3-5 years.

20. DEFERRED TAX ASSETS/LIABILITIES

The Group

For the purpose of presentation in the consolidated statements of financial position, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purposes:

	As at December 31,		
	2022	2023	2024
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Deferred tax assets	90,507	95,278	74,756
Deferred tax liabilities	(338)	(607)	(741)
	<u>90,169</u>	<u>94,671</u>	<u>74,015</u>

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The following are the major deferred tax assets/(liabilities) recognized and movements thereon during the Track Record Period:

	Right-of-use asset	Lease liabilities	Unrealised profit on internal transactions	Tax losses	Others	Total
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
As at January 1, 2022	(4,466)	3,820	752	83,528	8,719	92,353
(Charged)/credited to profit or loss	(10,490)	10,683	453	(5,736)	2,907	(2,183)
Exchange adjustments	—	—	(1)	—	—	(1)
As at December 31, 2022	(14,956)	14,503	1,204	77,792	11,626	90,169
Credited/(charged) to profit or loss	4,265	(3,961)	4,973	2,613	(3,389)	4,501
Exchange adjustments	—	—	1	—	—	1
As at December 31, 2023	(10,691)	10,542	6,178	80,405	8,237	94,671
Credited/(charged) to profit or loss	3,612	(3,427)	1,587	(23,788)	1,360	(20,656)
As at December 31, 2024	<u>(7,079)</u>	<u>7,115</u>	<u>7,765</u>	<u>56,617</u>	<u>9,597</u>	<u>74,015</u>

As at December 31, 2022, 2023 and 2024, the Group has unused tax losses of approximately RMB581,804,000, RMB705,288,000 and RMB713,139,000, respectively, available for offsetting against future profits. No deferred tax asset has been recognized in respect of tax losses of RMB63,192,000, RMB169,257,000 and RMB335,693,000 respectively, due to the unpredictability of future profit streams.

The unrecognized tax losses of the Group will be carried forward and expire in years as follows:

	As at December 31,		
	2022	2023	2024
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
2023	149	—	—
2024	694	296	—
2025	321	76	14
2026	10,926	10,305	9,496
2027	51,102	51,099	50,408
2028	—	107,481	43,316
2029	—	—	87,621
2030	—	—	3
2031	—	—	2
2032	—	—	2
2033	—	—	64,165
2034	—	—	80,666
	<u>63,192</u>	<u>169,257</u>	<u>335,693</u>

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As at December 31, 2022, 2023 and 2024, the Group has deductible temporary differences of RMB183,913,000, RMB176,293,000, and RMB178,421,000, respectively. No deferred tax asset has been recognized in relation to deductible temporary difference of RMB43,000, RMB206,000, RMB3,933,000 as at December 31, 2022, 2023 and 2024, respectively, as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

The Company

For the purpose of presentation in the statements of financial position, deferred tax assets and liabilities have been offset.

	As at December 31,		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
Deferred tax assets	99,484	93,755	67,244
Deferred tax liabilities	(14,318)	(11,229)	(7,087)
	<u>85,166</u>	<u>82,526</u>	<u>60,157</u>

The following are the major deferred tax assets/(liabilities) recognized and movements thereon during the Track Record Period:

	Right -of-use asset	Lease liabilities	Tax losses	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at January 1, 2022	(3,950)	3,653	83,528	8,571	91,802
(Charged)/credited to profit or loss	(10,368)	10,511	(9,114)	2,335	(6,636)
As at December 31, 2022	(14,318)	14,164	74,414	10,906	85,166
Credited/(charged) to profit or loss	4,121	(3,840)	(286)	(2,635)	(2,640)
As at December 31, 2023	(10,197)	10,324	74,128	8,271	82,526
Credited/(charged) to profit or loss	3,492	(3,336)	(23,999)	1,474	(22,369)
As at December 31, 2024	<u>(6,705)</u>	<u>6,988</u>	<u>50,129</u>	<u>9,745</u>	<u>60,157</u>

As at December 31, 2022, 2023 and 2024, deferred tax asset has been recognized in respect of all tax losses and all deductible temporary differences.

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21. INVENTORIES

The Group

	As at December 31,		
	2022 RMB’000	2023 RMB’000	2024 RMB’000
Raw materials and consumables	263,800	185,974	186,165
Work in progress	13,342	10,173	7,884
Finished goods	264,694	211,611	307,688
	<u>541,836</u>	<u>407,758</u>	<u>501,737</u>

Inventories are net of a write-down of approximately RMB11,570,000, RMB12,085,000 and RMB16,424,000 as at December 31, 2022, 2023 and 2024, respectively.

The Company

	As at December 31,		
	2022 RMB’000	2023 RMB’000	2024 RMB’000
Raw materials and consumables	172,316	158,278	152,040
Finished goods	253,753	210,900	298,905
	<u>426,069</u>	<u>369,178</u>	<u>450,945</u>

Inventories are net of a write-down of approximately RMB9,689,000, RMB11,037,000 and RMB14,846,000 as at December 31, 2022, 2023 and 2024, respectively.

22. TRADE AND OTHER RECEIVABLES

The Group

Details of trade and other receivables are as follows:

	As at December 31,		
	2022 RMB’000	2023 RMB’000	2024 RMB’000
Trade receivables			
- Related parties	6,271	2,232	34,971
- Third parties	401,605	637,947	1,019,556
Less: allowance for expected credit losses (Note 40)	<u>(1,617)</u>	<u>(2,599)</u>	<u>(5,688)</u>
	<u>406,259</u>	<u>637,580</u>	<u>1,048,839</u>

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	As at December 31,		
	2022	2023	2024
	RMB’000	RMB’000	RMB’000
Other receivables			
- Related parties	50	53	103
- Third parties	224,609	304,965	398,737
Less: allowance for expected credit losses (Note 40)	(3,095)	(4,397)	(5,242)
	<u>221,564</u>	<u>300,621</u>	<u>393,598</u>
Interest receivables	1,283	6,632	1,536
Prepayments to suppliers			
- Related parties	221	–	–
- Third parties	99,505	66,398	32,029
	<u>99,726</u>	<u>66,398</u>	<u>32,029</u>
Value-added-tax (“VAT”) recoverable	27,853	9,241	5,863
VAT export refund receivable	40,988	61,394	87,169
Rental deposits	8,421	9,383	10,183
Advance to employees	652	322	339
Others	–	1,083	3,873
	<u>806,746</u>	<u>1,092,654</u>	<u>1,583,429</u>
Analyzed as:			
Non-current	8,421	9,383	10,183
Current	798,325	1,083,271	1,573,246
	<u>806,746</u>	<u>1,092,654</u>	<u>1,583,429</u>

As at January 1, 2022, trade receivables from contracts with customers amounting to RMB261,548,000.

The Group normally grants a credit period of 30-120 days or a particular period agreed with customers effective from the date when the goods and services have been completed and accepted by customers.

The following is an aging analysis of trade receivables net of allowance for credit losses presented based on the date of delivery of goods and services at the end of each reporting period:

	As at December 31,		
	2022	2023	2024
	RMB’000	RMB’000	RMB’000
0 - 60 days	339,093	470,954	739,964
61 - 120 days	20,644	141,217	233,077
121 - 180 days	15,185	15,658	44,218
181 - 365 days	31,337	5,349	17,648
Over 365 days	–	4,402	13,932
	<u>406,259</u>	<u>637,580</u>	<u>1,048,839</u>

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As at December 31, 2022, 2023 and 2024, included in the Group’s trade receivables balance are debtors with aggregate carrying amount of RMB111,340,000, RMB114,573,000 and RMB187,153,000, which are past due as at the reporting date. Out of the past due balances, RMB33,267,000, RMB13,713,000 and RMB29,531,000 has been past due 90 days or more and is not considered as in default as the directors of the Company have considered the recoverable amount and credit quality of the relevant customers and concluded that the ECL is not significant to the Group.

The Group does not hold any collateral over these balances.

Trade and other receivables denominated in currencies other than the functional currency of the respective group entities which include intra-group balances at the end of each reporting period are mainly as follows:

	As at December 31,		
	2022 RMB’000	2023 RMB’000	2024 RMB’000
RMB	7,553	1,258	7,836
United States dollar (“USD”)	398,316	574,531	1,163,408
Euro (“EUR”)	2,892	10,306	34,442
HKD	152	4,856	–

The Company

Details of trade and other receivables are as follows:

	As at December 31,		
	2022 RMB’000	2023 RMB’000	2024 RMB’000
Trade receivables			
- Subsidiaries	435,396	953,507	1,761,164
- Other related parties	6,271	2,232	34,971
- Third parties	267,563	195,194	65,084
Less: allowance for expected credit losses (Note 40)	(1,069)	(1,786)	(1,144)
	708,161	1,149,147	1,860,075
Other receivables			
- Subsidiaries (Note)	34,341	70,447	171,745
- Other related parties	50	50	50
- Third parties	179,449	272,400	329,798
Less: allowance for expected credit losses (Note 40)	(2,478)	(3,952)	(4,366)
	211,362	338,945	497,227
Interest receivables	691	4,650	1,146
Prepayments to suppliers			
- Other related parties	221	–	–
- Third parties	82,910	38,145	24,465
	83,131	38,145	24,465

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	As at December 31,		
	2022	2023	2024
	RMB’000	RMB’000	RMB’000
VAT recoverable	19,213	–	–
VAT export refund receivable	40,988	18,610	3,340
Rental deposits	8,420	9,383	9,432
Advance to employees	219	157	99
Others	–	665	3
	<u>1,072,185</u>	<u>1,559,702</u>	<u>2,395,787</u>
Analyzed as:			
Non-current	8,420	9,383	9,432
Current	<u>1,063,765</u>	<u>1,550,319</u>	<u>2,386,355</u>
	<u>1,072,185</u>	<u>1,559,702</u>	<u>2,395,787</u>

Note: The amounts are non-trade in nature, unsecured, non-interest bearing and repayable on demand.

As at January 1, 2022, trade receivables from contract with customers amounting to RMB472,284,000.

The Company normally grants a credit period of 30 -120 days or a particular period agreed with customers effective from the date when the goods and services have been completed and accepted by customers.

The following is an aging analysis of trade receivables net of allowance for credit losses presented based on revenue recognition dates:

	As at December 31,		
	2022	2023	2024
	RMB’000	RMB’000	RMB’000
0 - 60 days	461,628	572,898	987,140
61 - 120 days	82,104	192,386	395,184
121 - 180 days	62,723	56,359	437,964
181 - 365 days	101,706	151,149	24,312
Over 365 days	–	176,355	15,475
	<u>708,161</u>	<u>1,149,147</u>	<u>1,860,075</u>

The Company does not hold any collateral over these balances.

Details of the assessment on the provision of ECL of trade and other receivables of the Group and of the Company as at December 31, 2022, 2023 and 2024 are set out in Note 40.

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Trade and other receivables denominated in currencies other than the functional currency of the Company at the end of each reporting period are mainly as follows:

	As at December 31,		
	2022 RMB’000	2023 RMB’000	2024 RMB’000
USD	398,316	354,778	8,210

23. FINANCIAL INSTRUMENT AT FVTPL

The Group

	As at December 31,		
	2022 RMB’000	2023 RMB’000	2024 RMB’000
Financial assets measured at FVTPL:			
Derivative financial assets – forward exchange contracts	44	–	–
Other financial assets – structured deposit	3,751	–	–
Financial assets at FVTPL as current assets	3,795	–	–
Other financial investments at FVTPL as non-current assets (Note a)	37,188	48,747	52,196
	<u>40,983</u>	<u>48,747</u>	<u>52,196</u>
Financial liabilities measured at FVTPL:			
Derivative financial liabilities – forward exchange contracts (Note b)	(12,502)	–	–

Note a: The amounts represent unlisted equity interest in entities established in the PRC. The Group accounts these investments at FVTPL. Gains from changes in fair value amounting to RMB6,321,000, RMB6,559,000 and losses from changes in fair value amounting to RMB1,692,000 is recognized during the years ended December 31, 2022, 2023 and 2024, respectively. Details of fair value measurements are set out in Note 40.

Note b: The amounts represent the fair value of the forward exchange contracts that the Group has entered with banks to manage the currency risk. The contracts are to sell USD and buy RMB, gross settlement with notional amount of USD35,000,000 in total. The strike rates range from 6.4227 to 6.7955 and the contract terms are all of 12 months.

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The Company

	As at December 31,		
	2022	2023	2024
	RMB’000	RMB’000	RMB’000
Financial assets mandatorily measured at FVTPL:			
Other financial investments at FVTPL as non-current assets	15,517	21,882	17,548
Financial liabilities mandatorily measured at FVTPL:			
Derivative financial liabilities - forward exchange contracts	(12,502)	–	–

24. BILLS RECEIVABLES MEASURED AT FVTOCI

As at December 31, 2022, 2023 and 2024, certain bills which were held by the Group and the Company being endorsed to suppliers or discounted to banks before the bills due for payment were classified as “bills receivables measured at FVTOCI”. The balance represents bills receivables held by the Group and the Company which is measured at FVTOCI since the bills are held within the business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets, and the contractual cash flows are solely payments of principal and interest on the principal amount outstanding.

All the bills receivables were with a maturity period of less than one year. The credit risk on bills receivables at FVTOCI is limited because the counterparties are with good credit standing and are highly likely to be paid, and the ECL are considered as insignificant. Details of impairment assessment are set out in Note 40.

25. TRANSFERS OF FINANCIAL ASSETS

(i) Transferred financial assets that were derecognised in their entirety

The bills accepted by banks with high credit quality were derecognised when they were endorsed to certain suppliers for settlement of trade payables or discounted to the banks. In the opinion of the directors of the Company, the Group has transferred the significant risks and rewards relating to these bills receivables, and the Group’s obligations to the corresponding counterparties were discharged in accordance with the commercial practice in the PRC and the risk of the default in payment of the endorsed bills receivable is low because all endorsed or discounted bills receivables are issued and guaranteed by the reputable PRC banks. As a result, the relevant assets and liabilities were derecognized on the consolidated statements of financial position. As at December 31, 2022, 2023 and 2024, the Group had derecognized bills endorsed to certain suppliers but not expired amounting to nil, RMB 2,170,000 and RMB103,876,000, respectively.

(ii) Transferred financial assets that were not derecognised in their entirety

As at December 31, 2022, 2023 and 2024, bills receivable with a total carrying amount of nil, RMB 9,054,000 and nil were endorsed to certain suppliers for settlement of trade payables. If the bills are not paid on maturity, the suppliers have the right to request the Group to pay the unsettled balance. As the Group has

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not transferred the significant risks and rewards relating to the bills receivables to its suppliers upon endorsement, it continues to recognize the full carrying amount of bills receivables and has recognized the payables from the endorsement of the bills with full recourse.

26. CONTRACT LIABILITIES

The Group

	As at December 31,		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
Sales of smart devices	130,353	84,205	78,312
PaaS platform and customization services	1,252	1,790	2,217
	<u>131,605</u>	<u>85,995</u>	<u>80,529</u>

The Group may require certain customers to pay deposits in advance and to fully settle the remaining balance upon delivery.

Contract liabilities represented the trade deposits received from customers, which will be recognized as the Group’s revenue when the control of the goods or services transfer to customers. Revenue of RMB241,358,000, RMB131,605,000 and RMB85,995,000 of the Group was recognized during the year ended December 31, 2022, 2023 and 2024, respectively, that was included in the contract liabilities at the beginning of the relevant year.

Contract liabilities that were expected to be settled within the Group’s normal operating cycle are classified as current liabilities.

As at January 1, 2022, contract liabilities of the Group were RMB241,358,000.

The Company

	As at December 31,		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
Sales of smart devices	113,314	56,698	31,674
PaaS platform and customization services	708	977	895
	<u>114,022</u>	<u>57,675</u>	<u>32,569</u>

The Company may require certain customers to pay deposits in advance and to fully settle the remaining balance before or upon delivery.

Contract liabilities represented the trade deposits received from customers, which will be recognized as the Company’s revenue when the control of the goods transfer to customers. Revenue of

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RMB205,895,000, RMB114,022,000 and RMB57,675,000 of the Company was recognized during the year ended December 31, 2022, 2023 and 2024, respectively, that was included in the contract liabilities at the beginning of the relevant year.

Contract liabilities that were expected to be settled within the Company’s normal operating cycle are classified as current liabilities.

As at January 1, 2022, contract liabilities of the Company were RMB205,895,000.

27. CONTRACT COSTS

Details of contract costs are as follows:

The Group

	As at December 31,		
	2022	2023	2024
	RMB’000	RMB’000	RMB’000
Costs to fulfill contracts	23,840	1,613	429

The Company

	As at December 31,		
	2022	2023	2024
	RMB’000	RMB’000	RMB’000
Costs to fulfill contracts	23,840	887	429

Costs to fulfill contracts mainly comprise costs of labor costs, which are still ongoing at each of the end of the reporting period.

Contract costs are recognized as part of cost of sales in the consolidated statements of profit or loss and other comprehensive income in the period in which revenue is recognized.

The amount of capitalised costs recognized in profit or loss of the Group during each of the year ended December 31, 2022, 2023 and 2024 was RMB8,090,000, RMB39,559,000 and RMB2,100,000, respectively.

There was no impairment in relation to the opening balance of capitalised costs or the costs capitalised during the Track Record Period.

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28. CASH AND CASH EQUIVALENTS/RESTRICTED BANK DEPOSITS/TERM DEPOSITS

The Group and the Company

The Group’s and the Company’s cash and cash equivalents comprise demand deposits and short-term deposits for the purpose of meeting the Group’s short term cash commitments. Bank balances carry interests at market rates range from 0.25% to 2.00%, 0.20% to 5.40% and 0.15% to 5.40% per annum as at December 31, 2022, 2023 and 2024, respectively.

The Group’s and the Company’s restricted bank deposits consist primarily of restricted bank balances for the issue of bills. The Group’s and the Company’s restricted bank deposits carried interest at market rates which range from 0.05% to 0.30%, from 0.05% to 0.20% and 0.10% per annum as at December 31, 2022, 2023 and 2024, respectively.

The Group’s and the Company’s term deposits with an original maturity of more than three months but less than one year carrying at fixed interest rate from 2.60% to 3.97%, 3.68% to 5.71% and 1.75% to 5.47% as at December 31, 2022, 2023 and 2024, respectively.

The Group’s term deposits with an original maturity of more than one year carrying at fixed interest rate of 1.90% per annum as at December 31, 2024.

Bank balances and cash, restricted bank deposits and time deposits that are denominated in currencies other than the functional currency of the respective group entities at the end of each reporting period are mainly as follows:

	As at December 31,		
	2022 RMB’000	2023 RMB’000	2024 RMB’000
The Group			
USD	230,066	819,868	661,555
RMB	17	3,665	1,387
EUR	993	555	5,256
Singaporean dollar (“SGD”)	–	–	1,054
HKD	2,729	747	281

	As at December 31,		
	2022 RMB’000	2023 RMB’000	2024 RMB’000
The Company			
USD	223,910	819,769	627,605

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29. TRADE AND OTHER PAYABLES

The Group

	As at December 31,		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
Trade payables			
-Third parties	161,187	386,996	818,599
Other payables			
-Related parties	1	367	–
-Third parties	35,575	27,606	98,105
	35,576	27,973	98,105
Bills payables	327,278	298,849	191,114
Payroll payables	98,365	59,958	130,199
Other tax payables	4,683	20,466	32,070
Accrued expenses	22,354	23,963	43,858
Dividend payable (Note 15)	–	–	151,200
Others	2,352	1,927	1,811
	127,754	106,314	359,138
	651,795	820,132	1,466,956
Analyzed as:			
-Non-current	–	–	40,618
-Current	651,795	820,132	1,426,338
	651,795	820,132	1,466,956

The average credit period on purchases of goods and services of the Group is 30 - 90 days.

The following is an aged analysis of trade payables, presented based on the date of goods and services received at the end of each reporting period:

	As at December 31,		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
0 - 60 days	155,339	382,637	797,471
60 - 120 days	3,707	3,669	20,400
120 - 180 days	485	289	293
181 - 365 days	1,656	212	294
Over 365 days	–	189	141
	161,187	386,996	818,599

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The following is an analysis of bills payable based on the bill maturity dates at the end of each reporting period.

	As at December 31,		
	2022	2023	2024
	RMB’000	RMB’000	RMB’000
0 – 180 days	327,278	298,849	191,114

At the end of each reporting period, the Group’s bills payables were issued by banks and were secured by the Group’s restricted bank deposits.

Trade and other payables denominated in currencies other than the functional currency of the respective group entities which include intra-group balances at the end of each reporting period are mainly as follows:

	As at December 31,		
	2022	2023	2024
	RMB’000	RMB’000	RMB’000
RMB	180,829	258,981	301,416
USD	9,001	27,601	47,958
EUR	3,942	9,710	67,582

The Company

	As at December 31,		
	2022	2023	2024
	RMB’000	RMB’000	RMB’000
Trade payables			
-Subsidiaries	21,575	19,682	311,746
-Third parties	138,226	364,776	469,854
	159,801	384,458	781,600
Other payables			
-Subsidiaries (Note)	11,610	60,194	72,777
-Other related parties	1	367	–
-Third parties	27,277	23,925	88,611
	38,888	84,486	161,388
Bills payables	327,278	298,849	191,114
Payroll payables	80,417	45,432	89,057
Other tax payables	3,450	18,766	22,616
Accrued expenses	20,496	19,203	34,677
Dividend payable (Note 15)	–	–	151,200
Others	2,248	1,814	1,581
	106,611	85,215	299,131
	632,578	853,008	1,433,234

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	As at December 31,		
	2022 RMB’000	2023 RMB’000	2024 RMB’000
Analyzed as:			
Non-current	–	–	40,618
Current	632,578	853,008	1,392,616
	<u>632,578</u>	<u>853,008</u>	<u>1,433,234</u>

Note: The amounts are non-trade in nature, unsecured, non-interest bearing, and repayable on demand.

The average credit period on purchases of goods and services of the Company is 30-90 days.

The following is an aged analysis of trade payables, presented based on the date of goods and services received at the end of each reporting period:

	As at December 31,		
	2022 RMB’000	2023 RMB’000	2024 RMB’000
0 – 60 days	151,161	381,228	739,692
60 – 120 days	879	2,649	40,965
120 – 180 days	1,342	205	520
181 – 365 days	6,419	289	290
Over 365 days	–	87	133
	<u>159,801</u>	<u>384,458</u>	<u>781,600</u>

The following is an analysis of bills payable based on the bill maturity dates at the end of each reporting period.

	As at December 31,		
	2022 RMB’000	2023 RMB’000	2024 RMB’000
0 – 180 days	<u>327,278</u>	<u>298,849</u>	<u>191,114</u>

At the end of each reporting period, the Company’s bills payables were issued by banks and were secured by the Company’s restricted bank deposits.

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Trade and other payables denominated in currencies other than the functional currency of the Company at the end of each reporting period are mainly as follows:

	As at December 31,		
	2022 RMB’000	2023 RMB’000	2024 RMB’000
USD	8,997	25,882	46,522
EUR	2,322	4,682	62,769

30. BANK BORROWINGS

The Group

	As at December 31,		
	2022 RMB’000	2023 RMB’000	2024 RMB’000
Bank borrowings:			
Unsecured and guaranteed (Note a)	149,960	541,458	614,889
Unsecured and unguaranteed	146,774	143,643	286,096
Secured and unguaranteed (Note b)	—	—	37,500
	<u>296,734</u>	<u>685,101</u>	<u>938,485</u>
Fixed-rate borrowings	<u>296,734</u>	<u>685,101</u>	<u>938,485</u>

The ranges of effective interest rates (which are also equal to contracted interest rates) on the Group’s borrowings are as follows:

	As at December 31,		
	2022 RMB’000	2023 RMB’000	2024 RMB’000
Effective interest rate:			
Fixed-rate borrowings	3.40%-3.85%	2.80%-3.60%	2.40%-3.20%

As at December 31, 2022, 2023 and 2024, all the carrying amount of the above bank borrowings are repayable within one year.

Note a: As at December 31, 2022, 2023 and 2024, these bank borrowings of the Group are guaranteed by the controlling shareholder Mr. Lin Zhe and his spouse.

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Note b: For the year ended December 31, 2024, the Company received a bill amounting to RMB37,500,000 issued by a subsidiary in respect of certain intra-group transactions. The Company had discounted this bill which were not expired as at December 31, 2024 in full to bank to obtain financing. As at December 31, 2024, the secured and unguaranteed banks borrowings of the Group were arising from this financing activity.

The Company

	As at December 31,		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
Bank borrowings:			
Unsecured and guaranteed (note)	149,960	541,458	609,885
Unsecured and unguaranteed	146,774	143,643	286,096
	<u>296,734</u>	<u>685,101</u>	<u>895,981</u>
Fixed-rate borrowings	<u>296,734</u>	<u>685,101</u>	<u>895,981</u>

The ranges of effective interest rates (which are also equal to contracted interest rates) on the Company’s borrowings are as follows:

	As at December 31,		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
Effective interest rate:			
Fixed-rate borrowings	3.40%-3.85%	2.80%-3.60%	2.40%-3.20%

As at December 31, 2022, 2023 and 2024, all the carrying amount of the above bank borrowings are repayable within one year.

Note: As at December 31, 2022, 2023 and 2024, these bank borrowings of the Company are guaranteed by the controlling shareholder Mr. Lin Zhe and his spouse.

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31. DEFERRED INCOME

The Group and the Company

	As at December 31,		
	2022 RMB'000	2023 RMB'000	2024 RMB'000
Subsidies related to property and equipment	7,881	6,838	8,206
Analyzed as:			
-current	2,660	3,732	4,921
-non-current	5,221	3,106	3,285
	7,881	6,838	8,206

The Group received government subsidies for capital expenditure incurred for purchasing equipment. The amounts are deferred and amortised over the estimated useful lives of the respective assets.

32. LEASE LIABILITIES

The Group

	As at December 31,		
	2022 RMB'000	2023 RMB'000	2024 RMB'000
Lease liabilities payable:			
Within one year	25,136	24,447	25,412
Over one year but not exceeding two years	25,753	22,725	25,740
Over two years but not exceeding five years	46,881	24,014	2,839
	97,770	71,186	53,991
Less: Amount due for settlement with 12 months shown under current liabilities	(25,136)	(24,447)	(25,412)
Amount due for settlement after 12 months shown under non-current liabilities	72,634	46,739	28,579

The weighted average incremental borrowing rates applied to lease liabilities is 5.23% per annum for the years ended December 31, 2022, 2023 and 2024.

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The Company

	As at December 31,		
	2022 RMB’000	2023 RMB’000	2024 RMB’000
Lease liabilities payable:			
Within one year	23,425	22,619	22,195
Over one year but not exceeding two years	24,124	22,195	22,635
Over two years but not exceeding five years	46,881	24,014	1,756
	94,430	68,828	46,586
Less: Amount due for settlement with 12 months shown under current liabilities	(23,425)	(22,619)	(22,195)
Amount due for settlement after 12 months shown under non-current liabilities	71,005	46,209	24,391

The weighted average incremental borrowing rates applied to lease liabilities is 5.23% per annum for the years ended December 31, 2022, 2023 and 2024.

33. PROVISIONS

The Group

	Warranty provision RMB’000
As at January 1, 2022	28,706
Additional provision during the year	16,447
Utilization of provision	(15,706)
As at December 31, 2022	29,447
Additional provision during in the year	12,200
Utilization of provision	(26,714)
As at December 31, 2023	14,933
Additional provision during in the year	13,371
Utilization of provision	(15,363)
As at December 31, 2024	12,941

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The Company

	Warranty provision <i>RMB’000</i>
As at January 1, 2022	27,086
Additional provision during the year	13,157
Utilization of provision	<u>(14,073)</u>
As at December 31, 2022	26,170
Additional provision during in the year	5,260
Utilization of provision	<u>(16,836)</u>
As at December 31, 2023	14,594
Additional provision during in the year	8,131
Utilization of provision	<u>(10,071)</u>
As at December 31, 2024	<u><u>12,654</u></u>

The warranty provision represents management’s best estimate of the Group’s and of the Company’s liability under assurance-type warranty granted on products for a period from one to three years, based on prior experience for defective products.

34. SHARE CAPITAL OF THE COMPANY

	Number of shares	Shares capital <i>RMB’000</i>
Ordinary shares of RMB1 each authorised, issued and fully paid		
As at January 1, 2022, December 31, 2022, 2023 and 2024	<u>360,000,000</u>	<u>360,000</u>

Pursuant to a shareholders’ resolution in June 2019, the Company adopted its weighted voting rights structure with its registered share capital comprising of class A shares and class B shares. Each of the class A shares entitles the holders thereof to exercise ten votes and each of the class B shares entitles the holders thereof to exercise one vote, on any resolution tabled at the Company’s general meetings, other than customary reserved matters on which the weighted voting rights attached to the class A shares shall be disregarded pursuant to the Company’s then existing articles of association. All class A shares are beneficially owned by Mr. Lin Zhe, the founder of the Group.

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35. RESERVES OF THE COMPANY

	Share premium	Share-based payments reserve	Statutory surplus reserve	Retained earnings	Total
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
As at January 1, 2022	852,954	113,360	8,345	75,107	1,049,766
Profit and total comprehensive income for the year	–	–	–	196,530	196,530
Appropriation to statutory reserve	–	–	19,653	(19,653)	–
Recognition of equity settled share-based payments	–	46,670	–	–	46,670
Transfer upon vesting of shares granted	18,580	(18,580)	–	–	–
As at December 31, 2022	871,534	141,450	27,998	251,984	1,292,966
Profit and total comprehensive income for the year	–	–	–	153,657	153,657
Appropriation to statutory reserve	–	–	15,366	(15,366)	–
Recognition of equity settled share-based payments	–	4,201	–	–	4,201
Transfer upon vesting of shares granted	59,018	(59,018)	–	–	–
As at December 31, 2023	930,552	86,633	43,364	390,275	1,450,824
Profit and total comprehensive income for the year	–	–	–	257,005	257,005
Appropriation to statutory reserve	–	–	25,700	(25,700)	–
Dividend recognized as distribution	–	–	–	(151,200)	(151,200)
Recognition of equity settled share-based payments	–	39,324	–	–	39,324
Transfer upon vesting of shares granted	79,411	(79,411)	–	–	–
As at December 31, 2024	<u>1,009,963</u>	<u>46,546</u>	<u>69,064</u>	<u>470,380</u>	<u>1,595,953</u>

36. SHARE-BASED PAYMENT TRANSACTIONS

In order to provide incentives to employees, senior management and directors, the Company had granted several batches of restricted shares units since 2014 according to the share-based compensation plan adopted in 2014 (“Original Plan”). On June 30, 2019, the Company established a new share-based compensation plan (“2019 Share Incentive Plan”) to replace the Original Plan. The 2019 Share Incentive Plan added the performance evaluation requirements as an additional vesting condition on top of the Original Plan with all other terms remained unchanged. The modification of vesting conditions is not beneficial to the grantees. Thus, the amount to be recognized for services received from the grantees continues to be measured based on the grant date fair value and vesting conditions of the Original Plan. The Company authorized a total of 28,877,670 shares for issuance under the 2019 Share Incentive Plan. Under this plan, the eligible grantees were granted restricted share units by holding which they can subscribe for partnership interest of the employee shareholding platforms to indirectly hold the shares of the Company.

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As stipulated in the grant notices to the eligible grantees, the restricted shares units follow the vesting conditions as follows:

Category A: all the restricted shares units will vest on the second anniversary after the grant date. The fair value of per share at grant date is RMB20.97.

Category B: all the restricted shares units will vest on the third anniversary after the grant date. The fair value of per share at grant date ranges from RMB6.65 to RMB17.6.

Category C: all the restricted shares units will vest on the fifth anniversary after the grant date. The fair value of per share at grant date ranges from RMB4.61 to RMB23.14.

Category D: all the restricted shares units will vest on the tenth anniversary after the grant date. The fair value of per share at grant date is RMB2.07.

Category E: the vesting period is 5 years with 40% of the restricted shares units vesting on the second anniversary after the grant date and the remaining 60% of the restricted shares units vesting in 3 equal yearly installments from second anniversary to the fifth anniversary. The fair value of per share at grant date ranges from RMB17.17 to RMB21.47.

Category F: The vesting period is 4 years with 50% of the restricted shares units vesting on the second anniversary after the grant date and the remaining 50% of the restricted shares units vesting in 2 equal yearly installments from second anniversary to the fourth anniversary. The fair value of per share at grant date is RMB17.17 to RMB17.68.

The Group recognizes share-based payment expenses over the vesting period on a straight-line basis from the date the restricted shares units are granted to the eligible grantees. During each of the year ended December 31, 2022, 2023 and 2024, equity-settled share-based payment compensation expenses of RMB46,670,000, RMB4,201,000, and RMB39,324,000, respectively in relation to the above-mentioned share-based payment arrangements were charged to profit or loss.

Set out below are details of the movements of the restricted shares units granted under 2019 Share Incentive Plan during the Track Record Period:

	Number of shares		Weighted average fair value per share at grant date
	<i>Directors of the Company</i>	<i>Employees</i>	<i>RMB</i>
2019 Share Incentive Plan			
As at January 1, 2022	6,349,057	15,052,467	12.37
Granted	—	837,905	16.95
Vested	—	(2,007,750)	16.58
Forfeited	—	(1,925,966)	16.74

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	Number of shares		Weighted average fair value per share at grant date
	<i>Directors of the Company</i>	<i>Employees</i>	<i>RMB</i>
As at December 31, 2022	6,349,057	11,956,656	11.65
Granted	–	2,676,114	18.40
Vested	(2,139,087)	(3,821,716)	10.75
Forfeited	–	(2,461,802)	17.07
As at December 31, 2023	4,209,970	8,349,252	12.46
Granted	–	922,702	18.64
Vested	(4,209,970)	(4,443,156)	9.76
Forfeited	–	(252,646)	17.24
As at December 31, 2024	–	4,576,152	18.55

The grant date fair value of the restricted share unit was determined based on the difference between the grant date fair value per share (arrives from underlying equity value of the Company divides by the number of shares) of the Company and the subscription price of the restricted share unit. The Group applied the discounted cash flow method under the income approach to determine the underlying equity value of the Company. Best estimates of key assumptions, such as the discount rate, expected volatility and risk-free interest rate, are required to be determined by management. Key assumptions used in determining the fair value of shares under the share-based payment arrangements are as follows:

	Shares granted in		
	2022	2023	2024
Key assumptions			
Discount rate	14.00%	13.50%	13.00%
Risk-free interest rate	3.20%	2.80%	1.90%-2.40%
Volatility	49.00%	45.89%	43.79%-48.91%

The fair value of the restricted shares units was valued by directors of the Company with reference to valuation reports carried out by King Kee Appraisal and Advisory Limited, an independent qualified valuer. The address of the valuer is Unit 1705, 17th Floor, Bonham Trade Centre, 50-54 Bonham Strand East, Sheung Wan, Hong Kong.

37. RELATED PARTY TRANSACTIONS

(a) Related party transactions

Save for disclosed in elsewhere of the Historical Financial Information, the Group has the following material transactions and balances with the related parties during the Track Record Period.

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Relationships	Nature of balances / transactions	As at /Year ended December 31,		
		2022 RMB’000	2023 RMB’000	2024 RMB’000
A group controls one of the shareholders of the Company, who has significant influence over the Company.	Purchase of materials	–	15,207	13,396
	Sales of goods and provide services	31,461	14,007	78,645
	Trade receivables	6,255	2,147	34,971
	Other receivables	–	–	50
	Prepayments	221	–	–

(b) Compensation of key management personnel

The remuneration of the directors, supervisors and other key management personnel of the Group during the Track Record Period were as follows:

	Year ended December 31,		
	2022 RMB’000	2023 RMB’000	2024 RMB’000
Short-term benefits	6,363	6,812	7,445
Discretionary bonus (Note)	2,539	284	6,068
Retirement benefit scheme contributions	380	408	471
Share-based payments	5,649	5,582	3,276
	<u>14,931</u>	<u>13,086</u>	<u>17,260</u>

Note: Discretionary bonus is determined based on their duties and responsibilities of the relevant individuals within the Group and the Group’s performance.

38. MAJOR NON-CASH TRANSACTIONS

During the Track Record Period, the Group entered into new lease agreements for the use of leased properties. On the lease commencement, the Group recognized right-of-use assets of RMB100,340,000, RMB1,869,000 and RMB8,901,000 and lease liabilities of RMB100,340,000, RMB1,869,000 and RMB 8,901,000, respectively.

During the year ended December 31, 2024, the Group entered into several intangible assets acquisitions contracts. On the contract effective date, the Group recognised intangible assets of RMB64,335,000 and other payables of RMB 64,335,000. The other payables are trade in nature, unsecured, non-interest bearing and due in five years with yearly payment.

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39. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as going concern while maximizing the return to shareholders through the optimization of the debt and equity balance. The Group’s overall strategy remains unchanged throughout the Track Record Period.

The capital structure of the Group consists of net asset, which includes bank balances and cash, restricted bank deposits and term deposits, net of bank borrowings and lease liabilities, and equity attributable to owners of the Company, comprising issued share capital, retained profits and other reserves.

The management of the Group regularly reviews the capital structure on a continuous basis taking into account the cost of capital and the risk associated with the capital. The Group will balance its overall capital structure through the payment of dividends, the new shares issues, the issue of new debts and redemption of existing debts.

40. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

The Group

	As at December 31,		
	2022	2023	2024
	RMB’000	RMB’000	RMB’000
Financial assets			
Amortised cost	1,871,747	2,630,956	3,478,848
Financial assets at FVTPL	40,983	48,747	52,196
Bills receivables measured at FVTOCI	559	11,714	3,289
	<u>1,913,289</u>	<u>2,691,417</u>	<u>3,534,333</u>
Financial liabilities			
Amortised cost	820,775	1,398,919	2,197,503
Financial liabilities at FVTPL	12,502	–	–
	<u>833,277</u>	<u>1,398,919</u>	<u>2,197,503</u>

The Company

	As at December 31,		
	2022	2023	2024
	RMB’000	RMB’000	RMB’000
Financial assets			
Amortised cost	1,919,227	2,748,054	3,473,859
Financial assets at FVTPL	15,517	21,882	17,548
Bills receivables measured at FVTOCI	559	11,714	3,289
	<u>1,935,303</u>	<u>2,781,650</u>	<u>3,494,696</u>
Financial liabilities			
Amortised cost	822,701	1,452,894	2,181,283
Financial liabilities at FVTPL	12,502	–	–
	<u>835,203</u>	<u>1,452,894</u>	<u>2,181,283</u>

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(b) Financial risk management objectives and policies

The Group’s major financial assets and liabilities include trade and other receivables, financial assets at FVTPL, bank balance, restricted bank deposits, term deposits, trade and other payables, financial liabilities at FVTPL and bank borrowings. Details of these financial assets and liabilities are disclosed in respective notes.

The risks associated with these financial assets and liabilities 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 directors manage and monitor these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

The Group’s activities expose it primarily to currency risk, interest rate risk and other price risk. There has been no change in the Group’s exposure to these risks or the manner in which it manages and measures the risks.

(i) Currency risk

Cash and cash equivalents, term deposits, restricted bank deposits, trade and other receivables, and trade and other payables are denominated in foreign currency of respective group entities which are exposed to foreign currency risk. The Group currently does not have a foreign currency hedging policy. However, the directors monitor foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

The carrying amounts of the Group’s foreign currency denominated monetary assets and liabilities which include intra-group balances at the end of each reporting period are mainly as follows:

The Group

	As at December 31,		
	2022	2023	2024
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Assets			
USD	628,382	1,394,399	1,824,963
EUR	3,885	10,861	39,698
RMB	7,570	4,401	9,223
HKD	2,881	5,603	281
SGD	–	–	1,054
	<u> </u>	<u> </u>	<u> </u>
Liabilities			
RMB	180,829	258,981	301,416
USD	9,001	27,601	47,958
EUR	3,942	9,710	67,582
	<u> </u>	<u> </u>	<u> </u>

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The Company

	As at December 31,		
	2022 RMB'000	2023 RMB'000	2024 RMB'000
Assets			
USD	<u>622,226</u>	<u>1,174,547</u>	<u>635,815</u>
Liabilities			
USD	8,997	25,882	46,522
EUR	<u>2,322</u>	<u>4,682</u>	<u>62,769</u>

Sensitivity analysis

The following table details the Group’s sensitivity to a 5% increase and decrease in foreign currencies against respective entities’ functional currencies, with which the Group and the Company may have a material exposure. 5% represents management’s assessment of the reasonably possible change in foreign exchange rate. The sensitivity analysis uses outstanding foreign currency denominated monetary items as a base and adjusts their translation at the end of each reporting period for a 5% change in foreign currency rates. A positive number below indicates an increase in profit for the year where foreign currencies strengthen 5% against functional currencies. For a 5% weakening of foreign currencies against functional currencies, there would be an equal and opposite impact on profit for the year.

The Group

	Year ended December 31,		
	2022 RMB'000	2023 RMB'000	2024 RMB'000
Impact on profit or loss	<u>19,083</u>	<u>47,543</u>	<u>62,267</u>

The Company

	Year ended December 31,		
	2022 RMB'000	2023 RMB'000	2024 RMB'000
Impact on profit or loss	<u>25,946</u>	<u>48,607</u>	<u>22,365</u>

(ii) Interest rate risk

The Group and the Company are exposed to fair value interest rate risk in relation to restricted bank deposits, term deposits, fixed-rate bank borrowings and lease liabilities. The Group’s cash flow interest rate

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risk is mainly concentrated on the fluctuation of interest rates on bank balances. The directors of the Company consider that the exposure of cash flow interest rate risk arising from variable-rate bank balances is insignificant, therefore no sensitivity analysis on such risk has been prepared.

(iii) Other price risk

The Group and the Company are exposed to other price risk arising from other financial investments at FVTPL. The management of the Group monitors the price risk and will consider hedging the risk exposure should the need arise.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to equity price risk at the reporting date for other financial investments at FVTPL. If the equity value of the ordinary shares of investment had been changed based on the 5% higher/lower:

- The profit or loss of the Group for the years ended December 31, 2022, 2023 and 2024 would increase or decrease by approximately RMB1,581,000, RMB2,072,000 and RMB2,218,000, respectively.
- The profit or loss of the Company for the year ended December 31, 2022, 2023 and 2024 would increase or decrease by approximately RMB659,000, RMB930,000 and RMB746,000, respectively.

Credit risk

The carrying amounts of trade and other receivables, cash and cash equivalents, restricted bank deposits and term deposits included in the consolidated statements of financial position represent the Group’s maximum exposure to credit risk in relation to its financial assets.

Trade receivables

For trade receivables, the Group and the Company has applied the simplified approach in IFRS 9 to measure the loss allowance at lifetime ECL. The ECL on trade receivables are assessed collectively, based on the past default experience of the debtor, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forward-looking information that is available without undue cost or effort at the end of each reporting period.

Before accepting any new customer, the Group uses an internal credit scoring system to assess the potential customer’s credit quality and defines credit limits by customer. Limits and scoring attributed to customers are reviewed on annual basis. Other monitoring procedures are in place to ensure that follow-up action is taken to recover overdue debts. Trade receivables are mainly amounts due from public companies and reputable and sizeable leading food delivery platforms and etc. In this regard, the management considers that the Group’s credit risk is significantly reduced.

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The Group has concentration of credit risk of the trade receivables amounting to RMB98,303,000, RMB214,163,000 and RMB274,442,000, respectively, representing 24.20%, 33.59% and 26.17% of total trade receivables as at December 31, 2022, 2023 and 2024 from the Group’s largest debtors. RMB256,931,000, RMB345,315,000 and RMB692,990,000 of the trade receivables was due from the five largest debtors, representing 63.24%, 54.16% and 66.07% of total trade receivables as at December 31, 2022, 2023 and 2024, respectively.

Other receivables

For other receivables, the management believes that there are no significant increase in credit risk of these amounts since initial recognition hence the Group and the Company has applied 12 month ECL in accordance to IFRS 9 to measure the loss allowance. The ECL on other receivables are grouped and collectively assessed for impairment, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the end of each year.

Bills receivables measured at FVTOCI

Bills receivables measured at FVTOCI are primarily commercial acceptance bill. The Group and the Company has applied 12m ECL in accordance to IFRS 9 to measure the loss allowance. The ECL are grouped and collectively assessed for impairment, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the end of each year. The management of the Group believes that the Group’s credit risk in bills receivables measured at FVTOCI are insignificant.

The credit risk on bank balances, restricted bank deposits and term deposits are limited because the counterparties are reputable financial institutions. The Group and the Company assesses 12m ECL for bank balances, restricted bank deposits and term deposits with reference to information relating to average loss rates of the respective credit rating grades published by external credit rating agencies. Management considered the ECL on bank balances, restricted bank deposits and term deposits is insignificant.

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The Group’s and the Company’s internal credit risk grading assessment comprises the following categories:

Internal credit rating	Description	Trade receivables	Financial assets other than trade receivables
Low risk	The counterparty has a low risk of default	Lifetime ECL — not credit-impaired	12m ECL
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 and the Company has no realistic prospect of recovery	Amount is written off	Amount is written off

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	Internal credit rating	12m or lifetime ECL	Gross carrying amount RMB'000	Impairment loss allowance RMB'000
As at December 31, 2022				
Financial assets at amortized cost				
Term deposits	Low risk	12m ECL	13,929	–
Cash and cash equivalent	Low risk	12m ECL	1,117,013	–
Restricted bank deposits	Low risk	12m ECL	103,278	–
		Lifetime ECL		
Trade receivables	Note	(not credit-impaired)	407,852	1,593
	Loss	(credit-impaired)	24	24
		12m ECL		
Interest receivables	Low risk	(not credit-impaired)	1,283	–
		12m ECL		
Other receivables	Low risk	(not credit-impaired)	233,080	3,095
Financial assets at FVTOCI				
Bills receivables measured at FVTOCI	Low risk	12m ECL	559	–
			<u>1,877,018</u>	<u>4,712</u>
As at December 31, 2023				
Financial assets at amortized cost				
Term deposits	Low risk	12m ECL	134,217	–
Cash and cash equivalent	Low risk	12m ECL	1,420,835	–
Restricted bank deposits	Low risk	12m ECL	121,688	–
		Lifetime ECL		
Trade receivables	Note	(not credit-impaired)	640,179	2,599
		12m ECL		
Interest receivables	Low risk	(not credit-impaired)	6,632	–
		12m ECL		
Other receivables	Low risk	(not credit-impaired)	314,401	4,397
Financial assets at FVTOCI				
Bills receivables measured at FVTOCI	Low risk	12m ECL	11,714	–
			<u>2,649,666</u>	<u>6,996</u>
As at December 31, 2024				
Financial assets at amortized cost				
Term deposits	Low risk	12m ECL	127,500	–
Cash and cash equivalent	Low risk	12m ECL	1,817,848	–
Restricted bank deposits	Low risk	12m ECL	79,344	–
		Lifetime ECL		
Trade receivables	Note	(not credit-impaired)	1,054,527	5,688
		12m ECL		
Interest receivables	Low risk	(not credit-impaired)	1,536	–
		12m ECL		
Other receivables	Low risk	(not credit-impaired)	409,023	5,242
Financial assets at FVTOCI				
Bills receivables measured at FVTOCI	Low risk	12m ECL	3,289	–
			<u>3,493,067</u>	<u>10,930</u>

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	<u>Internal credit rating</u>	<u>12m or lifetime ECL</u>	<u>Gross carrying amount</u> RMB’000	<u>Impairment loss allowance</u> RMB’000
As at December 31, 2022				
Financial assets at amortized cost				
Term deposits	Low risk	12m ECL	–	–
Cash and cash equivalent	Low risk	12m ECL	893,419	–
Restricted bank deposits	Low risk	12m ECL	97,174	–
		Lifetime ECL		
Trade receivables	Note	(not credit-impaired)	709,230	1,069
		12m ECL		
Interest receivables	Low risk	(not credit-impaired)	691	–
		12m ECL		
Other receivables	Low risk	(not credit-impaired)	222,260	2,478
Financial assets at FVTOCI				
Bills receivables measured at FVTOCI	Low risk	12m ECL	559	–
			<u>1,923,333</u>	<u>3,547</u>
As at December 31, 2023				
Financial assets at amortized cost				
Term deposits	Low risk	12m ECL	63,036	–
Cash and cash equivalent	Low risk	12m ECL	1,061,423	–
Restricted bank deposits	Low risk	12m ECL	121,470	–
		Lifetime ECL		
Trade receivables	Note	(not credit-impaired)	1,150,933	1,786
		12m ECL		
Interest receivables	Low risk	(not credit-impaired)	4,650	–
		12m ECL		
Other receivables	Low risk	(not credit-impaired)	352,280	3,952
Financial assets at FVTOCI				
Bills receivables measured at FVTOCI	Low risk	12m ECL	11,714	–
			<u>2,765,506</u>	<u>5,738</u>
As at December 31, 2024				
Financial assets at amortized cost				
Term deposits	Low risk	12m ECL	50,000	–
Cash and cash equivalent	Low risk	12m ECL	984,135	–
Restricted bank deposits	Low risk	12m ECL	71,844	–
		Lifetime ECL		
Trade receivables	Note	(not credit-impaired)	1,861,219	1,144
		12m ECL		
Interest receivables	Low risk	(not credit-impaired)	1,146	–
		12m ECL		
Other receivables	Low risk	(not credit-impaired)	511,025	4,366
Financial assets at FVTOCI				
Bills receivables measured at FVTOCI	Low risk	12m ECL	3,289	–
			<u>3,482,658</u>	<u>5,510</u>

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Note: For trade receivables, the Group and the Company has applied the simplified approach in IFRS 9 to measure the loss allowance at lifetime ECL. The Group and the Company determines the ECL on trade receivables on a collective basis, grouped by the aging of the trade receivables.

The following table shows the movement in ECL that has been recognized for trade and other receivables.

The Group

	Trade receivables (Lifetime ECL)		Other receivables (12m ECL)	Total
	(not credit- impaired)	(credit- impaired)		
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
As at January 1, 2022	989	803	3,619	5,411
Impairment losses recognized, net of reversal	586	–	(573)	13
Write-off	–	(779)	–	(779)
Exchange rate realignment	18	–	49	67
As at December 31, 2022	1,593	24	3,095	4,712
Impairment losses recognized, net of reversal	997	–	1,293	2,290
Write-off	–	(24)	–	(24)
Exchange rate realignment	9	–	9	18
As at December 31, 2023	2,599	–	4,397	6,996
Impairment losses recognized, net of reversal	3,069	–	841	3,910
Exchange rate realignment	20	–	4	24
As at December 31, 2024	<u>5,688</u>	<u>–</u>	<u>5,242</u>	<u>10,930</u>

The Company

	Trade receivables (Lifetime ECL)	Other receivables (12m ECL)	Total
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
As at January 1, 2022	405	3,014	3,419
Impairment losses recognized, net of reversal	664	(536)	128
As at December 31, 2022	1,069	2,478	3,547
Impairment losses recognized, net of reversal	717	1,474	2,191
As at December 31, 2023	1,786	3,952	5,738
Impairment losses recognized, net of reversal	(642)	414	(228)
As at December 31, 2024	<u>1,144</u>	<u>4,366</u>	<u>5,510</u>

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Liquidity risk

In the management of the liquidity risk, the Group and the Company monitors and maintains 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 following table details the Group’s and the Company’s remaining contractual maturity for its financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group/Company can be required to pay. The table includes both interest and principal cash flows.

In addition, the following table details the Group’s and the Company’s liquidity analysis for its derivative financial instruments. The tables have been drawn up based on the undiscounted contractual gross (inflows) and outflows on those derivatives that require gross settlement. The liquidity analysis for the Group’s and the Company’s derivative financial instruments are prepared based on the contractual settlement dates as the management of the Group and the Company considers that the settlement dates are essential for an understanding of the timing of the cash flows of derivatives.

The Group

	Weighted average effective interest rate	Within 1 year or on demand	1 to 5 years	Total	Carrying amount
	%	RMB’000	RMB’000	RMB’000	RMB’000
As at December 31, 2022					
Trade and other payables	N/A	524,041	–	524,041	524,041
Bank borrowings	3.68	310,441	–	310,441	296,734
Lease liabilities	5.23	29,454	80,421	109,875	97,770
		<u>863,936</u>	<u>80,421</u>	<u>944,357</u>	<u>918,545</u>
Derivatives – gross settlement					
Exchange forward contracts					
– inflow		(235,028)	–	(235,028)	(44)
– outflow		247,486	–	247,486	12,502
		<u>12,458</u>	<u>–</u>	<u>12,458</u>	<u>12,458</u>
As at December 31, 2023					
Trade and other payables	N/A	713,818	–	713,818	713,818
Bank borrowings	3.07	717,800	–	717,800	685,101
Lease liabilities	5.23	26,500	48,554	75,054	71,186
		<u>1,458,118</u>	<u>48,554</u>	<u>1,506,672</u>	<u>1,470,105</u>
As at December 31, 2024					
Trade and other payables	N/A	1,218,400	40,618	1,259,018	1,259,018
Bank borrowings	2.76	977,802	–	977,802	938,485
Lease liabilities	5.23	27,933	30,869	58,802	53,991
		<u>2,224,135</u>	<u>71,487</u>	<u>2,295,622</u>	<u>2,251,494</u>

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The Company

	Weighted average effective interest rate	Within 1 year or on demand	1 to 5 years	Total	Carrying amount
	%	RMB’000	RMB’000	RMB’000	RMB’000
As at December 31, 2022					
Trade and other payables	N/A	525,967	–	525,967	525,967
Bank borrowings	3.68	310,441	–	310,441	296,734
Lease liabilities	5.23	27,765	78,924	106,689	94,430
		<u>864,173</u>	<u>78,924</u>	<u>943,097</u>	<u>917,131</u>
Derivatives – gross settlement					
Exchange forward contracts					
– inflow		(228,924)	–	(228,924)	–
– outflow		241,426	–	241,426	12,502
		<u>12,502</u>	<u>–</u>	<u>12,502</u>	<u>12,502</u>
As at December 31, 2023					
Trade and other payables	N/A	767,793	–	767,793	767,793
Bank borrowings	3.07	717,800	–	717,800	685,101
Lease liabilities	5.23	24,361	48,278	72,639	68,828
		<u>1,509,954</u>	<u>48,278</u>	<u>1,558,232</u>	<u>1,521,722</u>
As at December 31, 2024					
Trade and other payables	N/A	1,244,685	40,617	1,285,302	1,285,302
Bank borrowings	2.76	934,056	–	934,056	895,981
Lease liabilities	5.23	24,048	26,705	50,753	46,586
		<u>2,202,789</u>	<u>67,322</u>	<u>2,270,111</u>	<u>2,227,869</u>

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(c) Fair value measurements of financial instruments

(i) Fair value of the Group’s financial assets and financial liabilities that are measured at fair value on a recurring basis

Some of the Group’s financial assets and financial liabilities are measured at fair value at the end of the reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation techniques and inputs used).

Financial assets/ liabilities	Notes	Fair value as at December 31,			Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable inputs	Relationship of unobservable inputs to fair value
		2022	2023	2024				
		RMB’000	RMB’000	RMB’000				
Financial assets at FVTPL– Other financial investments at FVTPL	23	37,188	48,747	52,196	Level 3	Market comparison approach – reference to enterprise value to sales multiple (“EV/Sales”)	DLOM-discount of lack of marketability/ EV/Sales	The higher the DLOM is, the lower the fair value is. The higher the EV/Sales is, the higher the fair value is.
Financial assets at FVTPL– other financial assets – structured deposit	23	3,751	–	–	Level 2	Discounted cash flow, which was estimated based on expected return, discounted at a rate that reflects the risk of underlying investments.	N/A	N/A
Financial assets/liability at FVTPL– derivative financial liabilities- forward exchange contracts	23	Asset: 44 Liability: (12,502)	–	–	Level 2	Discounted cash flow-Future cash flows are estimated based on forward exchange rates, discounted at a rate that reflects the credit risk of various counterparties.	N/A	N/A
Bills receivables measured at FVTOCI	24	559	11,714	3,289	Level 2	Discounted cash flow method. Future cash flows are estimated based on discount rate observed in the available market.	N/A	N/A

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(ii) Reconciliation of Level 3 fair value measurements

The following table presents the reconciliation of Level 3 measurements of financial assets during the years:

	Financial assets at FVTPL
	<i>RMB’000</i>
As at January 1, 2022	30,867
Fair value changes	6,321
As at December 31, 2022	37,188
Purchase of financial assets	5,000
Fair value changes	6,559
As at December 31, 2023	48,747
Purchase of financial assets	5,141
Fair value changes	(1,692)
As at December 31, 2024	52,196

Of the total gains or losses for the period included in profit or loss, RMB6,321,000 gain, RMB6,559,000 gain and RMB1,692,000 loss relates to financial assets at FVTPL- other financial investments at FVTPL held at December 31, 2022, 2023 and 2024, respectively. Fair value gains or losses on financial assets at FVTPL- other financial investments at FVTPL are included in ‘other gains and losses’.

(d) Fair value of financial assets and financial liabilities that are not measured at fair value

The directors of the Company consider that the carrying amount of the Group’s and the Company’s financial assets and financial liabilities recorded at amortised cost in the Historical Financial Information approximate their fair values. Such fair values have been determined in accordance with generally accepted pricing models based on a discounted cash flow analysis.

41. RETIREMENT BENEFIT PLANS

The employees of the Company and the Company’s subsidiaries in the PRC are members of a state-managed defined contribution retirement scheme operated by the PRC government. The PRC entity is required to contribute a certain percentage of their payroll to the retirement benefit scheme subject to certain cap as governed by the social fund bureau. The only obligation of the Group with respect to the retirement benefit scheme is to make the required contributions under the scheme.

The total costs charged to profit or loss, amounting to RMB45,959,000, RMB48,344,000 and RMB49,294,000 for the years ended December 31, 2022, 2023 and 2024, respectively, representing contributions paid or payable to the retirement benefits scheme by the Group.

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42. PARTICULARS OF SUBSIDIARIES OF THE COMPANY

As at December 31, 2022, 2023, 2024 and the date of this report, the Group’s subsidiaries are as follows:

Name of subsidiaries	Place/ country and date of establishment/ incorporations	Paid up capital/share capital			Equity interest attributable to the Group				Principal activities
		As at December 31,			As at December 31,			The date of this report	
		2022	2023	2024	2022	2023	2024		
					%	%	%		
SUNMI Technology (Shenzhen) Co., Ltd. (Note i)	PRC, April 18, 2018	RMB1,000,000	RMB1,000,000	RMB1,000,000	100	100	100	[100]	After-sales service and repair
Citaq Co., Ltd.(Note i)	PRC, June 10, 1996	RMB10,000,000	RMB10,000,000	RMB10,000,000	100	100	100	[100]	Development, production, and sales of smart devices
Guangdong Shangjie Information Technology Co., Ltd. (Note ii)	PRC, May 18, 2017	RMB12,570,000	RMB12,570,000	RMB12,570,000	100	100	100	[100]	Selling medical device
Shantou Woyou Information Technology Co., Ltd. (Note i)	PRC, March 1, 2017	RMB5,000,000	N/A	N/A	100	N/A	N/A	N/A	Digital Store Solutions Provider
Hangzhou Shanggong Equity Investment Co., Ltd. (Note i)	PRC, September 6, 2017	RMB15,000,000	RMB15,000,000	RMB15,000,000	100	100	100	[100]	Investment management
Shanghai SunQuick Technology Co., Ltd. (Note iii)	PRC, September 21, 2018	RMB500,000	RMB500,000	RMB500,000	100	100	100	[100]	Software development
Shanghai Sunmi Home Business Management Co., Ltd. (Note i)	PRC, June 9, 2020	RMB500,000	RMB500,000	RMB500,000	100	100	100	[100]	“Merchant’s Home” operations management
SUNMI Technology (Changzhou) Co., Ltd. (Note i)	PRC, August 4, 2020	RMB50,000	RMB50,000	RMB50,000	100	100	100	[100]	Inactive
SUNMAX (Hangzhou) Co., Ltd. (Note i)	PRC, March 26, 2021	RMB10,000,000	RMB10,000,000	RMB10,000,000	100	100	100	[100]	Software development
Shanghai Sunmi Tech & Trading Co., Ltd. (Note iv)	PRC, July 14, 2023	N/A	Nil	RMB10,000,000	N/A	100	100	[100]	Selling and trading
SunTAQ Technology (Shanghai) Co., Ltd. (Note i)	PRC, November 27, 2023	N/A	Nil	Nil	N/A	100	100	[100]	Inactive
SUNMI Technology (Zhejiang) Co., Ltd. (Note i)	PRC, February 26, 2024	N/A	N/A	RMB40,000,000	N/A	N/A	100	[100]	Development, production, and sales of smart devices
SUNMAX Technology (Zhejiang) Co., Ltd. (Note i)	PRC, April 26, 2024	N/A	N/A	Nil	N/A	N/A	100	[100]	Software development
SunQuick Technology (Zhejiang) Co., Ltd. (Note i)	PRC, June 5, 2024	N/A	N/A	Nil	N/A	N/A	100	[100]	Software development
SUNMI Tech & Trading (Zhejiang) Co., Ltd. (Note i)	PRC, September 10, 2024	N/A	N/A	RMB215,000,000	N/A	N/A	100	[100]	Selling and trading

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Name of subsidiaries	Place/ country and date of establishment/ incorporations	Paid up capital/share capital			Equity interest attributable to the Group				Principal activities
		As at December 31,			As at December 31,			The date of this report	
		2022	2023	2024	2022	2023	2024		
						%	%	%	
SunVerse (Shanghai) Data Co., Ltd. (Note i)	PRC, September 18, 2024	N/A	N/A	Nil	N/A	N/A	100	[100]	Inactive
SUNMI Technology (Yunnan) Co., Ltd. (Note i)	PRC, November 15, 2024	N/A	N/A	RMB50,000,000	N/A	N/A	100	[100]	Inactive
SUNMI INDIA PRIVATE LIMITED (Note v)	India, June 18, 2018	INR100,000	INR100,000	INR100,000	99.99	99.99	99.99	[99.99]	Selling and marketing
SUNMI TECHNOLOGY HK LIMITED (Note vi)	Hong Kong, July 2, 2019	USD1,500,000	USD1,500,000	USD1,500,000	100	100	100	[100]	Selling and trading
SUNMI SINGAPORE PTE. LTD. (Note vii)	Singapore, April 22, 2020	USD10,000	USD10,000	USD10,000	100	100	100	[100]	Selling and marketing
SUNMI GLOBAL PTE. LTD. (Note viii)	Singapore, August 16, 2023	N/A	USD1,500,000	USD1,500,000	N/A	100	100	[100]	Selling and trading
SUNMAX TECHNOLOGY PTE.LTD. (Note viii)	Singapore, March 25, 2024	N/A	N/A	USD400,000	N/A	N/A	100	[100]	Selling and marketing
PT SUNMI TECHNOLOGY INDONESIA (Note i)	Indonesia, June 5, 2020	IDR2,500,000,000	IDR2,500,000,000	IDR2,500,000,000	100	100	100	[100]	Selling and marketing
SUNMI TECHNOLOGY JAPAN (Note i)	Japan, September 17, 2020	JPY5,000,000	JPY5,000,000	JPY5,000,000	100	100	100	[100]	Selling and marketing
SUNMI FRANCE S.A.S (Note ix)	France, January 30, 2019	EUR100,000	EUR100,000	EUR100,000	100	100	100	[100]	Selling and marketing
SUNMI RUSS, LIMITED LIABILITY COMPANY (Note i)	Russ, September 7, 2020	RUB500,000	RUB500,000	RUB500,000	100	100	100	[100]	Selling and marketing
SUNMI POLAND SP. Z O. O. (Note i)	Poland, May 21, 2021	PLN50,000	PLN50,000	PLN50,000	100	100	100	[100]	Selling and marketing
SUNMI HOLLAND B.V. (Note i)	Poland, May 27, 2020	EUR5,000	EUR5,000	EUR5,000	100	100	100	[100]	Selling and marketing
SUNMI UK LIMITED (Note i)	England, December 17, 2024	N/A	N/A	Nil	N/A	N/A	100	[100]	Selling and marketing
SUNMI TECHNOLOGY DMCC (Note x)	Dubai, July 16, 2020	AED50,000	AED50,000	AED50,000	100	100	100	[100]	Selling and marketing
SUNMI SOUTH AFRICA PTY LTD (Note i)	South Africa, July 20, 2020	ZAR100,000	ZAR100,000	ZAR100,000	100	100	100	[100]	Selling and marketing
SUNMI MEXICO LIMITED, S. DE R.L. DE C.V. (Note i)	Mexico, September 22, 2020	Nil	Nil	Nil	100	100	100	[100]	Selling and marketing
Sunmi Technology US Inc. (Note i)	America, June 30, 2021	USD10,000	USD10,000	USD10,000	100	100	100	[100]	Selling and marketing
SUNMI ECUADOR LIMITED C.L. (Note i)	Ecuador, November 21, 2020	Nil	Nil	N/A	100	100	N/A	N/A	Selling and marketing

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ACCOUNTANTS’ REPORT

All of the subsidiaries adopted December 31 as financial year end.

None of the subsidiaries has issued any debt securities as at December 31, 2022, 2023 and 2024.

Notes:

- (i) No audited statutory financial statements have been prepared for these subsidiaries for the years ended December 31, 2022, 2023 and 2024, as applicable, as there is no statutory audit requirement.
- (ii) No audited statutory financial statements have been prepared for the years ended December 31, 2022, as there are no statutory audit requirements. The statutory financial statements of this subsidiary for the year ended December 31, 2023 were prepared in accordance with CASBE and were audited by Shanghai Huading Certified Public Accountants Co., Ltd, certified public accountants registered in the PRC. The statutory financial statements of this subsidiary for the year ended December 31, 2024 were prepared in accordance with CASBE and were audited by Zhonghua Certified Public Accountants LLP, certified public accountants registered in the PRC.
- (iii) The statutory financial statements of this subsidiary for the years ended December 31, 2022 and 2023 were prepared in accordance with CASBE and were audited by Shanghai DongCheng Certified Public Accountants Co., Ltd, certified public accountants registered in the PRC. No audited statutory report has been issued for the year ended December 31, 2024.
- (iv) The statutory financial statements of this subsidiary for the years ended December 31, 2023 and 2024 were prepared in accordance with CASBE and were audited by Zhonghua Certified Public Accountants LLP, certified public accountants registered in the PRC.
- (v) The statutory financial statements of this subsidiary for the year ended December 31, 2022 were prepared in accordance with Indian Accounting Standards and were audited by AARK&Co LLP, certified public accountants registered in the India. The statutory financial statements of this subsidiary for the year ended December 31, 2023 were prepared in accordance with Indian Accounting Standards and were audited by TB.Shah & Co, certified public accountants registered in the India. [No audited statutory report has been issued for the year ended December 31, 2024.]
- (vi) The statutory financial statements of this subsidiary for the year ended December 31, 2022 were prepared in accordance with HKFRS Accounting Standards and were audited by Shine Wise & Co. CPA, certified public accountants registered in the Hong Kong. The statutory financial statements of this subsidiary for the year ended December 31, 2023 were prepared in accordance with HKFRS Accounting Standards and were audited by Uni Vision CPA, certified public accountants registered in the Hong Kong. [No audited statutory report has been issued for the year ended December 31, 2024.]

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- (vii) The statutory financial statements of this subsidiary for the year ended December 31, 2022 were prepared in accordance with Financial Reporting Standards in Singapore (“FRSs”) and were audited by AUDTRUST ASSURANCE PAC, certified public accountants registered in the Singapore. The statutory financial statements of this subsidiary for the year ended December 31, 2023 were prepared in accordance with FRS and were audited by Reliance Audit PAC, certified public accountants registered in Singapore. [No audited statutory report has been issued for the year ended December 31, 2024.]
- (viii) No audited statutory financial statements have been issued for these subsidiaries for the years ended December 31, 2023 and 2024, as applicable.
- (ix) The statutory financial statements of this subsidiary for the years ended December 31, 2022 and 2023 were prepared in accordance with French accounting rules and principles and were audited by FIDEXTRA, certified public accountants registered in the France. [No audited statutory report has been issued for the year ended December 31, 2024.]
- (x) The statutory financial statements of this subsidiary for the years ended December 31, 2022 and 2023 were prepared in accordance with IFRS Accounting Standards and were audited by ALYAH, certified public accountants registered in the Dubai. [No audited statutory report has been issued for the year ended December 31, 2024.]

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43. 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.

	Lease liabilities	Bank borrowings	Other payables for acquisition of other intangible assets	Total
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
As at January 1, 2022	27,838	33	–	27,871
Financing cash flows	(31,821)	288,103	–	256,282
New lease entered	100,340	–	–	100,340
Lease modified	(1,162)	–	–	(1,162)
Interest expenses	2,575	8,598	–	11,173
As at December 31, 2022	97,770	296,734	–	394,504
Financing cash flows	(29,704)	376,073	–	346,369
New lease entered	1,869	–	–	1,869
Lease modified	(3,096)	–	–	(3,096)
Interest expenses	4,347	12,294	–	16,641
As at December 31, 2023	71,186	685,101	–	756,287
Financing cash flows	(29,508)	226,735	(1,730)	195,497
Acquisition of other intangible assets with financing component	–	–	68,256	68,256
New lease entered	8,901	–	–	8,901
Lease modified	(35)	–	–	(35)
Exchange rate realignment	(7)	–	(2,191)	(2,198)
Interest expenses	3,454	26,649	–	30,103
As at December 31, 2024	<u>53,991</u>	<u>938,485</u>	<u>64,335</u>	<u>1,056,811</u>

44. SUBSEQUENT EVENTS

[There were no material events taken place subsequent to December 31, 2024.]

45. SUBSEQUENT FINANCIAL STATEMENTS

[No audited financial statements of the Group, the Company or any of its subsidiaries have been prepared in respect of any period subsequent to December 31, 2024.]

APPENDIX II

[REDACTED]

[REDACTED]

APPENDIX II

[REDACTED]

[REDACTED]

APPENDIX II

[REDACTED]

[REDACTED]

APPENDIX II

[REDACTED]

[REDACTED]

APPENDIX III

SUMMARY OF ARTICLES OF ASSOCIATION

This appendix contains a summary of the main provisions of the Articles of Association, which was approved at the 2025 second extraordinary shareholders’ meeting of the Company, and will take effect from the date of the [REDACTED] of H shares on the Hong Kong Stock Exchange.

As the main purpose of this appendix is to provide potential [REDACTED] with an overview of the Articles of Association, it doesn’t contain all the information that is important to potential [REDACTED].

SHARES

Issuance of Shares

The Shares of our Company take the registered form of Share certificates. The Shares of our Company shall be issued in accordance with the principles of openness, fairness and justice. The Company’s shares shall be divided into Class A shares and Class B shares. Class A shares shall carry special voting rights and, except for specific matters stipulated in the Company’s Articles of Association, differential voting rights shall attach exclusively to Class A shares, granting their holders enhanced voting power solely on resolutions submitted to the Company’s general meetings. In all other respects, the rights attached to Class A shares must be identical to those attached to Class B shares. Each Class A share shall carry ten (10) votes, each Class B share shall carry one (1) vote, and each Share in the same class shall rank pari passu. For the same class of Shares issued at the same time, each Share shall be issued on the same conditions and at the same price. Each Share subscribed by the subscriber shall be paid at the same price per share. If at any time the Company’s shares are divided into different classes, any variation of the rights attached to any class of Shares shall be approved by a special resolution of the shareholders holding the Shares of the relevant class with such rights. All ownership documents or certificates representing the Company’s listed equity securities must prominently display the warning statement: “COMPANY WITH WEIGHTED VOTING RIGHTS CONTROL” in a conspicuous manner.

Shareholders holding Class A shares shall serve as directors of the Company, hold no less than 10% of the Company’s voting shares, and have made significant contributions to the Company’s development. In any of the following circumstances, a shareholder shall not be eligible to become a special voting rights shareholder: (i) having been subject to securities market entry bans by the China Securities Regulatory Commission (the “CSRC”) within the last 36 months; (ii) having received administrative penalties from the CSRC within the last 36 months or disciplinary sanctions from securities exchanges within the last 12 months; (iii) being under investigation by judicial authorities for suspected crimes or under investigation by the CSRC for suspected violations, where no conclusive opinion has yet been reached; (iv) being subject to joint disciplinary actions for dishonesty; or (v) other circumstances identified by the CSRC and the Hong Kong Listing Rules.

Shareholders holding Class B shares shall hold no less than 10% of the eligible voting rights on resolutions at the Company’s shareholders’ meetings.

The Company shall not take any action (including issuing or repurchasing any class of shares) that would result in: (a) the aggregate voting rights of all holders of Class B shares present at a shareholders’ meeting (for the avoidance of doubt, excluding those who are also holders of Class A shares) representing less than 10% of the total voting rights exercisable by all shareholders at the meeting (excluding the voting rights of treasury shares); or (b) an increase in the proportion of Class A shares to the total issued share capital.

APPENDIX III

SUMMARY OF ARTICLES OF ASSOCIATION

The Company shall not allot, issue, or grant any additional Class A shares, except with the prior approval of the Stock Exchange and in accordance with the following circumstances: (i) an offer made to all shareholders to subscribe for shares in proportion to their existing shareholdings (excluding fractional entitlements); (ii) a scrip dividend distribution to all shareholders on a pro rata basis; or (iii) a share subdivision or other similar capital reorganization. Provided that, notwithstanding any provisions of the Stock Exchange Listing Rules, each shareholder shall be entitled to subscribe (in a pro rata offer) or receive (in a scrip dividend issuance) shares of the same class as those they currently hold; and the proposed allotment or issuance shall not result in an increase in the proportion of issued Class A shares. Accordingly:

- (a) under a pro rata offer, if any Class A shareholder does not accept all or part of the Class A shares (or attached rights) offered to them, such unaccepted shares (or rights) may only be transferred to another person on the basis that the transfer confers an equivalent number of Class B shares to the transferee; and
- (b) if the rights to Class B shares under a pro rata offer are not fully accepted (including, but not limited to, cases where the offer is not fully underwritten), the number of Class A shares to be allotted, issued, or granted under such offer shall be reduced proportionally.

Where necessary, holders of Class A shares shall use their best efforts to ensure the Company’s compliance with this Article.

If the Company reduces its total issued share capital (net of treasury shares) (e.g. through a share repurchase), and such reduction would result in an increase in the proportion of Class A shares, the holders of Class A shares shall proportionally reduce their weighted voting rights in the Company (e.g. through converting a portion of their shares carrying such rights into shares without such rights).

The Company shall not amend the terms of Class A shares to increase the weighted voting rights attached to this class. If the Company proposes to amend the terms of Class A shares to reduce such rights, it may do so only after obtaining the prior approval of the Hong Kong Stock Exchange and disclosing such changes upon approval, in addition to complying with any applicable legal requirements.

Class A shares shall be converted into Class B shares on a 1:1 basis upon the occurrence of any of the following events:

- (i) The holder of Class A shares loses the capacity to perform his duties, resigns, or passes away;
- (ii) The holder of Class A shares ceases to be a director of the Company;
- (iii) The Hong Kong Stock Exchange determines that the holder of Class A shares is incapacitated from performing his duties as a director;
- (iv) The Hong Kong Stock Exchange determines that the holder of Class A shares no longer complies with the requirements for directors under the Hong Kong Listing Rules;

APPENDIX III

SUMMARY OF ARTICLES OF ASSOCIATION

- (v) Class A shares are required to be transferred due to a court order, divorce, inheritance, or similar circumstances;
- (vi) The holder of Class A shares transfers the beneficial ownership, economic interest, or control over the voting rights attached to such shares (through a proxy or otherwise) to another person, including where the vehicle holding such Class A shares no longer complies with Rule 8A.18(2) of the Listing Rules (in which case, the Company and the relevant holder of Class A shares shall notify the Hong Kong Stock Exchange of the details of the non-compliance as soon as practicable);
- (vii) The term of the weighted voting rights arrangement expires or a triggering event for its termination occurs;
- (viii) The holder of Class A shares no longer meets the qualification or minimum shareholding requirements under the Company’s articles of association;
- (ix) A change occurs in the Company’s de facto controller;
- (x) The shareholders’ meeting passes a resolution to terminate the weighted voting rights arrangement.

In the event of any of the circumstances set out in items (vii), (ix), or (x) above, all issued Class A shares of the Company shall be converted into Class B shares. Upon the occurrence of any triggering event specified herein, the conversion of Class A shares into Class B shares shall take effect immediately, and the relevant shareholder(s) shall promptly notify the Company. The Company shall, without delay, disclose to shareholders the specific circumstances, timing of the event, quantity of Class A shares converted, and the remaining number of Class A shares, among other details.

If none of the original Class A shareholders at the time of the Company’s initial [REDACTED] retains beneficial ownership of Class A shares, the Company’s weighted voting rights structure must be terminated.

Class A shares shall not be traded, except as otherwise provided under the Hong Kong Listing Rules or other applicable laws and regulations.

The Shares issued by the Company are denominated in RMB.

Increase, Reduction, and Repurchase of Shares

According to the operation and development needs of the Company, subject to the laws and regulations, the Company may increase the share capital in the following ways upon approval of resolutions at the shareholders’ meeting:

- (i) Issuing shares to unspecified parties;
- (ii) Issuing shares to specified parties;

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SUMMARY OF ARTICLES OF ASSOCIATION

- (iii) Allotting bonus shares to its existing shareholders;
- (iv) Converting the capital reserves into share capital;
- (v) Any other method stipulated by laws, administrative regulations and normative documents, as well as other methods approved by the securities regulatory authority of the place where the Company’s shares are listed, and the Hong Kong Stock Exchange.

After the [REDACTED] of the Company’s shares on the Hong Kong Stock Exchange, the Company shall not issue any new Class A shares either domestically or overseas, nor increase the voting power ratio corresponding to Class A shares, except in cases of pro-rata rights issues or conversion of capital reserves (e.g. bonus share issues).

Our Company may reduce its registered capital. Any reduction of the Company’s registered capital shall be subject to the procedures stipulated by the Company Law, other relevant regulations, as well as the Articles of Association.

Our Company shall not repurchase its own shares, unless otherwise under the circumstances:

- (i) Reducing our Company’s registered share capital;
- (ii) Merging with other companies which hold our shares;
- (iii) Using the shares for an employee stock ownership plan or equity incentive plan;
- (iv) Purchasing its shares from Shareholders who have voted against the resolutions on the merger or division of the Company at a shareholders’ meeting upon their request;
- (v) Use of shares for conversion of convertible corporate bonds issued by the Company;
- (vi) Necessary for the Company to maintain its value and protect the interests of the Shareholders;
- (vii) Other circumstances permitted by relevant laws, administrative regulations, departmental rules, normative documents, and the Hong Kong Listing Rules.

Our Company may repurchase its Shares through open centralized trading or other ways recognized by laws, administrative regulations and normative documents and, other regulatory rules of the place where the Company’s Shares are listed. If the Share purchase is made under any of the circumstances stipulated in (iii), (v) or (vi) aforementioned, it shall be conducted by way of open centralized trading.

If corporate actions such as share repurchases or capital reduction may potentially increase the voting power ratio of Class A shares, the Company shall simultaneously implement corresponding measures (including but not limited to converting a commensurate number of Class A shares into Class B shares) to ensure that the voting power ratio of Class A shares does not exceed the original level.

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A resolution shall be passed at the shareholders’ meeting when the Company is to repurchase its own shares under the circumstances (i) and (ii) set out above. In case of the circumstances stipulated in (iii), (v) and (vi) above, a resolution of the Company’s Board shall be passed by more than two-thirds of the Directors attending the Board meeting in accordance with the provisions of the Articles of Association or the authorization of the shareholders’ meeting.

After the Company lawfully repurchases its shares, it shall cancel such shares within the time limit prescribed by laws, administrative regulations, and the Hong Kong Listing Rules, and apply to the original company registration authority for modification of the registered capital.

Transfer of Shares

The Shares of the Company can be transferred in accordance with laws.

The Company shall not accept any of its own Shares as the subject of pledge right.

Shares issued prior to the Company’s public offering of Shares shall not be transferred for a period of one year from the date of listing and trading of the Company’s Shares on the stock exchange.

The Directors and senior management personnel of the Company shall declare to the Company the Shares held by them in the Company and the changes therein, and shall not transfer more than 25% of the total number of Shares held by them in the Company each year during their terms of office; the Shares they hold in the Company shall not be transferred within one year from the date of listing and trading of the Company’s Shares. The Shares of the Company held by the above-mentioned persons shall not be transferred within six months after their departure from office.

SHAREHOLDERS AND SHAREHOLDERS’ MEETING

Shareholders

The Company shall prepare a register of members based on the evidence provided by the securities registrar, and the register of members shall be sufficient evidence of the Shareholders’ shareholdings in the Company. A Shareholder shall enjoy rights and bear obligations according to the class of his or her Shares. Shareholders holding Shares of the same class shall enjoy the equal rights and bear the same obligations. Except for the differential voting rights specified in the Company’s Articles of Association, Class A shares and Class B shares shall carry identical shareholder rights in all other respects. Holders of Class A shares shall exercise their rights in compliance with applicable laws and regulations as well as the Company’s Articles of Association, and shall not abuse their special voting rights and utilize such special voting rights to impair the lawful rights and interests of other shareholders.

Shareholders of the Company are entitled to the following rights:

- (i) To receive dividends and other forms of interest distribution according to the number of shares held;

APPENDIX III

SUMMARY OF ARTICLES OF ASSOCIATION

- (ii) To legally require, convene, preside over, participate in or authorize proxies of Shareholders to attend the shareholders’ meeting and exercise corresponding voting rights;
- (iii) To supervise business operations of our Company, provide suggestions or submit queries;
- (iv) To transfer, grant or pledge the Company’s shares held according to the provisions of the laws, administrative regulations, the relevant regulations of the securities regulatory authority in the place of where the Company’s shares are listed and the Articles of Association;
- (v) To acquire relevant information according to the provisions of the Articles of Association;
- (vi) To participate in the distribution of the remaining assets of our Company according to the proportion of shares held upon our termination or liquidation;
- (vii) To require the Company to purchase their shares if they object to the resolutions on the Company’s merger or division made by the Shareholders’ meeting;
- (viii) Other rights stipulated by laws, administrative regulations, normative documents, the Hong Kong Listing Rules, and the Articles of Association.

The Shareholder who proposes to inspect or copy the aforementioned relevant information or to obtain materials shall provide the Company with a written document proving the type and quantity of shares they hold in the Company. Upon verifying the shareholder’s identity, the Company shall provide the requested information in accordance with the shareholder’s requirements.

If the convening procedures or voting methods of the shareholders’ meeting or the board of directors violate laws, administrative regulations or the Articles of Association, or the content of the resolution violates the Articles of Association, the Shareholders shall have the right to request the court of the PRC to revoke the resolution within 60 days from the date on which the resolution is made. However, the resolution shall not be revoked if there are only minor flaws in the convening procedures or voting methods of the shareholders’ meeting or the board meeting resulting in no substantial impact on the resolution.

If the directors other than those on the Audit Committee or senior management personnel violate the provisions of laws, administrative regulations or the Articles of Association in performing duties for the Company and causes damage to the Company, Shareholders who hold 1% or more of the Shares in the Company, either individually or collectively, for more than 180 consecutive days shall have the right to request the Audit Committee in writing to institute a legal action in the People’s Court; if the Audit Committee violates any law or administrative regulation or breaches the Articles of Association in performing duties for the Company and causes damage to the Company, Shareholders may request the Board in writing to institute a legal action in the People’s Court.

If the Audit Committee or the Board refuses to institute legal actions after receiving a written request from the Shareholder as provided for in the preceding paragraph, or if no legal actions are instituted within 30 days from the date of receipt of the request, or if the situation is urgent and failure to institute proceedings immediately would cause irreparable damage to the interests of the Company, the Shareholder as provided for in the preceding paragraph shall have the right to institute proceedings directly in the People’s Court in his own name and for the interests of the Company.

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In the event that a third party infringes upon the lawful rights and interests of the Company and causes damage to the Company, the Shareholders provided for in the preceding paragraph may institute a legal action in the People’s Court in accordance with the procedure described above.

Where a Director, Supervisor and senior management personnel of a wholly-owned subsidiary of the Company falls under the circumstances prescribed in the preceding paragraph, or where a third party infringes upon the lawful rights and interests of the wholly-owned subsidiary of the Company and causes damage to such wholly-owned subsidiary, Shareholders who hold 1% or more of the Shares in the Company, either individually or collectively, for more than 180 consecutive days may request the Supervisory Committee or the Board of the wholly-owned subsidiary in writing to institute proceedings in the People’s Court in accordance with Article 189 of the Company law, or directly institute a legal action in the People’s Court in his own name.

Any shareholder who abuses shareholder rights and thereby causes losses to the Company or other shareholders shall be liable for compensation in accordance with the law. Where a shareholder abuses the Company’s independent legal status and their own limited liability to evade debts, thereby seriously harming the interests of the Company’s creditors, such shareholder shall bear joint and several liability for the Company’s debts.

Shareholders of the Company shall assume the following obligations:

- (i) To comply with laws, administrative regulations, and the Articles of Association;
- (ii) To pay capital contribution as per the Shares subscribed for and the method of subscription;
- (iii) Not to withdraw Shares unless prescribed otherwise in laws and regulations;
- (iv) 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 damage the interests of the Company’s creditors;
- (v) Other obligations stipulated by laws, administrative regulations, and the Articles of Association.

Controlling Shareholders and Actual Controllers

The controlling shareholder and actual controller of the Company shall exercise their rights and perform their obligations in accordance with laws, administrative regulations, the rules of CSRC, and the Hong Kong Stock Exchange, and shall safeguard the interests of the [REDACTED] company.

The controlling shareholder and actual controller of the Company shall comply with the following provisions:

- (i) Exercise shareholder rights in accordance with the law, and shall not abuse their controlling position or use connected relationships to harm the lawful rights and interests of the Company or other shareholders;

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- (ii) Strictly fulfill all public statements and commitments made, and shall not arbitrarily modify or waive them;
- (iii) Strictly perform information disclosure obligations in accordance with relevant regulations, actively cooperate with the Company in information disclosure work, and promptly inform the Company of any material event that has occurred or is intended to occur;
- (iv) Shall not misappropriate Company funds in any form;
- (v) Shall not compel, instruct, or demand the Company or its relevant personnel to provide guarantees in violation of laws or regulations;
- (vi) Shall not exploit undisclosed material information of the Company for personal gain, disclose any undisclosed material information related to the Company in any form, or engage in illegal activities such as insider trading, short-swing trading, or market manipulation;
- (vii) Shall not harm the lawful rights and interests of the Company and other shareholders through unfair connected transactions, profit distributions, asset reorganizations, external investments, or any other means;
- (viii) Ensure the Company’s asset integrity, personnel independence, financial independence, organizational independence, and business independence, and shall not in any way compromise the Company’s independence;
- (ix) Other provisions under laws, administrative regulations, CSRC rules, the Hong Kong Listing Rules, and the Articles of Association.

If the controlling shareholder or actual controller of the Company instructs directors or senior management to engage in acts that harm the interests of the Company or its shareholders, they shall bear joint and several liability with such directors or senior management.

Shareholder’s Meetings

General Provisions for Shareholder’s Meetings

The shareholders’ meeting is the organ of authority of the Company, which exercises its powers in accordance with the law:

- (i) To elect or replace the Directors and to decide on matters relating to the remuneration of Directors;
- (ii) To examine and approve reports of the Board of Directors;
- (iii) To examine and approve the Company’s proposals for profit distribution plans and loss recovery plans;

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- (iv) To decide on any increase or decrease of the Company’s registered capital;
- (v) To decide on the issue of corporate bonds by the Company;
- (vi) To decide on matters such as merger, division, dissolution and liquidation or change of corporate form of the Company;
- (vii) To amend the Articles of Association;
- (viii) To resolve on the appointment and dismissal of the accounting firm engaged for the Company’s audit services;
- (ix) To examine and approve the external guarantees stipulated in the Articles of Association that need to be examined and approved by the shareholders’ meeting;
- (x) To examine matters relating to the purchases and sales of the Company’s material assets within one year, which exceed 30% of the Company’s latest audited total assets;
- (xi) To examine and approve matters relating to changes in the use of proceeds;
- (xii) To examine and approve the equity incentive plans and employee stock ownership plans;
- (xiii) To examine other matters as required by the laws, administrative regulations, departmental rules, the Hong Kong Listing Rules, the securities regulatory rules of the place where the Company’s shares are listed or the Articles of Association of the Company, which shall be decided by the shareholders’ meeting.

The following acts of external guarantee of the Company shall be submitted to the shareholders’ meeting for deliberation and approval. When the shareholders’ meeting considers a proposal to provide guarantees for shareholders, the actual controller or their connected persons, such shareholders or shareholders controlled by the actual controller shall not participate in the voting on such resolution:

- (i) Any guarantee to be provided after the total amount of external guarantees provided by the Company and the subsidiaries it controls has exceeded 50% of the Company’s net assets as audited in the latest period;
- (ii) Any guarantee to be provided after the total amount of external guarantees provided by the Company has exceeded 30% of the Company’s total assets audited in the latest period;
- (iii) The total amount of external guarantees provided by the Company has exceeded 30% of the Company’s total assets audited in the latest period;
- (iv) Any guarantee to be provided for a party whose ratio of liabilities to assets exceeds 70%;
- (v) The single guarantee for an amount more than 10% of the Company’s net assets audited in the latest period;

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- (vi) The guarantee to be provided to a Shareholder, or to an actual controller or connected party thereof.

The shareholders’ meetings are divided into annual shareholders’ meetings and extraordinary shareholders’ meetings. The annual shareholders’ meeting shall be convened once a year and be held within six months after the end of the previous fiscal year.

The Company shall convene an extraordinary shareholders’ meeting within two months from the date of the occurrence of any of the following circumstances:

- (i) The number of directors is less than the number provided for in the PRC Company Law or less than two-thirds of the number prescribed in the Articles of Association;
- (ii) The uncovered losses of our Company reach one-third of its total paid-in share capital;
- (iii) A written request from shareholders who separately or jointly hold 10% or more shares in the Company;
- (iv) The Board of Directors considers it necessary;
- (v) The Audit committee proposes that such a meeting shall be held;
- (vi) Other circumstances conferred by the laws, administrative regulations, departmental rules, the Hong Kong Listing Rules, securities regulatory rules of the place where the Company’s shares are listed or the Articles of Association.

Summoning of Shareholders’ Meetings

The independent Directors shall have the right to propose to the Board to convene an extraordinary shareholders’ meeting. The Board shall, in accordance with relevant laws, administrative regulations and the Articles of Association, give a written response on whether or not it agrees to convene such an extraordinary shareholders’ meeting within 10 days after the receipt of the proposal. If the Board agrees to convene an extraordinary shareholders’ meeting, it shall give a notice convening such meeting within 5 days after it has so resolved. If the Board does not agree to convene the extraordinary shareholders’ meeting, it shall give the reasons.

The Audit Committee shall submit any proposal to convene an extraordinary shareholders’ meeting to the Board of Directors in writing. The Board shall, in accordance with the laws, administrative regulations, the Hong Kong Listing Rules, securities regulatory rules of the place where the Company’s shares are listed and the Articles of Association, give a written response on whether or not it agrees to convene such an extraordinary shareholders’ meeting within 10 days after the receipt of the proposal. If the Board agrees to convene an extraordinary shareholders’ meeting, it shall give a notice convening such meeting within 5 days after it has so resolved. Any change to be made to the original request in the notice shall be subject to approval of the Audit Committee. If the Board does not agree to convene an extraordinary shareholders’ meeting or fails to give a response within 10 days after the receipt of the proposal, the Audit Committee may convene and preside over such meeting on its own on the ground that the Board of Directors was unable or failed to perform its duty to convene a shareholders’ meeting.

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Shareholders who individually or collectively hold more than 10% of the shares of the Company (on a one-vote-per-share basis, excluding treasury shares) for more than 90 consecutive days shall have the right to request the Board of Directors to convene an extraordinary shareholders’ meeting, shall have the right to introduce a proposal into the meeting agenda and shall submit such request in writing to the Board of Directors. The Board of Directors shall, in accordance with the provisions of laws, administrative regulations and the Articles of Association, provide written feedback on whether or not to convene the extraordinary shareholders’ meeting within 10 days after receiving the request. Where the Board of Directors agrees to convene an extraordinary shareholders’ meeting, it shall issue a notice of convening the shareholders’ meeting within 5 days after the resolution of the Board of Directors is made, and changes to the original request in the notice shall be subject to the consent of the relevant shareholders. Where the Board of Directors does not agree to convene an extraordinary shareholders’ meeting, or fails to give feedback within 10 days after receiving the request, shareholders who individually or collectively hold more than 10% of the Company’s shares (on a one-vote-per-share basis, excluding treasury shares) have the right to propose to the Audit Committee to hold an extraordinary shareholders’ meeting, and shall make a written request to the Audit Committee. Where the Audit Committee agrees to convene an extraordinary shareholders’ meeting, it shall issue a notice of convening the shareholders’ meeting within 5 days of receiving the request, and any change to the original request in the notice shall be subject to the consent of the relevant shareholders. Where the Audit Committee fails to issue a notice of the shareholders’ meeting within the prescribed time limit, it shall be deemed that the Audit Committee has not convened and presided over the shareholders’ meeting, and shareholders who individually or collectively hold more than 10% of the Company’s shares (on a one-vote-per-share basis, excluding treasury shares) for more than 90 consecutive days may convene and preside over it on their own.

Proposals And Notices of Shareholders’ Meeting

The content of proposals shall fall within the powers of the shareholders’ meeting, have a clear subject for discussion and specific matters to be resolved and comply with relevant requirements of the laws, administrative regulations, the Hong Kong Listing Rules, the securities regulatory rules of the place where the shares of the Company are listed and the Articles of Association.

The Board of Directors, the Audit Committee or Shareholders that hold, individually or collectively, 1% or more of the Shares of the Company shall have the right to propose resolutions in shareholders’ meeting.

Shareholders that hold, individually or collectively, 1% or more of the Shares of the Company may submit ad hoc proposals in writing to the convener 10 days before the convening of the shareholders’ meeting. The convener shall give a supplemental notice of the shareholders’ meeting within 2 days upon receipt of the proposals and announce the contents of the ad hoc proposals and submit the ad hoc proposals to the shareholders’ meeting for consideration, except for the cases where ad hoc proposals violates the provisions of laws, administrative regulations or the Articles of Association, or does not fall within the scope of the authority of the shareholders’ meeting.

Except for the circumstances provided for in the preceding paragraph, the convener shall not modify the proposals already listed in the notice of the shareholders’ meeting or add new proposals after issuing the notice of the shareholders’ meeting.

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The convener of an annual shareholders’ meeting shall notify all Shareholders by means of an announcement 20 days before the meeting; the convener of an extraordinary shareholders’ meeting shall notify all Shareholders by means of an announcement 15 days before the meeting. Simultaneously with the issuance of such notice, the Company shall distribute proxy forms that provide voting options for/against all resolutions proposed to be tabled at the meeting. When calculating the notice period, the day of the meeting itself shall not be included.

A notice of a shareholders’ meeting shall include the following:

- (i) the time, venue and duration of the meeting;
- (ii) matters and proposals submitted to the meeting for consideration;
- (iii) a prominent written statement that all Shareholders are entitled to attend shareholders’ meeting and are entitled to appoint in writing a proxy to attend and vote at the meeting and that such proxy need not be a shareholder of the Company;
- (iv) the record date of registration of Shareholders entitled to attend the shareholders’ meeting (The interval between the record date and the meeting date shall not exceed 7 trading days. Once determined, the record date shall not be altered);
- (v) the name and telephone number of the regular contact person for the meeting;
- (vi) the time and procedure for voting online or through other means;
- (vii) Other requirements stipulated in laws, administrative regulations, departmental rules, normative documents, the Hong Kong Listing Rules, securities regulatory rules of the place where the Company’s shares are listed.

Notices and supplementary notices of shareholders’ meetings shall adequately and completely disclose the specific contents of all proposals.

After the notice of the shareholders’ meeting is issued, the shareholders’ meeting shall not be postponed or canceled without justifiable reasons, and the proposals listed in the notice of the shareholders’ meeting shall not be canceled. Once there is a postponement or cancellation, the organizer shall explain the reasons at least 2 working days before the original date of the convening.

Convening of Shareholders’ Meetings

All shareholders or their proxies registered are entitled to attend the shareholders’ meeting and exercise their voting rights in accordance with relevant laws, regulations, and the Articles of Association. Shareholders may attend the shareholders’ meeting in person or appoint a proxy to attend and vote on their behalf, and such proxy need not be a shareholder of the Company.

Where the shareholders’ meeting requires directors or senior management to attend, such directors or senior management shall be present and respond to shareholders’ inquiries.

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The shareholders’ meeting shall be presided over by the Chairman of the Board. If the Chairman is unable or fails to perform this duties, a director recommended by a majority of the directors shall preside over the meeting.

For shareholders’ meeting convened by the Audit Committee on its own, the convener of the Audit Committee shall preside. If the convener of the Audit Committee is unable or fails to perform this duties, a member of the Audit Committee recommended by a majority of its members shall preside.

For shareholders’ meeting convened by shareholders on their own, the convener or a representative recommended by them shall preside.

If the meeting chairperson violates the rules of procedure during the shareholders’ meeting, making it impossible to continue, the shareholders’ meeting may, with the consent of shareholders holding a majority of the voting rights present at the meeting, elect a new chairperson to continue the meeting.

The Company shall establish rules of procedure for the shareholders’ meeting, detailing the procedures for convening and voting, including notices, registration, review of proposals, voting, vote counting, announcement of results, formation of resolutions, meeting minutes and their signing, announcements, and the principles and specific content of the shareholders’ meeting’s authorization to the Board of Directors. The rules of procedure for the shareholders’ meeting shall be an appendix to the Articles of Association, drafted by the Board of Directors and approved by the shareholders’ meeting.

Voting and Resolutions of Shareholders’ Meeting

Resolutions of the shareholders’ meeting are divided into ordinary resolutions and special resolutions. An ordinary resolution of the shareholders’ meeting shall be passed by a majority of the voting rights held by shareholders (including shareholder proxies) present at the meeting. A special resolution of the shareholders’ meeting shall be passed by at least two-thirds of the voting rights held by shareholders (including shareholder proxies) present at the meeting.

The following matters shall be passed by the shareholders’ meeting through ordinary resolutions:

- (i) Work reports of the Board of Directors;
- (ii) Profit distribution plans and plans for making up losses proposed by the Board of Directors;
- (iii) Appointment and removal of directors, and determination of their remuneration and payment methods;
- (iv) Other matters not required by laws, administrative regulations, the Hong Kong Listing Rules, other securities regulatory rules of the place where the Company’s shares are listed, or the Articles of Association to be passed by special resolution.

The following matters shall be passed by the shareholders’ meeting through special resolutions:

- (i) Increase or reduction of the Company’s registered capital;

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- (ii) Division, split, merger, dissolution, and liquidation, or change of corporate form of the Company;
- (iii) Amendments to the Articles of Association;
- (iv) The purchase and sale of material assets or amount of guarantee to third parties provided by the Company within one year valued at more than 30% of the audited total assets of the Company as at the most recent period;
- (v) Equity incentive plans;
- (vi) Other matters stipulated by laws, administrative regulations, the Hong Kong Listing Rules, other securities regulatory rules of the place where the Company’s shares are listed, or the Articles of Association, as well as other matters deemed by the shareholders’ meeting through ordinary resolution to have a significant impact on the Company and requiring a special resolution.

Shareholders (including shareholder proxies) shall exercise their voting rights based on the number of voting shares they represent. Except for specific matters where each Class A share shall carry the same number of voting rights as each Class B share (i.e., one (1) vote per share in such cases), holders of Class A shares shall be entitled to ten (10) votes per share, while holders of Class B shares shall be entitled to one (1) vote per share, on all resolutions submitted to a general meeting of shareholders.

For resolutions on the following specific matters submitted to a general meeting, each Class A share shall carry the same number of voting rights as each Class B share (i.e., one (1) vote per share):

- (i) Amendments to the Company’s Articles of Association;
- (ii) Variation of rights attached to any class of shares;
- (iii) Merger, division, dissolution, or change of the Company’s legal form;
- (iv) Determination of remuneration for non-employee representative directors;
- (v) Election and change of the members of the Audit Committee;
- (vi) Election or removal of independent non-executive directors;
- (vii) Appointment or dismissal of the accounting firm auditing the Company’s periodic reports;
- (viii) Other matters stipulated by the Hong Kong Listing Rules or the Company’s Articles of Association.

Resolutions on items (i) and (iii) above shall require approval by at least two-thirds of the voting rights represented at the meeting, provided that the conversion of a corresponding number of Class A shares into Class B shares in accordance with the Articles of Association shall not be subject to such supermajority requirement.

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The Company’s own shares held by the Company do not carry voting rights, and such shares shall not be counted in the total number of voting shares present at the shareholders’ meeting.

When the shareholders’ meeting reviews matters related to connected transactions, connected shareholders shall not participate in the voting, and the number of voting shares they represent shall not be counted in the total valid votes. The announcement of the shareholders’ meeting resolution shall fully disclose the voting situation of non-connected shareholders.

DIRECTORS AND BOARD OF DIRECTORS

Directors

Directors of the Company shall be natural persons. A person may not serve as a Director of the Company in case of any of the following circumstances:

- (i) the person without civil conduct capacity or with limited civil conduct capacity;
- (ii) the person who has committed an offense of corruption, bribery, conversion of property, misappropriation of property or sabotaging the market economic order of socialism and has been punished therefor; or who has been deprived of his/her political rights, in each case where less than 5 years have elapsed since the date of the completion of implementation of such punishment or deprivation; in the case of a suspended sentence, for a period not exceeding two years from the date of expiry of the probationary period;
- (iii) the person who is a former director, factory director or General Manager (President) of a company or enterprise which is insolvent and under liquidation and he/she is personally liable for the insolvency of such company or enterprise, where less than 3 years have elapsed since the date of the completion of such insolvency and liquidation of the company or enterprise;
- (iv) the person who is a former legal representative of a company or enterprise which had its business license revoked and was ordered to shut down due to a violation of the law and who incurred personal liability, where less than 3 years have elapsed since the date of such revocation of the business license, order to close down;
- (v) the person listed as a judgment defaulter by the court of the PRC because the amount of debt he bears is relatively large and the debt is not paid off when it is due;
- (vi) the person has been banned by the relevant regulatory authorities from access to the securities market, and the term of prohibition has not expired;
- (vii) other contents stipulated by laws, administrative regulations or departmental rules, and the Hong Kong Listing Rules.

Where a Director is elected or appointed in violation of the provisions above, the election, appointment or appointment shall be invalid. If a Director falls under the provisions above during his or her tenure, the Company shall dismiss him or her from office.

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Directors are elected or replaced by the shareholders’ meeting. The shareholders’ meeting may, subject to compliance with applicable laws and administrative regulations, remove any director whose term has not expired by way of an ordinary resolution (provided that such removal shall not affect any claim for damages the director may have under any contract). Directors shall serve a term of three (3) years and may be re-elected upon expiration of their term; provided, however, that any independent non-executive director who has served for more than nine (9) years shall be subject to the applicable deliberation procedures prescribed by the listing rules of the jurisdiction where the Company’s shares are listed before being re-elected.

The term of office of a Director shall commence from the date of taking the position until the expiry of the term of office of the current session of the Board. Where a re-election fails to be carried out in a timely manner upon the expiry of the term of office of a Director, such Director shall continue to perform his/her duties as a Director in accordance with the laws, administrative regulations, departmental rules and the Articles of Association.

Senior management officers may serve concurrently as Directors, provided that the total number of such Directors who concurrently serve as general manager or other senior management personnel and the employee representatives shall not exceed a half of the total number of the Directors of the Company.

The Board of Directors of the Company shall include one (1) director elected from among the employee representatives. Such employee representative director shall be democratically elected by the Company’s employees through the employees’ congress, general employees’ meeting, or other similar forms, and no shareholder approval shall be required for such election.

Directors shall comply with laws, administrative regulations, and the provisions of the Articles of Association, and owe fiduciary duties to the Company. They shall take measures to avoid conflicts between their personal interests and the interests of the Company, and shall not exploit their positions to seek improper benefits. Directors owe the following specific fiduciary duties to the Company:

- (i) Not to misappropriate the Company’s property or expropriate the Company’s funds;
- (ii) Not to open accounts in their own name or in the name of others to store the Company’s assets or funds;
- (iii) Not to use their authority to accept bribes or other illegal income;
- (iv) Not to enter into any contract or transaction with the Company, directly or indirectly, without reporting to the Board or the Shareholders’ Meeting and obtaining the approval of a resolution of the Board or the shareholders’ meeting in accordance with the Articles of Association;
- (v) Without the consent of the shareholders’ meeting, one shall not take advantage of their Position to seek for themselves or others any business opportunity that rightfully belongs to the company, except under the following circumstances: (1) reporting to the board of directors or shareholders’ meeting and obtaining approval through a resolution of the board of directors or shareholders’ meeting in accordance with the provisions of the Articles of Association; (2) the Company is

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unable to utilize the business opportunity as stipulated by laws, administrative regulations, or the Articles of Association;

- (vi) Not to engage in or operate businesses similar to the Company’s business for themselves or others without reporting to the Board of Directors or the shareholders’ meeting and approved by a resolution of the shareholders’ meeting;
- (vii) Not to accept commissions in connection with the Company’s transactions;
- (viii) Not to disclose the secrets of the Company without consent;
- (ix) Not to use their connections to harm the interests of the Company;
- (x) Other fiduciary duties stipulated by laws, administrative regulations, departmental rules, the Hong Kong Listing Rules, and the Articles of Association.

Any gain arising from the breach of the preceding paragraphs by the Director shall belong to our Company. He/she shall be liable for compensation for any loss of our Company arising therefrom.

Directors shall abide by laws, administrative regulations and the Articles of Association, and have diligent obligations to the Company, and shall perform their duties with the reasonable care normally expected of a manager in the best interests of the Company.

Directors shall have the following diligence duty to the Company:

- (i) 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 government 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;
- (ii) Shall treat all Shareholders fairly;
- (iii) Shall maintain a timely awareness of the operation and management of the Company;
- (iv) Shall sign written statements confirming the regular reports of the Company, and ensure that the information disclosed by the Company is true, accurate and complete;
- (v) Shall truthfully provide information and materials to the Audit Committee and shall not obstruct the Audit Committee or its members from performing its or their duties;
- (vi) Other diligence obligations stipulated by laws, administrative regulations, departmental rules, the Hong Kong Listing Rules, and the Articles of Association.

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If any Director fails to attend in person or appoint other Directors as his/her representative to attend meetings of the Board for two consecutive times, such Director shall be deemed as unable to perform his duties, and the Board shall propose to replace such Director at the shareholders’ meeting.

A Director may submit his/her resignation before the expiry of his/her term of office. Where a Director resigns, he/she shall submit a written resignation report to the Board, the resignation shall take effect on the date the Company receives the resignation notice. The Board shall disclose the relevant information within two days.

If the resignation of a Director results in the number of members of the Company’s board of directors falling below the statutory minimum, the resigning Director shall continue to perform the duties of a director in accordance with laws, administrative regulations, departmental rules, and the provisions of the Articles of Association until the newly elected director assumes office.

No Director shall act in his/her own name for our Company or the Board without authorization by the Board or unless otherwise provided in the Article of Association. Where a Director acts in his/her own name in a situation where a third party may reasonably believe that such Director is acting for our Company or the Board, such Director shall declare in advance his/her stance and identity.

Matters relating to the Company’s independent non-executive directors shall be governed by laws, administrative regulations, and the relevant provisions of regulatory authorities and stock exchanges, with specific implementation to be further prescribed by the Company’s Working Rules for Independent Non-executive Directors.

Board of Directors

The Company shall establish a Board of Directors, which is accountable to the shareholders’ meeting. The Board of Directors shall consist of nine directors, including one Chairman.

The Board of Directors exercises the following powers and responsibilities:

- (i) Convening the shareholders’ meeting and reporting work to the shareholders’ meeting;
- (ii) Implementing resolutions of the shareholders’ meeting;
- (iii) Deciding on the Company’s business plans and investment proposals;
- (iv) Formulating the profit distribution plans and plans for recovery of losses of the Company;
- (v) Formulating plans of the Company regarding increase or reduction of the registered capital, issuance of bonds or other securities and listing;
- (vi) Formulating plans for the Company’s major acquisitions, the repurchase of its own shares, mergers, divisions, dissolution, or changes to the corporate form;

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- (vii) Determining the matters such as external investments, acquisition or sale of assets, asset mortgages, external guarantees, entrusted wealth management, connected transactions, and external donations within the scope authorized by the shareholders’ meeting or the Articles of Association.
- (viii) Determining the internal management structure of the Company;
- (ix) Electing the Chairman of the Board, and to appoint or remove the General Manager, the Board Secretary and other senior executives upon the nomination of the Chairman, and to determine their remuneration, incentives and disciplinary measures; and to appoint or remove the Deputy General Manager, the Chief Financial Officer and other senior executives upon the nomination of the General Manager, and to determine their remuneration, incentives and disciplinary measures;
- (x) Formulating the basic management systems of the Company;
- (xi) Formulating proposals for any amendment of the Articles of Association;
- (xii) Managing the information disclosure of the Company;
- (xiii) Proposing to the shareholders’ meeting for appointment or replacement of the accounting firms which provide audit services to the Company;
- (xiv) Listening to work reports from the general manager of the Company and inspecting his/her work;
- (xv) Other powers and responsibilities granted by laws, administrative regulations, departmental rules, other securities regulatory rules of the place where the Company’s shares are listed or the Articles of Association.

The Board of Directors shall meet at least four times a year, convened by the Chairman, and written notice shall be provided to all Directors 14 days before the meeting.

Shareholders representing more than one-tenth of the voting rights, one-third or more of the directors, or the Audit Committee may propose to convene an extraordinary meeting of the Board of Directors. The Chairman shall, within ten (10) days upon receipt of such proposal, convene and preside over the board meeting.

A Board meeting requires the presence of a majority of the directors to be held. Resolutions made by the Board of Directors shall be passed by a majority vote of all directors. Voting on resolutions of the Board shall be conducted on a one-person-one-vote basis.

Where a Director has a connected relationship with the enterprise involved in a matter to be resolved at a board meeting, such Director shall neither exercise voting rights on such resolution nor act as a proxy for other directors to exercise voting rights. The voting rights of such Director shall not be counted in the total voting rights. Such board meeting may be duly held with the attendance of a majority of unconnected directors, and any resolution of the board meeting shall be adopted by an affirmative vote of a majority of the unconnected directors. Where the number of unconnected directors present at the board meeting is less than three (3), the matter shall be submitted to the shareholders’ meeting for consideration.

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The Company’s Board of Directors shall establish three special board committees: the Remuneration and Appraisal Committee, the Nomination Committee, and the Audit Committee. These special committees report to the Board of Directors and shall perform their duties in accordance with the Articles of Association and the authorization of the Board. All proposals of the special committees shall be submitted to the Board for review and decision. All members of the special committees shall be directors. Independent non-executive directors shall constitute the majority and serve as conveners in the Audit Committee, the Nomination Committee, and the Remuneration and Appraisal Committee. The convener of the Audit Committee shall be an accounting professional. The Board of Directors shall be responsible for formulating working rules for the special committees to standardize their operations.

GENERAL MANAGER AND OTHER SENIOR MANAGEMENT MEMBERS

The Company shall have one General Manager who shall be appointed or dismissed by the Board.

The provisions of the Company’s Articles of Association regarding disqualification from serving as directors and the post-termination management system shall apply equally to senior executives.

The circumstances of disqualification for Directors, the fiduciary duty and diligence duty of the Directors prescribed in the Articles of Association shall also be applicable to senior management.

The general manager shall serve for a term of 3 years and may serve consecutive terms if re-appointed.

The general manager is responsible to the Board of Directors and exercises the following powers:

- (i) Presiding over the production, operation, and management of the Company, implementing the resolutions of the Board of Directors, and reporting work to the Board of Directors;
- (ii) Implementing the Company’s annual business plan and investment plan;
- (iii) Drafting the establishment plan of the Company’s internal management structure;
- (iv) Drafting the Company’s basic management system;
- (v) Formulating the Company’s specific regulations;
- (vi) Proposing to the Board of Directors the appointment or dismissal of deputy general managers, Financial Officer;
- (vii) Appointing or dismissing management personnel other than those who should be appointed or dismissed by the Board of Directors;
- (viii) Other powers granted by the Articles of Association or the Board of Directors.

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The Company shall have a Board secretary, who shall be responsible for preparing for the shareholders’ meetings and Board meetings, and maintaining documents and managing Shareholders’ information, as well as handling information disclosure matters.

The senior management of the Company shall perform their duties faithfully and safeguard the best interests of the Company and all Shareholders. If the senior management of the Company fails to perform their duties faithfully or violates their fiduciary duties, causing damage to the interests of the Company and public Shareholders, they shall be liable for compensation in accordance with the laws.

THE AUDIT COMMITTEE

The Company’s Board of Directors shall establish an Audit Committee with the following authorities:

- (i) It shall review the periodic reports prepared by the Board of Directors and provide written review opinions;
- (ii) It shall inspect the Company’s finances;
- (iii) It shall supervise the conduct of directors and senior management in the performance of their duties and propose the removal of any director or senior management who violates laws, administrative regulations, the Articles of Association, or resolutions of the shareholders’ meeting;
- (iv) It shall demand rectification when the actions of directors or senior management harm the Company’s interests;
- (v) It may propose the convening of extraordinary shareholders’ meeting and, if the Board of Directors fails to fulfill its duties under the Company Law to convene and chair the shareholders’ meeting, it may convene and chair the meeting;
- (vi) It may submit proposals to the shareholders’ meeting;
- (vii) It may, in accordance with the provisions of the Company Law, initiate legal proceedings against directors or senior management;
- (viii) If any irregularities in the Company’s operations are detected, it may conduct investigations and, when necessary, engage professional institutions such as accounting or law firms to assist in its work, with expenses borne by the Company;
- (ix) Other authorities granted by laws, administrative regulations, departmental rules, the listing rules of the stock exchange where the Company’s shares are listed, the Articles of Association, or the Terms of Reference of the Board Audit Committee.

The Audit Committee shall meet at least once every quarter. Extraordinary shareholders’ meeting may be convened upon the proposal of two or more members or when the convener deems it necessary.

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Voting on resolutions of the Audit Committee shall follow a one-member-one-vote principle. Resolutions of the Audit Committee shall be passed by a majority of its members. Minutes of the Audit Committee’s resolutions shall be prepared in accordance with regulations, and members present at the meeting shall sign the minutes. The working procedures of the Audit Committee shall be formulated by the Board of Directors.

FINANCIAL ACCOUNTING SYSTEM, PROFIT DISTRIBUTION, AND AUDIT

Financial Accounting System

The Company shall establish its financial accounting system in accordance with laws, administrative regulations, and the regulations of relevant national departments.

The Company adopts the Gregorian calendar year as its fiscal year, meaning each fiscal year runs from January 1 to December 31 of the Gregorian calendar. At the end of each fiscal year, the Company shall prepare financial accounting reports, which shall be audited by an accounting firm in accordance with the law.

The abovementioned financial accounting reports are prepared in accordance with relevant laws, administrative regulations, and departmental rules.

The Company shall not establish the statutory account books other than those provided by law. Any assets of the Company shall not be kept under any account opened in the name of any individual.

Profit Distribution

When distributing after-tax profits of the year, the Company shall allocate 10% of its after-tax profits for the Company’s statutory reserve fund. When the aggregate balance in the statutory reserve fund has reached 50% or more of the Company’s registered capital, the Company needs not to make any further allocations to that fund. Where the Company’s statutory reserve fund is not enough to make up for losses of the Company for the preceding year, the current year’s profits shall be applied firstly to make up for the losses before being allocated to the statutory reserve in accordance with the preceding provision.

Subject to a resolution passed at a shareholders’ meeting, after allocation has been made to the Company’s statutory reserve fund from its after-tax profits, the Company may set aside funds for the discretionary reserve fund from its after-tax profits. Except for those not distributed in proportion as prescribed in the Articles of Association, the remaining after-tax profit, after recovery of losses and appropriation of reserve funds, shall be distributed to Shareholders in proportion to their shareholdings. If the Company distributes profits to shareholders in violation of the provisions of the Company Law, Shareholders shall refund to the Company the profits distributed in violation of the provisions; if losses are caused to the Company, the shareholders and the responsible Directors and senior management shall be liable for compensation. No profit shall be distributed in respect of the shares of the Company which are held by the Company.

The reserve fund of the Company shall be used for making up for the loss, expansion of the operation or increase of capital of the Company. When using reserve funds to cover losses, the Company shall first

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utilize the discretionary reserve and statutory reserve. If these are insufficient to cover the losses, the capital reserve may be used in accordance with relevant regulations.

When the statutory reserve fund is capitalized, the retained portion of the fund shall not be less than 25% of the registered capital of the Company before the capitalization.

Internal Audit

The Company implements an internal audit system, specifying the leadership structure, responsibilities and authorities, staffing, funding, utilization of audit results, and accountability mechanisms for internal audit activities.

The Company’s internal audit system shall be implemented upon approval by the Board of Directors and publicly disclosed. The internal audit function reports to the Board of Directors.

Appointments of Accounting Firm

The Company shall engage accounting firms that comply with legal and regulatory requirements and maintain a good reputation to conduct financial statement audits, net asset verification, and other related advisory services. The term of appointment shall be one year and can be re-appointed.

The appointment of an accounting firm by the Company shall be subject to the approval of shareholders’ meetings. The Board shall not appoint an accounting firm before the approval of the shareholders’ meetings.

The Company guarantees that it shall provide the appointed accounting firm with true and complete accounting proofs, accounting books, financial and accounting reports and other accounting information, and that it engages without any refusal, withholding, and misrepresentation.

The auditing fee of the accounting firm shall be determined by the shareholders’ meeting.

In the event of termination of the appointment or non-renewal of appointment of an accounting firm, the Company shall notify the accounting firm 30 days in advance; when the shareholders’ meeting votes on termination of appointment of an accounting firm, the accounting firm shall be allowed to make its representation.

An accounting firm proposing to resign shall state its opinions in the shareholders’ meeting whether the Company has committed any improper act.

MERGERS, DIVISIONS, CAPITAL INCREASES, CAPITAL DECREASES, DISSOLUTION, AND LIQUIDATION

Merger, Division, Capital Increase and Capital Reduction of the Company

A merger of the Company may take the form of a merger by absorption or a merger by new creation.

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The absorption of one company into another is a merger by absorption and the absorbed company shall be dissolved. The merger of two or more companies to create a new company is a merger by new creation and the parties to the merger shall be dissolved.

In a merger of companies, all parties to the merger shall conclude a merger agreement and prepare their respective balance sheets and checklists of assets. The companies shall, within ten days of adopting the merger resolution, notify their creditors and make an announcement within 30 days in newspapers or on the National Enterprise Credit Information Publicity System (國家企業信用信息公示系統). The creditors may, within 30 days of the receipt of the notice or within 45 days as of the issuance of the announcement if they do not receive the notice, require the Company to pay off debts or provide corresponding security.

Where the Company is divided, its assets shall be divided accordingly. Where the Company is divided, a balance sheet and a checklist of assets shall be prepared. Our Company shall notify the creditors within ten days of the date when the division resolution is made and make an announcement within 30 days in newspapers or on the National Enterprise Credit Information Publicity System (國家企業信用信息公示系統).

Where the Company needs to reduce its registered capital, a balance sheet and a checklist of assets shall be prepared.

Our Company shall notify its creditors within ten days of making the resolution to reduce its registered capital and shall make an announcement within 30 days in newspapers or on the National Enterprise Credit Information Publicity System (國家企業信用信息公示系統). The creditors shall, within 30 days of the receipt of the notice or within 45 days as of the issuance of the announcement if they do not receive the notice, require the Company to pay off debts or to provide corresponding security.

Where the Company increases or reduces its registered capital, it shall go through registration amendments with the company registration authority in accordance with the law.

Dissolution and Liquidation of the Company

The Company shall be dissolved upon the occurrence of the following events:

- (i) expiry of the term of business provided in the Articles of Association or other cause of dissolution as specified therein;
- (ii) a resolution on dissolution is passed by a shareholders' meeting;
- (iii) dissolution is required due to the merger or division of the Company;
- (iv) the business license of the Company is revoked or the Company is ordered to close down or dissolved in accordance with the laws;
- (v) the Company suffers significant hardships in operation and management, and its continued existence would cause significant losses to Shareholders' interests, and such issues cannot be resolved through other means, Shareholders representing 10% or above of the total voting rights of the Company may plead the court of the PRC to dissolve the Company.

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In the event that the Company has the dissolution causes as prescribed in the preceding paragraph, it is obligated to disclose the causes of dissolution through the National Enterprise Credit Information Publicity System (國家企業信用信息公示系統) within 10 days.

Where the Company falls under the circumstances described in items (i) and (ii) above, and no property has been distributed to the Shareholders, the Company may survive by amending the Articles of Association or the resolution of the shareholders’ meeting.

Amendments to the Articles of Association in accordance with the foregoing requirements shall be approved by at least two-thirds of the voting rights held by the Shareholders present at the meeting.

The Company shall be liquidated if dissolved pursuant to the items (i), (ii), (iv) or (v) above. The directors shall be the liquidation obligors and shall form a liquidation committee within 15 days from the occurrence of the dissolution cause to commence liquidation. The liquidation committee shall be composed of the directors or persons designated by a resolution of the shareholders’ meeting. If the liquidation obligors fail to perform their liquidation duties in a timely manner, thereby causing losses to the company or its creditors, they shall be liable for compensation.

AMENDMENTS TO THE ARTICLES OF ASSOCIATION

The Company shall amend the Articles of Association upon occurrence of any of the following circumstances:

- (i) the Company Law or relevant laws, administrative regulations, and other regulatory rules of the place where the Company’s shares are listed are amended, and the matters provided for in the Articles of Association are in conflict with the provisions of the amended laws, administrative regulations, and other regulatory rules of the place where the Company’s shares are listed;
- (ii) there has been a change in the circumstances of the Company, resulting in the inconsistency of the matters recorded in the Articles of Association;
- (iii) the shareholders’ meeting has decided to amend the Articles of Association.

If the amendment to the Articles of Association adopted by resolution of the shareholders’ meeting is subject to the approval of the competent authority, it shall be reported to the competent authority for approval; if it involves matters of company registration, the registration of the changes shall be made with the company registration authority in accordance with the law.

The Board shall amend the Articles of Association in accordance with the resolution of the shareholders’ meeting in relation to the amendment of the Articles of Association and the approval of the relevant competent authorities.

Where the amendments to the Articles of Association are information required to be disclosed by laws and regulations, the relevant matters shall be announced as required.

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FURTHER INFORMATION ABOUT OUR COMPANY

Incorporation of our Company

Our Company was established as a limited liability company in the PRC on December 11, 2013 and was converted into a joint stock limited company on June 28, 2019 under the laws of the PRC. As of the Latest Practicable Date, the registered share capital of our Company is RMB360,000,000.

Our registered place of business in Hong Kong is at 31/F., Tower Two, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong. We [have] been registered as a non-Hong Kong Company under Part 16 of the Companies Ordinance. Mr. Wong Chun Wing Samuel (黃俊穎) has been appointed as our authorized representative for the acceptance of service of process and notices in Hong Kong.

As our Company was established in the PRC, we are subject to the relevant laws and regulations of the PRC. A summary of the relevant aspects of laws and regulations of the PRC and our Articles of Association is set out in “Regulatory Overview” and Appendix III to this Document, respectively.

Changes in the Share Capital of our Company

Save as disclosed in the sections headed “History, Development and Corporate Structure — Major Shareholding Changes in the Company” and “History, Development and Corporate Structure — [REDACTED] Investments” in this Document, there has been no other alteration in the share capital of our Company during the two years immediately preceding the date of this Document.

Changes in the Share Capital of our Subsidiaries

A summary of the corporate information and the particulars of our subsidiaries are set out in the Accountants’ Report in Appendix I to this Document.

Save as disclosed in this Document, there had been no other alterations of share capital of our subsidiaries within the two years preceding the date of this Document.

Resolutions of our Shareholders

Pursuant to the extraordinary general meeting of our Shareholders in May 2025, it was resolved, among others, and the following was approved:

- (a) the issue of H Shares with a nominal value of RMB1.00 each and the [REDACTED] of such H Shares on the Stock Exchange;
- (b) the number of H Shares to be issued pursuant to the [REDACTED], and the grant to the [REDACTED] of the [REDACTED] of not more than [REDACTED]% of the number of H Shares issued pursuant to the [REDACTED];

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- (c) conditional upon the completion of the [REDACTED], [REDACTED] Unlisted Shares held by certain existing Shareholders will be converted into H Shares;
- (d) subject to the completion of the [REDACTED], the Articles of Association have been approved and adopted, which shall become effective on the [REDACTED], and our Board has been authorized to amend the Articles of Association to the extent necessary in accordance with any comments from the relevant regulatory authorities;
- (e) our Board has been authorized to handle all relevant matters relating to, among other things, the implementation of issuance of H Shares and the [REDACTED]; and
- (f) the granting of a general mandate to the Board to repurchase H Shares issued on the Stock Exchange with an aggregate number of not exceeding 10% of the number of the total issued H Shares as of the [REDACTED].

Explanatory Statement on Repurchase of Our Own Securities

The following paragraphs include, among others, certain information required by the Stock Exchange to be included in this Document concerning the repurchase of our own securities.

(a) Reasons for repurchase

The Board considered that the repurchase of the H Shares would be beneficial to and in the best interests of the Company and its Shareholders as a whole. It can strengthen the [REDACTED] confidence in the Company and promote a positive effect on maintaining the Company’s reputation in the capital market. Such repurchases will only be made when the Board believes that such repurchases will benefit the Company and its Shareholder as a whole.

(b) Exercise of the general mandate to repurchase H Shares

Subject to the passing of the special resolution approving the grant of the general mandate to repurchase H Shares at annual general meetings, the Board will be granted general mandate to repurchase H Shares until the end of the relevant period. The general mandate to repurchase H Shares would expire on the earlier of:

- (i) the conclusion of the next annual general meeting of the Company of which time it shall lapse unless, by special resolutions passed at that meeting, the authority is renewed, either conditionally or subject to conditions;
- (ii) the revocation or variation of the mandate under the resolution by a special resolution at any general meeting of the Company.

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Furthermore, we need to complete registration and approval procedures with relevant government authorities for the actual grant of the repurchase mandate to the Board, as applicable. The exercise in full of the general mandate to repurchase H Shares would result in a maximum of 10% of the H Shares in issue as of the [REDACTED] being repurchased by the Company during the relevant period.

(c) Source of funds

In repurchasing its Shares, the Company intends to apply funds from the Company’s internal resources (which may include surplus funds and retained profits) legally available for such purpose in accordance with the Articles of Association and the applicable laws, rules and regulations of the PRC.

The Company is empowered by its Articles of Association to repurchase its Shares. Any shares to be repurchased will be cancelled or kept as treasury shares if allowed by the Articles of Association and applicable laws and regulations. Any repurchases by the Company may only be made in accordance with its Articles of Association and applicable PRC laws and regulations. The Company may not purchase securities on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange from time to time.

(d) Suspension of repurchase

A [REDACTED] company shall not repurchase its shares on the Stock Exchange at any time after inside information has come to its knowledge until the information is made publicly available. In particular, during the period of 30 days immediately preceding the earlier of: (i) the date of the board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of the company’s results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules); and (ii) the deadline for the issuer to announce its results for any year or half-year under the Listing Rules, or quarterly or any other interim period (whether or not required under the Listing Rules), until the date of the results announcement, the company may not repurchase its shares on the Stock Exchange unless there are exceptional circumstances.

(e) Close associates and core connected persons

None of our Directors or, to the best of their knowledge having made all reasonable inquiries, any of their close associates have a present intention, in the event the general mandate to repurchase H Shares is approved, to sell any Shares to our Company.

No core connected person of our Company has notified our Company that they have a present intention to sell Shares to our Company, or have undertaken to do so, if the general mandate to repurchase H Shares is approved.

A [REDACTED] company shall not knowingly purchase its shares on the Stock Exchange from a core connected person (namely a director, supervisor, chief executive or substantial shareholder of the company or any of its subsidiaries, or a close associate of any of them), and a core connected person shall not knowingly sell their interest in shares of the company to it.

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(f) Status of repurchased Shares

In accordance with the Articles of Association, the Listing Rules and any other applicable laws and regulations, following a repurchase of the H Shares, the Company may cancel any repurchased Shares and/or hold them as treasury shares subject to, among others, market conditions and its capital management needs at the relevant time of the repurchases, which may change due to evolving circumstances.

(g) Takeover implications

If, as a result of any repurchase of Shares, a Shareholder’s proportionate interest in the voting rights of our Company increases, such increase will be treated as an acquisition for the purposes of the Takeovers Code. Accordingly, a Shareholder or a group of Shareholders acting in concert could obtain or consolidate control of our Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code.

Save as aforesaid, our Directors are not aware of any consequences which would arise under the Takeovers Code as a consequence of any repurchases pursuant to the general mandate to repurchase H Shares.

(h) General

To the best knowledge of the Directors, neither the explanatory statement contained herein nor the proposed share repurchase has unusual features.

If the general mandate to repurchase Shares were to be carried out in full at any time, there may be a material and adverse impact on our working capital or gearing position (as compared with the position disclosed in our most recent published audited accounts). However, our Directors do not propose to exercise the general mandate to repurchase H Shares to such an extent as would have a material and adverse effect on our working capital or gearing position.

Our Directors will exercise the general mandate to repurchase H Shares in accordance with the Listing Rules and the applicable laws in the PRC.

FURTHER INFORMATION ABOUT OUR BUSINESS

Summary of Material Contract

The following contract (not being contract entered into in the ordinary course of business) was entered into by our Group within the two years preceding the date of this Document and is or may be material:

- (a) the [REDACTED].

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Intellectual Property Rights

As of the Latest Practicable Date, our Group has registered, or has applied for the registration of the following intellectual property rights which were material to our Group’s business.

Trademarks

As of the Latest Practicable Date, we had registered the following trademarks which we consider to be or may be material to our business:

No.	Trademark	Class	Owner	Registration Number	Place of Registration	Date of Registration	Expiry Date
1.	SUNMI	9, 42	the Company	305129703	Hong Kong	December 2, 2019	December 1, 2029

Patents

As of the Latest Practicable Date, we are the owner of the following material patents, details of which are as follows:

No.	Patent description	Category	Registered Owner	Place of Registration	Patent Number	Filing Date	Expiry Date
1.	A merchant terminal and method for automatically changing service state (商家終端及自動改變營業狀態的方法)	Invention patent	Company	PRC	CN201510023084.5	January 16, 2015	January 16, 2035
2.	A method and system for automatic feedback of merchant status (商戶狀態自動反饋的方法及系統)	Invention patent	Company	PRC	CN201510023985.4	January 16, 2015	January 16, 2035
3.	A data flow control system and method based on SPI protocol (基於 SPI 協議的數據流控系統及方法)	Invention patent	Company	PRC	CN201610289808.5	May 4, 2016	May 4, 2036
4.	An intelligent terminal control method and the intelligent terminal (智能終端的控制方法及智能終端)	Invention patent	Company	PRC	CN201710546905.2	July 6, 2017	July 6, 2037
5.	A method, apparatus and computer storage medium for wirelessly unlocking electronic devices (無線解鎖電子設備的方法、設備和計算機存儲介質)	Invention patent	Company	PRC	CN201711430604.X	December 26, 2017	December 26, 2037

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No.	Patent description	Category	Registered Owner	Place of Registration	Patent Number	Filing Date	Expiry Date
6.	A method and apparatus for establishing the wireless debugging connection, and data processing method (建立無線調試連接的方法及裝置、數據處理方法)	Invention patent	Company	PRC	CN201810089433.7	January 30, 2018	January 30, 2038
7.	An anti-tampering device for electronic equipment and the electronic equipment (電子設備防拆裝置和電子設備)	Invention patent	Company	PRC	CN201810310399.1	April 9, 2018	April 9, 2038
8.	A communication method and system (通訊方法及系統)	Invention patent	Company and SUNMI Technology (Shenzhen) Co., Ltd. (商米科技(深圳)有限公司)	PRC	CN201810864123.8	August 1, 2018	August 1, 2038
9.	A method and system for detecting and alerting unauthorized flashing (檢測及警示未經許可的刷機的方法和系統)	Invention patent	Company	PRC	CN201811320596.8	November 7, 2018	November 7, 2038
10.	A method and device for decoding QR code (二維碼的解碼方法和裝置)	Invention patent	Company	PRC	CN201811339423.0	November 12, 2018	November 12, 2038
11.	An imaging exposure control method and apparatus, computer readable storage medium and system (成像曝光控制方法及裝置、計算機可讀存儲介質、系統)	Invention patent	Company and SUNMI Technology (Shenzhen) Co., Ltd. (商米科技(深圳)有限公司)	PRC	CN201910438400.3	May 24, 2019	May 24, 2039
12.	A lithium battery intelligent charging management method and device thereof (一種鋰電池智能充電管理方法及其裝置)	Invention patent	Company and SUNMI Technology (Shenzhen) Co., Ltd. (商米科技(深圳)有限公司)	PRC	CN201910562594.8	June 26, 2019	June 26, 2039

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No.	Patent description	Category	Registered Owner	Place of Registration	Patent Number	Filing Date	Expiry Date
13.	A data encryption method and apparatus, mobile terminal and computer readable medium (數據加密方法和裝置、移動終端以及計算機可讀介質)	Invention patent	Company and SUNMI Technology (Shenzhen) Co., Ltd. (商米科技(深圳)有限公司)	PRC	CN201910703638.4	July 31, 2019	July 31, 2039
14.	A service request processing method and apparatus (業務請求處理方法及裝置)	Invention patent	Company	PRC	CN201910787757.2	August 26, 2019	August 26, 2039
15.	A method for data backup of Internet of Things device and the Internet of Things device (物聯網設備的數據備份的方法及物聯網設備)	Invention patent	Company	PRC	CN201910821105.6	September 2, 2019	September 2, 2039
16.	A POS terminal cash box and its protection circuit (POS終端錢箱及其保護電路)	Invention patent	Company and SUNMI Technology (Shenzhen) Co., Ltd. (商米科技(深圳)有限公司)	PRC	CN201910853531.8	September 10, 2019	September 10, 2039
17.	A database data synchronization method, apparatus and computer storage medium (一種數據庫的數據同步方法、設備和計算機存儲介質)	Invention patent	Shanghai Shangkui Information Technology Co., Ltd. (上海商魁信息科技有限公司) and Company	PRC	CN201911041263.6	October 30, 2019	October 30, 2039
18.	A method for detection of print head bad point of thermal printer (熱敏打印機的打印頭壞點檢測方法)	Invention patent	Company and SUNMI Technology (Shenzhen) Co., Ltd. (商米科技(深圳)有限公司)	PRC	CN201911076379.3	November 6, 2019	November 6, 2039
19.	A WiFi channel switching method and wireless access point (WiFi信道的切換方法及無線接入點)	Invention patent	Company	PRC	CN201911131113.4	November 19, 2019	November 19, 2039
20.	A method for detecting delay and automatically switching multi-network modes (一種可應用於多網絡模式檢測延時並自動切換的方法)	Invention patent	Company and SUNMI Technology (Shenzhen) Co., Ltd. (商米科技(深圳)有限公司)	PRC	CN201911187903.4	November 28, 2019	November 28, 2039

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No.	Patent description	Category	Registered Owner	Place of Registration	Patent Number	Filing Date	Expiry Date
21.	A method and device for controlling upgrade of intelligent commercial terminal system (控制智能商業終端系統升級的方法和裝置)	Invention patent	Company	PRC	CN201911376458.6	December 27, 2019	December 27, 2039
22.	A message processing method, server and computer storage medium between different devices (不同設備間的消息處理方法、服務器和計算機存儲介質)	Invention patent	Company	PRC	CN202010217992.9	March 25, 2020	March 25, 2040
23.	A video processing method, apparatus and machine readable storage medium (一種視頻處理方法、裝置和機器可讀存儲介質)	Invention patent	Shanghai Shangkui Information Technology Co., Ltd. (上海商魁信息科技有限公司) and Company	PRC	CN202010253747.3	April 2, 2020	April 2, 2040
24.	A video processing method, apparatus and machine readable storage medium (一種視頻處理方法、裝置和機器可讀存儲介質)	Invention patent	Shanghai Shangkui Information Technology Co., Ltd. (上海商魁信息科技有限公司) and Company	PRC	CN202010253677.1	April 2, 2020	April 2, 2040
25.	A method, apparatus and computer storage medium for processing QR code (一種處理二維碼的方法、裝置和計算機存儲介質)	Invention patent	Shanghai Shangkui Information Technology Co., Ltd. (上海商魁信息科技有限公司) and Company	PRC	CN202010297475.7	April 16, 2020	April 16, 2040
26.	A scanning method and apparatus (掃描方法及設備)	Invention patent	Company and SUNMI Technology (Shenzhen) Co., Ltd. (商米科技(深圳)有限公司)	PRC	CN202010827348.3	August 17, 2020	August 17, 2040
27.	A method for automatic detection of paper width type and system thereof (一種紙張寬度類型自動檢測方法及其系統)	Invention patent	Company	PRC	CN202011070264.6	September 30, 2020	September 30, 2040

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No.	Patent description	Category	Registered Owner	Place of Registration	Patent Number	Filing Date	Expiry Date
28.	A method, apparatus, electronic device and readable storage medium for code scanning of intelligent code scanning device (智能掃碼設備掃碼方法、裝置、電子設備及可讀存儲介質)	Invention patent	Company	PRC	CN202011070329.7	October 1, 2020	October 1, 2040
29.	A system and method for OTA (Over-the-Air Technology) upgrade of intelligent POS device (一種用於智能 POS 設備的空中下載技術升級系統及方法)	Invention patent	Company and Shanghai Shangkui Information Technology Co., Ltd. (上海商魁信息科技有限公司)	PRC	CN202011246825.3	November 10, 2020	November 10, 2040
30.	A dynamic memory area and management method of embedded device without memory management unit (一種無內存管理單元嵌入式設備的動態內存區及管理方法)	Invention patent	Company and SUNMI Technology (Shenzhen) Co., Ltd. (商米科技(深圳)有限公司)	PRC	CN202011245343.6	November 10, 2020	November 10, 2040
31.	A remote key injection method based on key agreement (一種基於密鑰協商的遠程密鑰注入方法)	Invention patent	Company and SUNMI Technology (Shenzhen) Co., Ltd. (商米科技(深圳)有限公司)	PRC	CN202011245327.7	November 10, 2020	November 10, 2040
32.	A quick code scanning method for POS machine products (一種用於 POS 機產品的快速掃碼方法)	Invention patent	Company and SUNMI Technology (Shenzhen) Co., Ltd. (商米科技(深圳)有限公司)	PRC	CN202011296083.5	November 18, 2020	November 18, 2040
33.	A paper outlet structure of printer and the printer (一種打印機出紙口結構及打印機)	Invention patent	Company and Citaq Co., Ltd. (廣東川田科技有限公司)	PRC	CN202011394705.8	December 3, 2020	December 3, 2040
34.	A face framing method based on device-side OSD (一種基於設備端 OSD 的人臉加框方法)	Invention patent	Company and SUNMI Technology (Shenzhen) Co., Ltd. (商米科技(深圳)有限公司)	PRC	CN202011450723.3	December 10, 2020	December 10, 2040

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No.	Patent description	Category	Registered Owner	Place of Registration	Patent Number	Filing Date	Expiry Date
35.	A grayscale printing method of thermal printer (一種熱敏打印機的灰度打印方法)	Invention patent	Company	PRC	CN202011514168.6	December 20, 2020	December 20, 2040
36.	An interoperability method and system of distributed Internet of Things device (一種分布式物聯網設備互操作方法及系統)	Invention patent	Company and Citaq Co., Ltd. (廣東川田科技有限公司)	PRC	CN202011545771.0	December 23, 2020	December 23, 2040
37.	A WiFi roaming method and system based on multiple connection (一種基於多連接的 WiFi 漫遊方法及系統)	Invention patent	Company and SUNMI Technology (Shenzhen) Co., Ltd. (商米科技(深圳)有限公司)	PRC	CN202110101587.5	January 26, 2021	January 26, 2041
38.	An anti-interference processing method for touch screen of Android desktop cash register (一種 Android 臺式收銀設備觸摸屏抗干擾的處理方法)	Invention patent	Company and SUNMI Technology (Shenzhen) Co., Ltd. (商米科技(深圳)有限公司)	PRC	CN202110280776.3	March 16, 2021	March 16, 2041
39.	A firmware patch loading method of IPC device based on OverlayFS (一種基於 OverlayFS 的 IPC設備的固件補丁加載方式)	Invention patent	Company and SUNMI Technology (Shenzhen) Co., Ltd. (商米科技(深圳)有限公司)	PRC	CN202110372976.1	April 7, 2021	April 7, 2041
40.	An automated test method and system, test apparatus and computer readable storage medium (自動化測試方法及系統、測試設備和計算機可讀存儲介質)	Invention patent	Company	PRC	CN202110408178.X	April 15, 2021	April 15, 2041
41.	A method, apparatus, system and computer readable medium for generating global unique identification code (全域唯一標識碼生成方法、設備、系統和計算機可讀介質)	Invention patent	Company and SUNMI Technology (Shenzhen) Co., Ltd. (商米科技(深圳)有限公司)	PRC	CN202110637650.7	June 8, 2021	June 8, 2041

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No.	Patent description	Category	Registered Owner	Place of Registration	Patent Number	Filing Date	Expiry Date
42.	A method, system and computer readable medium for adjusting exposure parameters of image sensor (圖像傳感器的曝光參數調節方法、系統及計算機可讀介質)	Invention patent	Company and SUNMI Technology (Shenzhen) Co., Ltd. (商米科技(深圳)有限公司)	PRC	CN202110901417.5	August 6, 2021	August 6, 2041
43.	A method, apparatus and system for the same screen display (一種同屏顯示方法、裝置及系統)	Invention patent	Company and Citaq Co., Ltd. (廣東川田科技有限公司)	PRC	CN202111295943.8	November 3, 2021	November 3, 2041
44.	An apparatus and method for configuring printer platform product (打印機平臺化產品的配置裝置及配置方法)	Invention patent	Company and SUNMI Technology (Shenzhen) Co., Ltd. (商米科技(深圳)有限公司)	PRC	CN202111346127.5	November 15, 2021	November 15, 2041
45.	A key agreement method, system and computer readable medium for preventing man-in-the-middle attack (防止中間人攻擊的密鑰協商方法、系統及計算機可讀介質)	Invention patent	Company and SUNMI Technology (Shenzhen) Co., Ltd. (商米科技(深圳)有限公司)	PRC	CN202111385100.7	November 22, 2021	November 22, 2041
46.	An anti-misinsertion protection circuit, method and electronic device (一種防誤插保護電路、方法和電子設備)	Invention patent	Company and Citaq Co., Ltd. (廣東川田科技有限公司)	PRC	CN202111631150.9	December 28, 2021	December 28, 2041
47.	A power supply control system and method, printing device and power supply control method thereof (供電控制系統及方法、打印設備及其供電控制方法)	Invention patent	Company	PRC	CN202111662596.8	December 31, 2021	December 31, 2041
48.	A data processing method based on API gateway and the API gateway (基於API網關的數據處理方法及API網關)	Invention patent	Company and Citaq Co., Ltd. (廣東川田科技有限公司)	PRC	CN202210033242.5	January 12, 2022	January 12, 2042

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No.	Patent description	Category	Registered Owner	Place of Registration	Patent Number	Filing Date	Expiry Date
49.	A learning-based printing paper positioning method and system (基於學習的打印紙定位方法及系統)	Invention patent	Company and SUNMI Technology (Shenzhen) Co., Ltd. (商米科技(深圳)有限公司)	PRC	CN202210797887.6	July 6, 2022	July 6, 2042
50.	A QR scanning engine scanning method, system, QR scanning device and storage medium (一種掃碼引擎掃描方法、系統、掃碼設備及存儲介質)	Invention patent	Company and Citaq Co., Ltd. (廣東川田科技有限公司)	PRC	CN202210840725.6	July 18, 2022	July 18, 2042
51.	A thermal paper printing identification method, apparatus and thermal printer (一種熱敏紙打印識別方法、裝置及熱敏打印機)	Invention patent	Company and Citaq Co., Ltd. (廣東川田科技有限公司)	PRC	CN202210885820.8	July 26, 2022	July 26, 2042
52.	EMBEDDED TOUCH POS MACHINE	Invention patent	Company	U.S.	US9,922,314	October 26, 2012	October 26, 2032

Domain Names

As of the Latest Practicable Date, we had registered the following internet domain names which we consider to be or may be material to our business:

No.	Domain Name	Registered Owner	Registration Date	Expiry Date
1.	sunmi.com	the Company	April 24, 2002	April 24, 2033
2.	maxiot.com	the Company	May 29, 2020	May 29, 2033

Save as disclosed above, as of the Latest Practicable Date, there were no other intellectual property rights which are or may be material to our business.

FURTHER INFORMATION ABOUT OUR DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

Interests of our Directors and chief executive in the Company and our associated corporations

Save as disclosed in the section headed “Substantial Shareholders” in this Document and below, immediately following the completion of the [REDACTED] (assuming that the [REDACTED] is not exercised), so far as our Directors are aware, none of our Directors and chief executive has any interests and short positions in our Shares, underlying Shares or debentures of our Company or any of our associated corporations (within the meaning of Part XV of the SFO) (i) which will have to be notified to us and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they are taken or deemed to have under such provisions of the SFO), or (ii) which will be

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required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or (iii) which will be required to be notified to us and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules:

Interests of the substantial shareholders in the Shares

Save as disclosed in “Substantial Shareholders” in this Document, immediately following the completion of the [REDACTED] and without taking into account any Shares which may be issued pursuant to the exercise of the [REDACTED], our Directors are not aware of any other person (not being a Director or chief executive of our Company) who will have an interest or short position in our Shares or the underlying Shares which would fall to be disclosed to us and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who is, directly or indirectly, interested in 10% or more of the issued voting shares of our Company.

Particulars of Directors’ Service Contracts

Each of the Directors [has] entered into a service contract or a letter of appointment with our Company.

Save as disclosed above, we have not entered into, and do not propose to enter into any service contracts with any of our Directors in their respective capacities as Directors (excluding agreements expiring or determinable by any member of our Group within one year without payment of compensation other than statutory compensation).

Remuneration of Directors

Save as disclosed in “Directors and Senior Management” and Note 13 to the Accountants’ Report set out in Appendix I to this Document for the three years ended December 31, 2024, none of our Directors received other remunerations of benefits in kind from us.

Disclaimers

- (a) save as disclosed in the section headed “Substantial Shareholders” in this Document and this section, none of our Directors or our chief executive has any interest or short position in our Shares, underlying Shares or debentures of our Company or any of our associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to us and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required to be notified to us and the Stock Exchange pursuant to Model Code for Securities Transactions by Directors of Listed Issuers once the H Shares are [REDACTED] on the Stock Exchange;
- (b) save as disclosed in the section headed “Substantial Shareholders” in this Document, none of our Directors is aware of any person (not being a Director or chief executive of our Company) who will, immediately following the completion of the [REDACTED] and the conversion of Unlisted Shares into H Shares (without taking into account any H Shares which may be allotted

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and issued pursuant to the exercise of the [REDACTED]), have an interest or short position in our Shares or underlying Shares which would fall to be disclosed to us under the provisions of Divisions 2 and 3 of Part XV of the SFO or who is interested, directly or indirectly, in 10% or more of the issued voting shares of any member of our Group;

- (c) none of our Directors, their respective close associates (as defined under the Listing Rules) or Shareholders who own more than 5% of the number of issued shares of our Company have any interests in the five largest customers or the five largest suppliers of our Group for each year/period during the Track Record Period; and
- (d) none of our Directors or any of the parties listed in “Qualifications of Experts” of this Appendix is:
 - i. interested in our promotion, or in any assets which have been, within two years immediately preceding the date of this Document, acquired or disposed of by or leased to us, or are proposed to be acquired or disposed of by or leased to any member of our Group; or
 - ii. materially interested in any contract or arrangement subsisting at the date of this Document which is significant in relation to our business.

OTHER INFORMATION

Estate Duty

Our Directors have been advised that no material liability for estate duty is likely to fall on our Company or any of our subsidiaries under the laws of the PRC.

Litigation

As of the Latest Practicable Date, we were not engaged in any litigation, arbitration or claim of material importance and no litigation, arbitration or claim of material importance was known to our Directors to be pending or threatened by or against any member of our Group, that would have a material and adverse effect on our Group’s results of operations or financial conditions, taken as a whole.

Preliminary Expenses

As of the Latest Practicable Date, our Company has not incurred any material preliminary expenses.

Promoter

The promoters of the Company are shareholders of our Company as of June 28, 2019 immediately before our conversion into a joint stock limited liability company. Within the two years immediately preceding the date of this Document, no cash, securities or other benefit has been paid, allotted or given or is proposed to be paid, allotted or given to the promoters in connection with the [REDACTED] and the related transactions described in this Document.

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Taxation of Holders of H Shares

The sale, purchase and transfer of H Shares registered with our Hong Kong branch register of members will be subject to Hong Kong stamp duty. The current rate charged on each of the purchaser and seller is 0.1% of the consideration of or, if higher, of the fair value of our Shares being sold or transferred.

No Material Adverse Change

Our Directors confirm that there has been no material adverse change in the financial or trading position or prospects of the Group since December 31, 2024 (being the date to which the latest consolidated financial statements of our Group were prepared).

Qualifications of Experts

The qualifications of the experts (as defined under the Listing Rules and the Companies (Winding Up and Miscellaneous Provisions) Ordinance) who have given their opinion and/or advice in this Document are as follows:

Name	Qualification
Deutsche Securities Asia Limited	A licensed corporation under the SFO to conduct type 1 (dealing in securities), type 2 (dealing in future contracts) and type 6 (advising on corporate finance) regulated activities as defined under the SFO
CITIC Securities (Hong Kong) Limited	A licensed corporation under the SFO to conduct type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities as defined under the SFO
ABCI Capital Limited	A licensed corporation under the SFO to conduct type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities as defined under the SFO
Jingtian & Gongcheng	Legal adviser to our Company as to PRC law
Deloitte Touche Tohmatsu	Certified Public Accountants Registered Public Interest Entity Auditor
China Insights Consultancy	Independent industry consultant

As of the Latest Practicable Date, none of the experts named above had any shareholding interest 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 any member of our Group.

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Consents of Experts

Each of the experts as referred to “Qualifications of Experts” of this Appendix has given and has not withdrawn their respective written consents to the issue of this Document with the inclusion of their reports and/or letters (as the case may be) and the references to their names included in the form and context in which they are respective included.

Joint Sponsors’ Independence

Each of the Joint Sponsors satisfies the independence criteria applicable to the sponsor set out in Rule 3A.07 of the Listing Rules.

Pursuant to the engagement letter entered into between the Company and the Joint Sponsors, the total Joint Sponsors’ fees payable by us to the Joint Sponsors in respect of their services as sponsors in connection with the [REDACTED] on the Stock Exchange is USD1 million.

Binding Effect

This Document shall have the effect, if an application is made in pursuance of it, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance so far as applicable.

Bilingual Document

The English and Chinese language versions of this Document are being published separately, in reliance upon the exemption provided under section 4 of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

Miscellaneous

- (a) except the [REDACTED], within the two years preceding the date of this Document: (i) we have not issued nor agreed to issue any share or loan capital fully or partly paid either for cash or for a consideration other than cash; and (ii) no commissions, discounts, brokerage fee or other special terms have been granted in connection with the issue or sale of any shares of our Company;
- (b) no share or loan capital of our Company is under option or is agreed conditionally or unconditionally to be put under option;
- (c) we have not issued nor agreed to issue any founder shares, management shares or deferred shares;
- (d) there are no arrangements under which future dividends are waived or agreed to be waived;
- (e) there are no procedures for the exercise of any right of pre-emption or transferability of subscription rights;

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- (f) there are no contracts for hire or hire purchase of plant to or by us for a period of over one year which are substantial in relation to our business;
- (g) there have been no interruptions in our business which may have or have had a significant effect on our financial position in the last 12 months;
- (h) save as disclosed in the section headed “Regulatory Overview” in this Document, there are no restrictions affecting the remittance of profits or repatriation of capital by us into Hong Kong from outside Hong Kong;
- (i) no part of the equity or debt securities of our Company, if any, is currently [REDACTED] on or dealt in on any stock exchange or trading system, and no such [REDACTED] or permission to [REDACTED] on any stock exchange other than the Hong Kong Stock Exchange is currently being or agreed to be sought;
- (j) our Company has no outstanding convertible debt securities or debentures;
- (k) our Company is a joint stock limited company and is subject to the PRC Company Law; and
- (l) our Company has adopted a code of conduct regarding Directors’ securities transactions on terms as required under the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 to the Listing Rules.

The documents attached to a copy of this Document and delivered to the Registrar of Companies in Hong Kong for registration were:

- ## DOCUMENTS AVAILABLE ON DISPLAY

- (a) the Articles of Association;
- (b) the Accountants’ Report from Deloitte Touche Tohmatsu, the text of which is set out in Appendix I to this Document;
- (c) the audited consolidated financial statements of our Group for the years ended December 31, 2022, 2023 and 2024;
- (d) the report from Deloitte Touche Tohmatsu on the **[REDACTED]** of our Group, the text of which is set out in Appendix IIA to this Document;
- (e) the material contracts referred to in “Appendix IV — Statutory and General Information — Further Information about our Business — Summary of Material Contract” in this Document;
- (f) the written consents referred to in “Appendix IV — Statutory and General Information — Other Information — Consents of Experts” in this Document;
- (g) the service contracts and letters of appointment referred to in “Appendix IV—Statutory and General Information — Further Information about our Directors, Chief Executive and Substantial Shareholders —Particulars of Directors’ Service Contracts” in this Document;
- (h) the legal opinions issued by Jingtian & Gongcheng, our PRC Legal Adviser, in respect of, among other things, the general corporate matters and property interests of our Group under the PRC law;
- (i) the industry report issued by China Insights Consultancy, our Industry Consultant, referred to in “Industry Overview” in this Document; and

APPENDIX V **DOCUMENTS DELIVERED TO THE REGISTRAR OF
COMPANIES IN HONG KONG AND AVAILABLE ON DISPLAY**

- (j) a copy of the following PRC laws, together with unofficial English translations:
 - (i) the PRC Company Law;
 - (ii) the PRC Securities Law; and
 - (iii) the Overseas Listing Trial Measures.