

**Goldman Sachs (Asia) L.L.C.**  
68/F, Cheung Kong Center  
2 Queen's Road Central  
Hong Kong

**The Board of Directors**  
**Bloks Group Limited**  
布魯可集團有限公司  
Floor 4, Willow House  
Cricket Square  
Grand Cayman KY1-9010  
Cayman Islands

31 December 2024

Dear Sir/Madam,

**Re: Bloks Group Limited 布魯可集團有限公司 (the *Company*)**

We refer to the prospectus of the Company dated 31 December 2024 (the ***Prospectus***) in connection with the global offering and listing of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited.

We hereby give, and confirm that we have not withdrawn, our written consent to the issue of the Prospectus with the inclusion of our opinion and/or references to our name and qualifications included therein in the form and context in which they respectively appear.

We hereby consent to you releasing this letter to the Registrar of Companies in Hong Kong and The Stock Exchange of Hong Kong Limited and referring to it in the Prospectus.

We hereby consent to a copy of this letter being made available for public inspection as described in Appendix V to the Prospectus.

For and on behalf of

**Goldman Sachs (Asia) L.L.C.**

(Incorporated in Delaware, U.S.A. with  
limited liability)

A handwritten signature in black ink, appearing to be 'Michael Chiu', written over a horizontal line.

Name: Michael Chiu

Title: Managing Director

**Huatai Financial Holdings (Hong Kong) Limited**  
62/F, The Center  
99 Queen's Road Central  
Hong Kong

**The Board of Directors**  
**Bloks Group Limited**  
布魯可集團有限公司  
Floor 4, Willow House  
Cricket Square  
Grand Cayman KY1-9010  
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We hereby consent to a copy of this letter being made available for public inspection as described in Appendix V to the Prospectus.

For and on behalf of

**Huatai Financial Holdings (Hong Kong) Limited**

A handwritten signature in black ink, appearing to read "Peter Gu", is written above a horizontal line.

Name: Peter Gu

Title: Vice President



Ernst & Young  
27/F, One Taikoo Place  
979 King's Road  
Quarry Bay, Hong Kong

安永會計師事務所  
香港鰂魚涌英皇道 979 號  
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Tel 電話: +852 2846 9888  
Fax 傳真: +852 2868 4432  
ey.com

31 December 2024

**The Board of Directors**  
**Bloks Group Limited**  
**布魯可集團有限公司**

Floor 4, Willow House  
Cricket Square  
Grand Cayman KY1-9010  
Cayman Islands

Dear Sir/Madam,

**Bloks Group Limited 布魯可集團有限公司 (the “Company”) and its subsidiaries (the “Group”)**  
**Listing on the Main Board of The Stock Exchange of Hong Kong Limited**

We refer to the prospectus dated 31 December 2024 (the “Prospectus”) in connection with the proposed initial listing of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited, a copy of which is attached and initialed by us on its front cover for the purpose of identification.

We hereby consent to the inclusion of our accountants’ report dated 31 December 2024 on the historical financial information for the years ended 31 December 2021, 2022 and 2023, and the six months ended 30 June 2024 and our accountants’ report dated 31 December 2024 on the pro forma financial information of the Group for the six months ended 30 June 2024 in the Prospectus, and the references to our name in the form and context in which they are included.

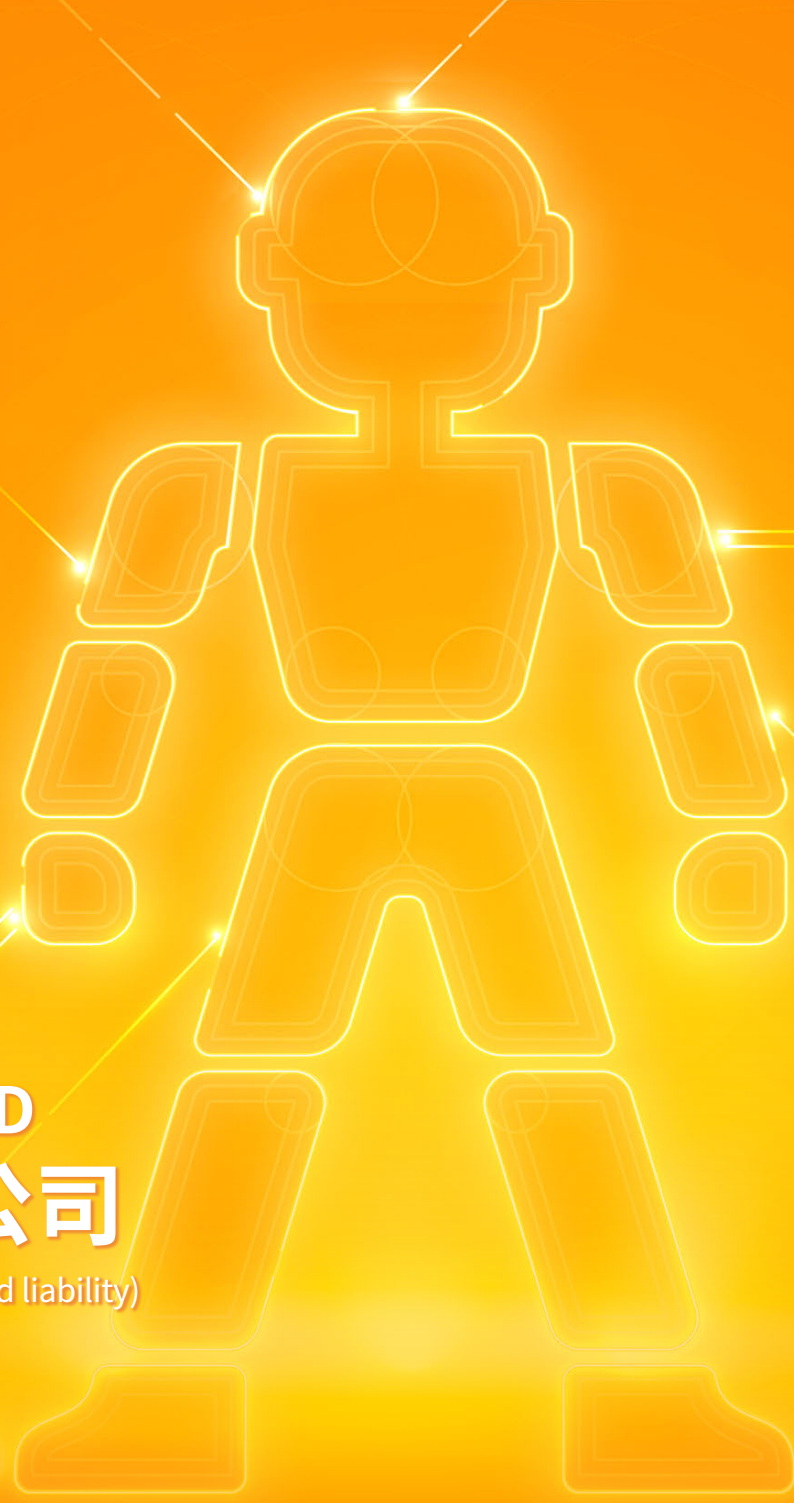
This letter is solely being issued in connection with the filing of the Prospectus regarding the listing of the Company’s securities on The Stock Exchange of Hong Kong Limited and not for any other purpose.



Yours faithfully,

A handwritten signature in black ink, which appears to be 'Ernst &amp; Young' written in a cursive, stylized script.

*Certified Public Accountants*  
Hong Kong



# BLOKS GROUP LIMITED 布魯可集團有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock code : 0325

## GLOBAL OFFERING

Joint Sponsors, Overall Coordinators, Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers



Joint Lead Manager



## IMPORTANT

**IMPORTANT:** If you are in any doubt about any of the contents of this prospectus, you should obtain professional independent advice.



### Bloks Group Limited 布鲁可集团有限公司

(Incorporated in the Cayman Islands with limited liability)



#### GLOBAL OFFERING

Number of Offer Shares under the Global Offering	: 24,120,300 Offer Shares (subject to the Offer Size Adjustment Option and the Over-allotment Option)
Number of Hong Kong Offer Shares	: 2,412,300 Offer Shares (subject to reallocation)
Number of International Offer Shares	: 21,708,000 Offer Shares (subject to reallocation, the Offer Size Adjustment Option and the Over-allotment Option)
Maximum Offer Price	: HK\$60.35 per Offer Share, plus brokerage of 1.0%, SFC transaction levy of 0.0027%, AFRC transaction levy of 0.00015% and Stock Exchange trading fee of 0.00565% (payable in full on application in Hong Kong dollars and subject to refund)
Nominal value	: US\$0.0001 per Share
Stock code	: 0325

*Joint Sponsors, Overall Coordinators, Joint Global Coordinators,  
Joint Bookrunners and Joint Lead Managers*

**Goldman Sachs 高盛**

**华泰国际 HUATAI INTERNATIONAL**

*Joint Lead Manager*

**富途证券**

Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this prospectus, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this prospectus.

A copy of this prospectus, having attached thereto the documents specified in the section headed "Documents Delivered to the Registrar of Companies in Hong Kong and Available on Display" in Appendix V to this prospectus, has been registered by the Registrar of Companies in Hong Kong as required by Section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, Chapter 32 of the Laws of Hong Kong. The Securities and Futures Commission of Hong Kong and the Registrar of Companies in Hong Kong take no responsibility as to the contents of this prospectus or any other documents referred to above.

The Offer Price is expected to be determined by agreement between the Overall Coordinators (on behalf of the Underwriters) and us on the Price Determination Date. The Price Determination Date is expected to be on or before Wednesday, January 8, 2025 (Hong Kong time) and, in any event, not later than 12:00 noon on Wednesday, January 8, 2025 (Hong Kong time). The Offer Price will be not more than HK\$60.35 per Offer Share and is currently expected to be not less than HK\$55.65 per Offer Share. If, for any reason, the Offer Price is not agreed by 12:00 noon on Wednesday, January 8, 2025 (Hong Kong time) between the Overall Coordinators (on behalf of the Underwriters) and us, the Global Offering will not proceed and will lapse.

Applicants for Hong Kong Offer Share may be required to pay, on application (subject to application channels), the maximum Offer Price of HK\$60.35 for each Hong Kong Offer Share together with brokerage fee of 1.0%, SFC transaction levy of 0.0027%, AFRC transaction levy of 0.00015% and Stock Exchange trading fee of 0.00565%, subject to refund if the Offer Price as finally determined is less than HK\$60.35.

The Overall Coordinators, for themselves and on behalf of the Underwriters, and with our consent may, where considered appropriate, reduce the number of Hong Kong Offer Shares and/or the indicative Offer Price range below that is stated in this prospectus (which is HK\$55.65 to HK\$60.35) at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, notices of the reduction in the number of Hong Kong Offer Shares and/or the indicative Offer Price range will be published on the website of our Company at <https://www.bloks.com/> and on the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the day which is the last day for lodging applications under the Hong Kong Public Offering. Further details are set forth in "Structure of the Global Offering" and "How to Apply for Hong Kong Offer Shares" in this prospectus.

Prior to making an investment decision, prospective investors should consider carefully all of the information set out in this prospectus, including but not limited to the risk factors set out in the section headed "Risk Factors" in this prospectus.

The obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement are subject to termination by the Overall Coordinators (for themselves and on behalf of the Hong Kong Underwriters) if certain grounds arise prior to 8:00 a.m. on the Listing Date. See "Underwriting — Underwriting arrangements and expenses — Hong Kong Public Offering — Grounds for termination" of this prospectus.

The Offer Shares have not been and will not be registered under the U.S. Securities Act or any state securities law in the United States and may not be offered, sold, pledged or transferred within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and applicable U.S. state securities laws. The Offer Shares are being offered and sold (i) within the United States solely to "Qualified Institutional Buyers" as defined in Rule 144A pursuant to an exemption from registration under the U.S. Securities Act and (ii) outside the United States in offshore transactions in accordance with Regulation S under the U.S. Securities Act.

#### ATTENTION

We have adopted a fully electronic application process for the Hong Kong Public Offering. We will not provide printed copies of this prospectus to the public in relation to the Hong Kong Public Offering.

This prospectus is available at the websites of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and our Company (<https://www.bloks.com/>). If you require a printed copy of this prospectus, you may download and print from the website addresses above.

December 31, 2024



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## IMPORTANT

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### IMPORTANT NOTICE TO INVESTORS OF HONG KONG OFFER SHARES

#### FULLY ELECTRONIC APPLICATION PROCESS

The Company has **adopted a fully electronic application process for the Hong Kong Public Offering.**

**This prospectus is available at the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) under the “*HKEXnews > New Listings > New Listing Information*” section, and our website at <https://www.bloks.com/>.**

The Company will not provide any physical channels to accept any application for the Hong Kong Offer Shares by the public. The contents of the electronic version of this prospectus are identical to the prospectus as registered with the Registrar of Companies in Hong Kong pursuant to Section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

To apply for the Hong Kong Offer Shares, you may:

- (1) apply online through the **White Form eIPO** service at [www.eipo.com.hk](http://www.eipo.com.hk); or
- (2) apply electronically through the **HKSCC EIPO** channel and cause HKSCC Nominees to apply on your behalf by instructing your **broker** or **custodian** who is a HKSCC Participant to give **electronic application instructions** via HKSCC’s FINI system to apply for the Hong Kong Offer Shares on your behalf.

**If you are an intermediary, broker or agent, please remind your customers, clients or principals, as applicable, that this prospectus is available online at the website addresses stated above.**

See the section headed “How to Apply for Hong Kong Offer Shares” in this prospectus for further details of the procedures through which you can apply for the Hong Kong Offer Shares.

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## IMPORTANT

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Your application through the **White Form eIPO** service or the **HKSCC EIPO** channel must be for a minimum of 300 Hong Kong Offer Shares and in one of the numbers set out in the table.

If you are applying through the **White Form eIPO** service, you may refer to the table below for the amount payable for the number of Hong Kong Offer Shares you have selected. You must pay the respective amount payable on application in full upon application for Hong Kong Offer Shares.

If you are applying through the **HKSCC EIPO** channel, you are required to pre-fund your application based on the amount specified by your **broker** or **custodian**, as determined based on the applicable laws and regulations in Hong Kong.

**Bloks Group Limited**  
**(HK\$60.35 per Hong Kong Offer Share)**  
**NUMBER OF HONG KONG OFFER SHARES THAT MAY BE APPLIED**  
**FOR AND PAYMENTS**

No. of Hong Kong Offer Shares applied for	Amount payable <sup>(2)</sup> on application	No. of Hong Kong Offer Shares applied for	Amount payable <sup>(2)</sup> on application	No. of Hong Kong Offer Shares applied for	Amount payable <sup>(2)</sup> on application	No. of Hong Kong Offer Shares applied for	Amount payable <sup>(2)</sup> on application
	<i>HK\$</i>		<i>HK\$</i>		<i>HK\$</i>		<i>HK\$</i>
300	18,287.59	4,500	274,313.83	24,000	1,463,007.11	150,000	9,143,794.47
600	36,575.18	6,000	365,751.78	27,000	1,645,883.00	180,000	10,972,553.35
900	54,862.77	7,500	457,189.72	30,000	1,828,758.89	210,000	12,801,312.24
1,200	73,150.36	9,000	548,627.67	45,000	2,743,138.34	240,000	14,630,071.15
1,500	91,437.94	10,500	640,065.61	60,000	3,657,517.79	270,000	16,458,830.03
1,800	109,725.53	12,000	731,503.56	75,000	4,571,897.23	300,000	18,287,588.93
2,100	128,013.12	13,500	822,941.50	90,000	5,486,276.68	600,000	36,575,177.86
2,400	146,300.71	15,000	914,379.45	105,000	6,400,656.13	900,000	54,862,766.78
2,700	164,588.30	18,000	1,097,255.34	120,000	7,315,035.56	1,206,000 <sup>(1)</sup>	73,516,107.48
3,000	182,875.89	21,000	1,280,131.23	135,000	8,229,415.02		

(1) Maximum number of Hong Kong Offer Share you may apply for.

(2) The amount payable is inclusive of brokerage, SFC transaction levy, the Stock Exchange trading fee and AFRC transaction levy. If your application is successful, brokerage will be paid to the Exchange Participants (as defined in the Listing Rules) and the SFC transaction levy, the Stock Exchange trading fee and AFRC transaction levy are paid to the Stock Exchange (in the case of the SFC transaction levy, collected by the Stock Exchange on behalf of the SFC; and in the case of the AFRC transaction levy, collected by the Stock Exchange on behalf of the AFRC).

No application for any other number of Hong Kong Offer Shares will be considered and such an application is liable to be rejected.

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## EXPECTED TIMETABLE<sup>(1)</sup>

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*If there is any change in the following expected timetable of the Hong Kong Public Offering, we will issue an announcement in Hong Kong to be published on the Company's website at <https://www.bloks.com/> and the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk).*

Hong Kong Public Offering commences ..... 9:00 a.m. on Tuesday,  
December 31, 2024

Latest time for completing electronic  
applications under the **White Form eIPO**  
service through the designated website  
at [www.eipo.com.hk](http://www.eipo.com.hk)<sup>(2)</sup> ..... 11:30 a.m. on Tuesday,  
January 7, 2025

Application lists open<sup>(3)</sup> ..... 11:45 a.m. on Tuesday,  
January 7, 2025

Latest time for (a) completing payment of **White Form eIPO**  
applications by effecting internet banking transfer(s) or PPS  
payment transfer(s) and (b) giving **electronic application**  
**instructions** to HKSCC<sup>(4)</sup> ..... 12:00 noon on Tuesday,  
January 7, 2025

If you are instructing your **broker** or **custodian** who is a HKSCC Participant will give **electronic application instructions** on your behalf through HKSCC's FINI system in accordance with your instruction, you are advised to contact your **broker** or **custodian** for the earliest and latest time for giving such instructions, as this may vary by **broker** or **custodian**.

Application lists close<sup>(3)</sup> ..... 12:00 noon on Tuesday,  
January 7, 2025

Expected Price Determination Date ..... Wednesday, January 8, 2025

Announcement of the level of indications of interest  
in the International Offering, the level of applications  
in the Hong Kong Public Offering and the basis of allocation  
of the Hong Kong Offer Shares to be published on  
the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk)  
and on the Company's website at <https://www.bloks.com/><sup>(5)</sup>  
at or before ..... 11:00 p.m. on Thursday,  
January 9, 2025

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## EXPECTED TIMETABLE<sup>(1)</sup>

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The results of allocations in the Hong Kong Public Offering (with successful applicants' identification document numbers, where appropriate) to be available through a variety of channels, including:

- in the announcement to be posted on our website and the website of the Stock Exchange at <https://www.bloks.com/> and [www.hkexnews.hk](http://www.hkexnews.hk), respectively . . . . . at or before 11:00 p.m. on Thursday, January 9, 2025
  
- from the designated results of allocations website at [www.iporeresults.com.hk](http://www.iporeresults.com.hk) (alternatively: [www.eipo.com.hk/eIPOAllotment](http://www.eipo.com.hk/eIPOAllotment)) with a "search by ID" function from . . . . . 11:00 p.m. on Thursday, January 9, 2025 to 12:00 midnight on Wednesday, January 15, 2025
  
- from the allocation results telephone enquiry line by calling +852 2862 8555 between 9:00 a.m. and 6:00 p.m. from . . . . . Friday, January 10, 2025 to Wednesday, January 15, 2025 (except weekend and public holiday in Hong Kong)

Share certificates in respect of wholly or partially successful applications to be dispatched or deposited into CCASS on or before<sup>(6)(8)</sup> . . . . . Thursday, January 9, 2025

White Form e-Refund payment instructions/refund checks in respect of (i) wholly or partially successful applications if the final Offer Price is less than the price payable on application (if applicable) and (ii) wholly or partially unsuccessful application under the Hong Kong Public Offering to be dispatched/collected on or before<sup>(7)(8)</sup> . . . . . Friday, January 10, 2025

Dealings in the Shares on the Stock Exchange expected to commence at . . . . . 9:00 a.m. on Friday, January 10, 2025

*The application for the Hong Kong Offer Shares will commence on Tuesday, December 31, 2024 through Tuesday, January 7, 2025, being longer than normal market practice of three and a half days. Investors should be aware that the dealings in the Shares on the Stock Exchange are expected to commence on Friday, January 10, 2025.*

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## EXPECTED TIMETABLE<sup>(1)</sup>

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*Notes:*

- (1) Unless otherwise stated, all times and dates refer to Hong Kong local times and dates.
- (2) You will not be permitted to submit your application under the **White Form eIPO** service through the designated website at [www.eipo.com.hk](http://www.eipo.com.hk) after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained an application reference number from the designated website prior to 11:30 a.m., you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for submitting applications, when the application lists close.
- (3) If there is/are Severe Weather Signals (as defined in the paragraph headed “How to Apply for Hong Kong Offer Shares — E. Severe Weather Arrangements” in this prospectus) in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Tuesday, January 7, 2025, the application lists will not open or close on that day. For details, please refer to the paragraph headed “How to Apply for Hong Kong Offer Shares — E. Severe Weather Arrangements” in this prospectus.
- (4) Applicants who apply for Hong Kong Offer Shares by instructing their **broker** or **custodian** to give **electronic application instructions** to HKSCC via FINI should refer to the paragraph headed “How to Apply for Hong Kong Offer Shares — A. Application for Hong Kong Offer Shares — 2. Application Channels” in this prospectus.
- (5) None of the websites or any of the information contained on the websites forms part of this prospectus.
- (6) Share certificates will only become valid evidence of title at 8:00 a.m. on the Listing Date provided that the Global Offering has become unconditional and the right of termination described in “Underwriting — Underwriting Arrangements and Expenses — Hong Kong Public Offering — Grounds for Termination” has not been exercised. Investors who trade Shares on the basis of publicly available allocation details prior to the receipt of Share certificates or prior to the Share certificates becoming valid evidence of title do so entirely at their own risk.
- (7) White Form e-Refund payment instructions/refund checks will be issued in respect of wholly or partially unsuccessful applications pursuant to the Hong Kong Public Offering and also in respect of wholly or partially successful applications in the event that the final Offer Price is less than the price payable per Offer Share on application. Part of the applicant’s identification document number provided by the applicant(s) may be printed on the refund check, if any. Such data would also be transferred to a third party for refund purposes. Banks may require verification of an applicant’s identification document number before encashment of the refund check. Inaccurate completion of an applicant’s identification document number may invalidate or delay encashment of the refund check.
- (8) Applicants being individuals who are eligible for personal collection may not authorize any other person to collect on their behalf. If you are a corporate applicant which is eligible for personal collection, your authorized representative must bear a letter of authorization from your corporation stamped with your corporation’s chop. Both individuals and authorized representatives must produce evidence of identity acceptable to our Hong Kong Share Registrar at the time of collection.

Applicants who have applied for Hong Kong Offer Shares through the **HKSCC EIPO** channel should refer to the paragraph headed “How to Apply for Hong Kong Offer Shares — D. Despatch/Collection of Share Certificates and Refund of Application Monies” in this prospectus for details.

Applicants who have applied through the **White Form eIPO** service and paid their applications monies through single bank accounts may have refund monies (if any) dispatched to the bank account in the form of White Form e-Refund payment instructions. Applicants who have applied through the **White Form eIPO** service and paid their application monies through multiple bank accounts may have refund monies (if any) dispatched to the address as specified in their application instructions in the form of refund checks in favour of the applicant (or, in the case of joint applications, the first-named applicant) by ordinary post at their own risk.

Any uncollected Share certificates and/or refund checks will be dispatched by ordinary post, at the applicants’ risk, to the addresses specified in the relevant applications.

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## EXPECTED TIMETABLE<sup>(1)</sup>

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Further information is set out in the paragraphs headed “How to Apply for the Hong Kong Offer Shares — D. Despatch/Collection of Share Certificates and Refund of Application Monies”.

**The above expected timetable is a summary only. For further details of the structure of the Global Offering, including its conditions, and the procedures for applications for Hong Kong Offer Shares, please see “Structure of the Global Offering” and “How to Apply for Hong Kong Offer Shares” in this prospectus, respectively.**

**If the Global Offering does not become unconditional or is terminated in accordance with its terms, the Global Offering will not proceed. In such case, the Company will make an announcement as soon as practicable thereafter.**

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## CONTENTS

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### IMPORTANT NOTICE TO POTENTIAL INVESTORS

*This prospectus is issued by the Company solely in connection with the Hong Kong Public Offering and the Hong Kong Offer Shares and does not constitute an offer to sell or a solicitation of an offer to buy any security other than the Hong Kong Offer Shares offered by this document pursuant to the Hong Kong Public Offering. This prospectus may not be used for the purpose of making, and does not constitute, an offer or invitation in any other jurisdiction or in any other circumstances. No action has been taken to permit a public offering of the Hong Kong Offer Shares in any jurisdiction other than Hong Kong and no action has been taken to permit the distribution of this prospectus in any jurisdiction other than Hong Kong. The distribution of this prospectus for purposes of a public offering and the offering and sale of the Hong Kong Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorization by the relevant securities regulatory authorities or an exemption therefrom.*

*You should rely only on the information contained in this prospectus to make your investment decision. The Hong Kong Public Offering is made solely on the basis of the information contained and the representations made in this prospectus. We have not authorized anyone to provide you with information that is different from what is contained in this prospectus. Any information or representation not contained nor made in this prospectus must not be relied on by you as having been authorized by the Company, the Joint Sponsors, the Overall Coordinators, the Sponsor-OC, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and the Underwriters, any of their respective directors, officers, employees, agents or representatives of any of them or any other parties involved in the Global Offering.*

	<i>Page</i>
<b>Expected Timetable</b> .....	iv
<b>Contents</b> .....	viii
<b>Summary</b> .....	1
<b>Definitions</b> .....	27
<b>Glossary of Technical Terms</b> .....	40
<b>Forward-Looking Statements</b> .....	42
<b>Risk Factors</b> .....	44
<b>Waivers from Strict Compliance with the Listing Rules</b> .....	78

---

## CONTENTS

---

<b>Information about this Prospectus and the Global Offering</b> .....	82
<b>Directors and Parties Involved in the Global Offering</b> .....	86
<b>Corporate Information</b> .....	91
<b>Industry Overview</b> .....	93
<b>Regulatory Overview</b> .....	110
<b>History, Development and Reorganization</b> .....	131
<b>Business</b> .....	161
<b>Directors and Senior Management</b> .....	236
<b>Relationship with the Controlling Shareholders</b> .....	250
<b>Share Capital</b> .....	254
<b>Substantial Shareholders</b> .....	258
<b>Financial Information</b> .....	261
<b>Cornerstone Investors</b> .....	318
<b>Future Plans and Use of Proceeds</b> .....	326
<b>Underwriting</b> .....	330
<b>Structure of the Global Offering</b> .....	344
<b>How to Apply for Hong Kong Offer Shares</b> .....	357
<b>Appendix I — Accountants' Report</b> .....	I-1
<b>Appendix II — Unaudited Pro Forma Financial Information</b> .....	II-1
<b>Appendix III — Summary of the Constitution of the Company and Cayman Islands Company Law</b> .....	III-1
<b>Appendix IV — Statutory and General Information</b> .....	IV-1
<b>Appendix V — Documents Delivered to the Registrar of Companies in Hong Kong and Available on Display</b> .....	V-1



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## SUMMARY

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*This summary aims to give you an overview of the information contained in this prospectus. As it 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 in conjunction with, the full text of this prospectus. You should read the entire prospectus before you decide to invest in the Offer Shares. There are risks associated with any investment. Some of the particular risks in investing in the Offer Shares are set out in “Risk Factors” in this prospectus. You should read that section carefully before you decide to invest in the Offer Shares.*

### OVERVIEW

#### Who We Are

We are a leader of assembly character toys in China. Leveraging our portfolio of more than 500 patents, in-house IP development capability and cooperative relationships with approximately 50 renowned IP franchises on a non-exclusive basis, we are dedicated to providing consumers with a wide range of quality-for-money assembly character toys and have achieved rapid growth. Our assembly character toys recreate the essence of IP characters. Through the combination of our product strength and supply chain capabilities, we are able to maintain cost advantages and continuously expand product categories. We have established a multi-channel sales network in China with a comprehensive and extensive consumer reach. We pivoted to offline sales channel with a focus on distributors as we began to offer assembly character toys in 2022. According to Frost & Sullivan, we are China’s largest and leading player in the assembly character toy segment with a GMV of approximately RMB1.8 billion in 2023. We are also a fast-growing toy company with a GMV growth of over 170% in 2023. Our market share in China’s assembly character toy segment and China’s assembly toy market in terms of GMV was 30.3% and 7.4% in 2023, respectively. China had an assembly character toy market size of RMB5.8 billion in terms of GMV, representing 5.5%, 14.3% and 24.4% of China’s toy market, characters toy market and assembly toy market in 2023, respectively.

#### Our Major Products



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## SUMMARY

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We generated a substantial portion of revenue from the sales of products based on the Ultraman IP, which contributed to 63.5% and 57.4% of our revenue in 2023 and the six months ended June 30, 2024, respectively. We entered into a license agreement with an IP licensor to secure the rights to develop and sell products under the Ultraman IP in 2021, and has maintained a positive relationship ever since. This can be evidenced by the fact that before the expiration date, our Ultraman IP license in China was extended to 2027. We strive to continue to maintain such positive relationship through active communication, and do not foresee any material adverse changes to, or termination of, our relationship with the IP licensor of the Ultraman IP as of the Latest Practicable Date. See “— Key IP Information.” However, there can be no assurance that we will always be able to renew our licenses on favorable terms, if at all. See “Risk Factors — We may fail to obtain, maintain or renew IP licenses on favorable terms, and our IP proprietors or licensors may fail to maintain and protect their IPs.”

### **Evolution of Our Business**

We have been dedicated to the design, development and sales of assembly toys since 2016. Starting from brick-based toys, we accumulated a wealth of knowledge in assembly toys which served as a solid foundation for expanding our product offering. We then strategically diversified our product offering to include assembly character toys. We started the research and development of assembly character toys in 2019 and began to offer such products in 2022, as we saw large growth potential driven by strong demand for toys that combine highly engaging assembling process and popular IP characters with strong and loyal fan bases. According to Frost & Sullivan, China’s assembly character toy market grew by a CAGR of 49.6% from RMB1.2 billion in 2019 to RMB5.8 billion in 2023, and is expected to grow at a CAGR of 41.3% from RMB5.8 billion in 2023 to RMB32.5 billion in 2028.

Brick-based toys and assembly character toys, both being assembly toys, share many similarities in product design and production. Both brick-based toys and assembly character toys employ the concept of standard components, have components that are compatible across various products, and involve assembling and connecting mechanism. On the other hand, the primary differences between our brick-based toys and assembly character toys are (i) the size of components, and (ii) that it is more difficult to recreate the essence of the IP characters with bricks. In addition, the raw materials and production process for brick-based toys and assembly toys are similar, which enabled us to leverage our expertise, knowledge and established relationship in production and supply chain management. This can be further corroborated by the fact that three of our partner factories have been working with us to produce brick-based toys since 2017, 2018 and 2021, respectively, and continued to produce assembly character toys for us afterwards.

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## SUMMARY

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Due to the abovementioned similarities, we are able to leverage our management and other experiences from brick-based toys in diversifying our assembly toy offering to include assembly character toys. Particularly, we have accumulated knowledge in product design (including connection mechanism and materials) and production (including molding, injection and painting). On the back of our experience in brick-based toys, we developed the Bloks System specifically for our assembly character toys. See “Business — Overview — The Bloks System.” Our assembly character toys quickly achieved success. We began to offer assembly character toys in January 2022. The revenue from our assembly character toys increased by 553.5% from RMB117.7 million in 2022 to RMB769.0 million in 2023, and increased by 323.8% from RMB241.4 million in the six months ended June 30, 2023 to RMB1,023.1 million in the six months ended June 30, 2024. In 2022, our assembly character toys achieved a gross profit margin of 36.8%, similar to that of brick-based toys. The gross profit margin further increased to 48.4% in 2023 and 53.3% in the six months ended June 30, 2024, exceeding that of brick-based toys at 38.7% and 38.1% for the respective periods.

Prior to the launch of our assembly character toys, we sold our brick-based toys through offline channels such as distributors and consignment sales as well as online channels. In 2021, 45.7% and 51.8% of our revenue were generated through offline channels and online channels, respectively. We pivoted to offline sales channel with a focus on distributors as we began to offer assembly character toys in 2022. This approach leveraged the local resources and market intelligence of distributors, enabling us to effectively penetrate the market. More specifically, offline distributorship allows our target consumers to conveniently experience and purchase our products offline. By utilizing offline distributorship, we were able to expand presence and drive our growth efficiently and effectively. In 2022, 2023 and the six months ended June 30, 2024, our offline distribution sales amounted to 48.2%, 83.6% and 91.6% of our total revenue, respectively.

### **Our Product Approach**

We adopt a product approach that offers consumers a new choice in the highly popular character toys market. Through our product approach that employs an optimal combination of standard and customized components, we produce character toys that recreate the essence of the IP characters, and are fun to assemble and play with, and more accessible in terms of pricing. Our product approach enables us to effectively commercialize our self-developed and licensed IPs to strengthen and rapidly broaden our product offering. Surrounding our product approach, we have built the Bloks System. See “Business — Our Product Approach.”

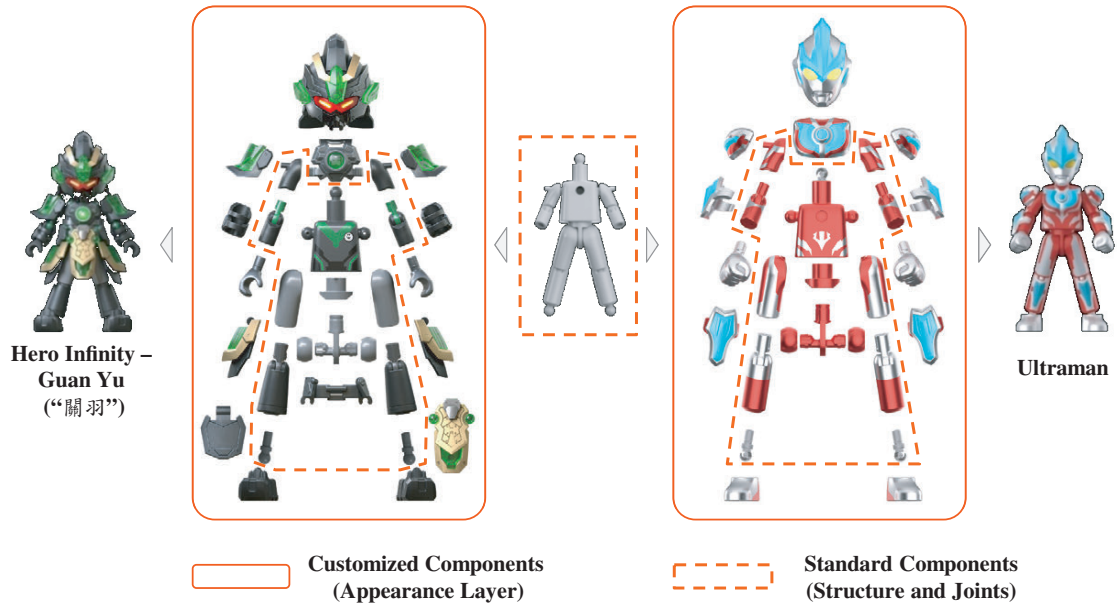
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## SUMMARY

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The architecture of our assembly character toys draws inspiration from human physique to assimilate stability, mobility and appearance. Under this approach, we recreate characters that can be assembled, posed and customized with details through the combination of standard and customized components.

### The Architecture of Our Assembly Character Toys



### Market Opportunities

Assembly character toy is the fastest-growing segment in the global toy market and has significant growth potential. Due to the emergence of multiple product approaches and quality supply, assembly character toys enjoy significant differentiated advantages over traditional character toys, gradually becoming the preferred choices of consumers, with the penetration rate in the global toy market expected to increase in the long run.

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## SUMMARY

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According to Frost & Sullivan, the global and China's character toy market reached RMB345.8 billion and RMB40.3 billion in 2023, and is expected to grow at a CAGR of 9.3% and 17.7% to reach RMB540.7 billion and RMB91.1 billion in 2028, respectively. Within the above markets, the global and China's assembly character toy market reached RMB27.8 billion and RMB5.8 billion in 2023, and is expected to grow at a CAGR of 29.0% and 41.3% to reach RMB99.6 billion and RMB32.5 billion in 2028, respectively. The penetration rate of global and China's assembly character toys in the character toy market is expected to increase from 8.0% and 14.3% in 2023 to 18.4% and 35.6% in 2028, respectively. Furthermore, the assembly product approaches can also be applied to multiple categories of toys, including vehicle toys and various scenery toys. In particular, the global and China's vehicle toy market reached RMB96.7 billion and RMB15.1 billion in 2023, and is expected to grow at a CAGR of 2.9% and 6.3% to reach RMB111.6 billion and RMB20.5 billion in 2028, respectively.

### **Rich IP Portfolio**

Our self-developed IPs and renowned licensed IPs form our rich IP portfolio. We have successfully developed two IPs in-house, including the children-development-oriented Magic Blocks (百變布魯可) and the Chinese culture-themed Hero Infinity (英雄無限). Our assembly character toys efficiently commercialize IP at scale and position us as a preferred partner of various proprietors of renowned IPs. As of the Latest Practicable Date, we had obtained non-exclusive licenses for approximately 50 renowned IPs from IP proprietors or licensors, including Ultraman, TRANSFORMERS, Naruto, Marvel's Infinity Saga, Marvel's Spidey and His Amazing Friends, Minions, Pokémon, Kamen Rider, Detective Conan, Hatsune Miku, Saint Seiya, EVANGELION, Hello Kitty, Sesame Street, SUPER SENTAI, DC's Superman, DC's Batman, Harry Potter and STAR WARS. Our rich IP portfolio enables us to offer products to reach consumers across different age groups and genders globally.

### **Comprehensive Product Offering**

We capture the market opportunities and are committed to leveraging our Bloks System that combines standardization and individuality elements to create highly popular and fun assembly character toys, address global consumers' widespread demand for toys that recreate the essence of IP characters, and deliver the joy of assembling. Through a large number of SKUs, a comprehensive price segment coverage and a rich IP portfolio, we have built an expansive matrix-style product offering and continue to serve consumers, fans and BFCs with a wide selection of products. As of June 30, 2024, we had a total of 431 SKUs available for sale, including 116 SKUs designed primarily for children under the age of six, 295 SKUs designed primarily for consumers between the ages of six and 16, and 20 SKUs designed primarily for consumers over the age of 16.

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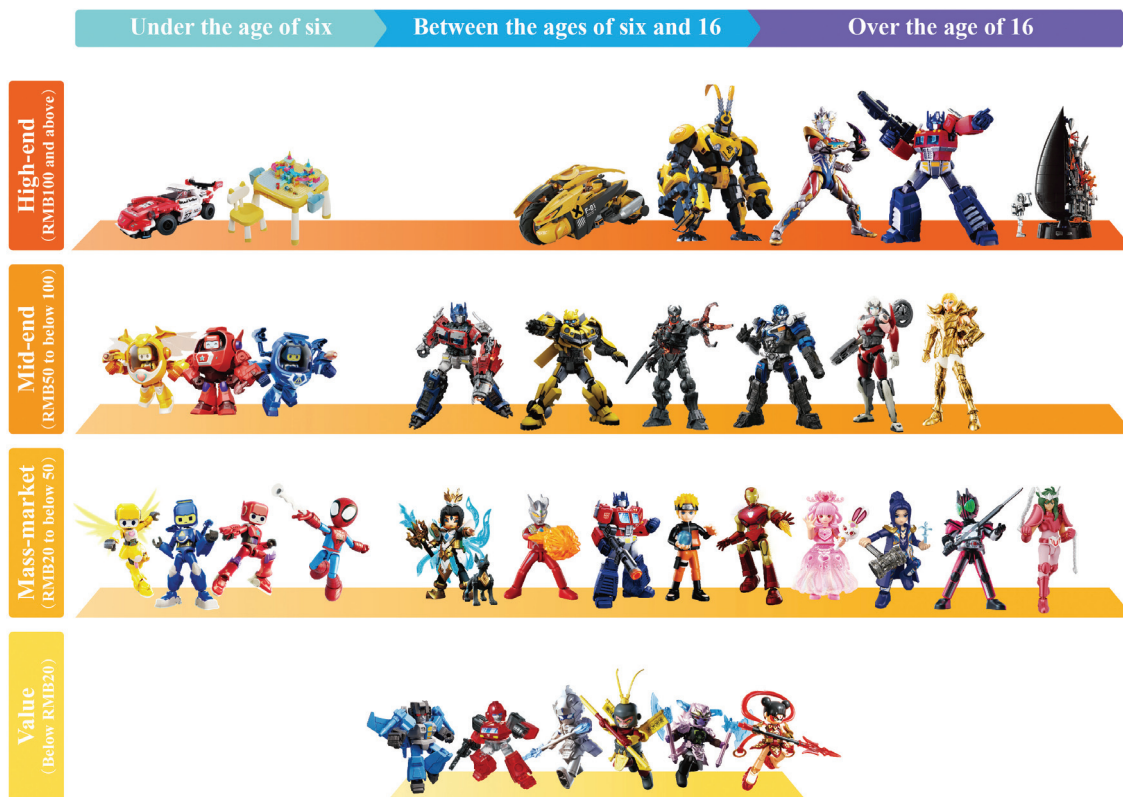
## SUMMARY

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Our products offer consumers various quality-for-money propositions, including excellent experience, exquisite design and high quality.

- *Fun experience.* Our innovative and systemized assembling mechanism ensures our products are easy to play with. Consumers' involvement in the assembling process promote individualistic expression. As such, our products have strong collectability and can provide consumers with long-term companionship.
- *High quality.* Our products are high quality, safe, enduring and exquisitely-designed with consistent assembling experience.
- *Great value-for-money.* Our product pricing strategy covers a comprehensive price range, and our mainstream products' suggested retail prices primarily range from RMB9.9 to RMB399, with great value-for-money at each price segment. Our best-selling products in the mass-market price segment are priced at RMB39 per unit, while products in the value price segment that can reach a wider consumer group are priced from RMB9.9 to RMB19.9 per unit.

### Our Product Offering



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## SUMMARY

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### Key IP Information

We generated substantially all of our revenue in 2023 and the six months ended June 30, 2024 from products based on three IPs. The table below sets out key information relating to our top three IPs in 2023 and the six months ended June 30, 2024.

IP Name	SKU	Source of IP	Identity and Background of our IP Proprietor or Licensor	Licensed Territories	Licensing Expiration Year
Ultraman	134	Non-exclusively licensed from IP licensor	Tsubaraya Productions Co., Ltd. is the proprietor of the Ultraman IP, who granted SCLA an exclusive license of certain Ultraman characters in China with several additional distribution territories	China <sup>(1)</sup> North America, Europe and certain regions in Asia	2027 2025
TRANSFORMERS	64	Non-exclusively licensed from IP proprietor	Hasbro, a leading US-based NASDAQ listed toy and game company, owner of the TRANSFORMERS IP with global operations	Over 50 countries globally	2028
Hero Infinity	53	Self-developed	N/A	N/A	N/A

*Note:*

(1) Including Hong Kong, Macau and Taiwan.

## SUMMARY

The table below sets out the SKU, sales volume and average selling price of the assembly character toys under the top three IPs for the periods indicated.

	Year Ended December 31,									Six Months Ended June 30,					
	2021 <sup>(1)</sup>			2022			2023			2023			2024		
	Average		SKU	Average		SKU	Average		SKU	Average		SKU	Average		SKU
	Sales	selling		Sales	selling		Sales	selling		Sales	selling		Sales	selling	
volume	price <sup>(2)</sup>	volume	price <sup>(2)</sup>	volume	price <sup>(2)</sup>	volume	price <sup>(2)</sup>	volume	price <sup>(2)</sup>	volume	price <sup>(2)</sup>	volume	price <sup>(2)</sup>		
	('000)	(RMB)		('000)	(RMB)		('000)	(RMB)		('000)	(RMB)		('000)	(RMB)	
Ultraman .....	-	-	-	95	5,932	19	188	26,629	21	142	9,342	22	134	29,470	20
TRANSFORMERS .....	-	-	-	-	-	-	36	5,387	23	10	254	18	64	8,845	22
Hero Infinity .....	-	-	-	6	89	21	30	3,240	20	12	712	26	53	14,500	12

*Notes:*

- (1) We began to offer assembly character toys in January 2022.
- (2) Average selling price is calculated through dividing revenue by the relevant sales volume during the same year/period, which represented the average price at which our products were sold to our direct customers.

We strive to maintain positive relationship with our IP proprietors or licensors through active communication. The sales we generated from products based on the licensed IPs also provide a strong financial incentive for the IP proprietors or licensors to continue the relationship with us. As a result, we have been successful in renewing or extending our major licenses including Ultraman and TRANSFORMERS, without significant increase in the fee rates. For the Ultraman IP, we have successfully extended our license for three times since 2021. Our license for the Ultraman IP in China has been extended to 2027 and we are actively negotiating for license extensions for other countries that expires in 2025. For the TRANSFORMERS IP, we have successfully extended our license once since 2023. The Directors are of the view that there should be no foreseeable difficulties in obtaining extension for such licenses due to the following reasons.

- *Common industry practice:* IP licensing is a well-established and prevalent business cooperation model in the global toy industry. Continuous renewal of licensed IPs is very common in this sector. According to Frost & Sullivan, the common practice for IP licensing involves the IP proprietors or licensors granting licenses to partners for one to three years at a time on average, with continuous authorization achieved through renewals. Ongoing IP licensing is a crucial commercial strategy for IP proprietors or licensors to secure a reasonable return on their intellectual property investments and continuously expand the influence of their IPs. Additionally, changing an existing IP licensing partner can disrupt the IP proprietor's established licensing network and consume significant resources in finding a replacement partner that matches the existing partner in industry status, R&D capabilities,



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## SUMMARY

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reputation, corporate image, and development strategy, resulting in high replacement costs. Therefore, IP owners would typically choose to renew agreements with satisfactory partners.

- *Our positive relationship with IP proprietors and licensors:* We have been able to maintain positive relationship with the relevant IP proprietors and licensors through active communication. We hold meetings with the relevant IP proprietors and licensors frequently to discuss the latest development on the relevant products and marketing initiatives. In addition, we report the sales of relevant products to the relevant IP proprietors and licensors every quarter. We strictly adhere to the limitations on authorized rights as stipulated in the IP licensing agreement. As a result, we have been highly recognized by IP proprietors and licensors, receiving multiple awards from IP proprietors and licensors. Our successful renewal and extension of IP agreements such as Ultraman and TRANSFORMERS, as well as the increase in the number of licensed countries, also indicate strong willingness of IP proprietors and licensors to continue their cooperation with us.

To mitigate our reliance on any single IP, we have been actively expanding our IP portfolio. As of the Latest Practicable Date, we had approximately 50 licensed IPs in our portfolio. As of the same date, we were negotiating IP licensing arrangements for more than 25 IPs. In addition, we have been dedicated to offering products under our self-developed IPs. As of the Latest Practicable Date, we had two self-developed IPs. As we continue to roll out new products under our expanding IP portfolio, we will be able to reduce reliance on any single IP.

## RESEARCH AND DEVELOPMENT

Research and development is a key component of the Bloks System and is crucial to our success. We have established a dedicated research and development team consisting of 331 employees as of June 30, 2024. Our research and development team members possess deep experience and understanding of toys, consumer goods and popular culture. We follow a consumer-oriented research and development approach. Throughout the product design and development process, we leverage our consumer insights from the collection of feedback and consumer participation. See “Business — Research and Development.”

## PRODUCTION

We collaborate with specialized third-party partner factories to produce our products. We integrate our know-how in assembly character toy production and various patents to curate proprietary production techniques and customized equipment to be applied in a network of toy factories dedicated to the production of our products. For example, through a highly standardized molding process, and an automated process of mold injection, UV printing and painting, component sorting and box packaging, we have achieved efficient large-scale production and cost advantages. Although all our products were produced by our partner factories during the Track Record Period, we acquired production know-how and patents

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## SUMMARY

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through active involvement in the production process. We apply DFM principles and our research and development team engages in conversations with production partners across all production stages, addressing specific issues and tackling technical bottlenecks, which often lead to the development of know-how and patents.

Working with our network of specialized partner factories enables us to focus our resources on key stages of the product launch cycle, such as product design, research and development, brand development and management, and sales and distribution. This strategy also enables us to rationalize capital investment and facilitates us in focusing our resources to effectively adjust our product offering in response to evolving market trends. As of June 30, 2024, we had six specialized partner factories in our network dedicated to the production of our products. See “Business — Production.”

### MARKETING

Assembly character toys are naturally suitable for content-driven marketing due to the consumer connection from the assembling process, and the fact that IP characters are closely associated with rich contents that can be widely disseminated. Leveraging such unique characteristics of IP-based assembly character toys, we adopt a content-driven online marketing strategy that enables us to effectively reach and maintain a broad base of consumers, fans and BFCs, and collect feedback on our products. We use multiple communication channels, including our official accounts and the accounts of KOLs, KOCs, fans and BFCs on social media platforms. See “Business — Marketing and Consumer Engagement — Our Content-Driven Online Marketing Strategy.”

### SALES NETWORK

We sell our products through a multi-channel sales network, which consists of (i) offline sales channels, including distributors and consignment sales, and (ii) online sales channels, including various e-commerce platforms. See “Business — Sales Network.”

As of June 30, 2024, we had established a strong market position in offline sales channels in China, including retail outlets and specialty outlets. Through over 450 distributors, our products can effectively reach all first- and second-tier cities and over 80% of the third-tier cities and below. Our products are also sold in large-scale supermarkets and specialty outlets in China, including Toys“R”Us, Kidswant, Kulechaowan and Walmart. Our online channels in China cover mainstream e-commerce platforms, including Tmall, JD.com, Douyin and Pinduoduo, and our own Weixin mini-program. Meanwhile, our products are also sold through online and offline channels including Amazon, Toys“R”Us, 7-Eleven and Walmart in overseas markets including the United States, Southeast Asia and Europe.

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## SUMMARY

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### OUR CUSTOMERS AND SUPPLIERS

Our direct customers primarily include the distributors, consignment sales partners, e-commerce platforms and online consumers. All our five largest customers in each year or period during the Track Record Period are our distributors, consignment sales partners and an e-commerce platform. In 2021, 2022, 2023 and the six months ended June 30, 2024, revenue from our five largest customers in each year or period during the Track Record Period accounted for 26.6%, 22.5%, 15.3% and 12.1% of our total revenue for such year or period during the Track Record Period. During the Track Record Period, we were not subject to any material customer concentration risk. In 2021, 2022, 2023 and the six months ended June 30, 2024, revenue from our largest customer in each year or period during the Track Record Period accounted for 12.2%, 9.0%, 4.2% and 3.3% of our total revenue for such year or period during the Track Record Period. See “Business — Our Customers.”

Our suppliers primarily include specialized partner factories and IP proprietors and licensors. Purchases from our partner factories accounted for the majority of our purchases during the Track Record Period. See “Risk Factors — Risks Relating to Our Business and Industry — The use of third-party partner factories to produce products presents risks to our business” for the associated risks. In 2021, 2022 and 2023 and the six months ended June 30, 2024, purchases from our five largest suppliers in each year or period during the Track Record Period accounted for 82.3%, 82.2%, 90.5% and 71.6% of our total purchases for such year or period during the Track Record Period. In 2021, 2022, 2023 and the six months ended June 30, 2024, purchases from our largest supplier in each year or period during the Track Record Period accounted for 46.4%, 40.6%, 34.4% and 30.4% of our total purchases for such year or period during the Track Record Period. See “Business — Our Suppliers.”

### COMPETITION

The global and China’s assembly character toy markets are highly concentrated. The top two industry players in the global assembly character toy market are multinational companies that are well-known in the toy industry, the combined market share of which was approximately 75.4% in 2023, according to Frost & Sullivan. We ranked third in the global assembly character toy market with a market share of 6.3% in 2023 in terms of GMV. The combined market share of the top three industry players in China’s assembly character toy market was approximately 65.1% in 2023, according to Frost & Sullivan. We ranked first in China’s assembly character toy market in 2023 in terms of GMV. Some of our competitors may have greater financial resources or stronger capability than us in one or many of these areas. See “Business — Competition.”

### OUR COMPETITIVE STRENGTHS

We believe the following competitive strengths have fueled our success and will continue to drive our future growth:

- Hard-to-replicate combination of wide ranging patents and rich IP portfolio;

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## SUMMARY

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- Product strength underpinned by the full integration of R&D and production;
- Content-driven online marketing strategy facilitating the efficient buildout of multi-channel sales network;
- Sustainable growth model with matrix-style product offering covering all demographics, all price segments and global consumers; and
- Dedicated founder and management team with a track record of entrepreneurship and innovation capabilities.

See “Business — Competitive Strengths.”

### OUR STRATEGIES

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

- Solidify our leadership position in assembly character toys by continuously capturing growth opportunities across all demographics, all price segments and global consumers;
- Expand product categories;
- Build a team of high quality global talents;
- Strategically pursue investment and acquisition opportunities; and
- Commitment to sustainability and social impact.

See “Business — Strategies.”

### IMPACT OF COVID-19

Our sales were negatively affected by COVID-19 in 2022 due to certain delay in production and deliveries particularly in late March and April of 2022. As a result, our total revenue in 2021 and 2022 was RMB329.8 million and RMB325.6 million, respectively. The Directors are of the view that the decrease in our sales attributable to COVID-19 did not materially and adversely impact our operations and financial performance during the Track Record Period and up to the Latest Practicable Date. Our revenue increased by 169.3% from RMB325.6 million in 2022 to RMB876.7 million in 2023, and by 237.6% from RMB309.9 million in the six months ended June 30, 2023 to RMB1,046.2 million in the six months ended June 30, 2024. As such, COVID-19 did not have any material lasting impact on our operations and financial performance.

## SUMMARY

### SUMMARY OF HISTORICAL FINANCIAL INFORMATION

The following tables sets forth summary financial data from our consolidated financial information during the Track Record Period. The summary financial data set forth below should be read together with, and is qualified in its entirety by reference to, the consolidated financial statements as set out in the Accountants' Report in Appendix I to this prospectus, including the related notes. Our consolidated financial information was prepared in accordance with IFRSs.

#### Results of Operations

	Year Ended December 31,						Six Months Ended June 30,			
	2021		2022		2023		2023		2024	
	<i>(in RMB thousands, except for percentages)</i>									
	<i>(unaudited)</i>									
Revenue . . . . .	329,772	100.0%	325,574	100.0%	876,686	100.0%	309,939	100.0%	1,046,203	100.0%
Cost of sales. . . . .	(206,371)	(62.6)%	(202,155)	(62.1)%	(461,764)	(52.7)%	(173,731)	(56.1)%	(492,467)	(47.1)%
<b>Gross profit. . . . .</b>	<b>123,401</b>	<b>37.4%</b>	<b>123,419</b>	<b>37.9%</b>	<b>414,922</b>	<b>47.3%</b>	<b>136,208</b>	<b>43.9%</b>	<b>553,736</b>	<b>52.9%</b>
Selling and distribution expenses. . .	(388,646)	(117.9)%	(232,885)	(71.5)%	(189,280)	(21.6)%	(86,401)	(27.9)%	(120,764)	(11.5)%
Research and development expenses . . . . .	(83,016)	(25.2)%	(98,444)	(30.2)%	(94,657)	(10.8)%	(41,953)	(13.5)%	(76,016)	(7.3)%
Administrative expenses. . . . .	(58,287)	(17.7)%	(51,002)	(15.7)%	(49,230)	(5.6)%	(22,069)	(7.1)%	(403,946)	(38.6)%
Other income, other gains and losses, net. . . . .	9,507	2.9%	12,416	3.8%	5,987	0.7%	2,499	0.8%	3,905	0.4%
Other expenses. . . . .	(20,938)	(6.3)%	(17,896)	(5.5)%	(695)	(0.1)%	(221)	(0.1)%	(1,241)	(0.1)%
Reversal of/(Provision for) impairment losses on financial assets, net. . . . .	669	0.2%	226	0.1%	(1,100)	(0.1)%	(389)	(0.1)%	(506)	(0.0)%
Finance costs . . . . .	(2,323)	(0.7)%	(1,574)	(0.5)%	(1,654)	(0.2)%	(1,323)	(0.4)%	(891)	(0.1)%
Fair value changes on convertible redeemable preferred shares . . . . .	(144,201)	(43.7)%	(191,031)	(58.7)%	(274,132)	(31.3)%	(188,611)	(60.9)%	(157,033)	(15.1)%
<b>Loss before tax . . . . .</b>	<b>(563,834)</b>	<b>(171.0)%</b>	<b>(456,771)</b>	<b>(140.3)%</b>	<b>(189,839)</b>	<b>(21.7)%</b>	<b>(202,260)</b>	<b>(65.3)%</b>	<b>(202,756)</b>	<b>(19.4)%</b>
Income tax expense. . . . .	56,981	17.3%	34,066	10.5%	(17,642)	(2.0)%	(528)	(0.1)%	(52,135)	(5.0)%
<b>Loss for the year/period . . . . .</b>	<b>(506,853)</b>	<b>(153.7)%</b>	<b>(422,705)</b>	<b>(129.8)%</b>	<b>(207,481)</b>	<b>(23.7)%</b>	<b>(202,788)</b>	<b>(65.4)%</b>	<b>(254,891)</b>	<b>(24.4)%</b>
<b>Attributable to</b>										
Owners of the parent . . . . .	(502,594)	(152.4)%	(419,886)	(129.0)%	(206,100)	(23.5)%	(201,866)	(65.1)%	(257,894)	(24.7)%
Non-controlling interests . . . . .	(4,259)	(1.3)%	(2,819)	(0.8)%	(1,381)	(0.2)%	(922)	(0.3)%	3,003	0.3%

## SUMMARY

### *Non-IFRS Measure*

To supplement our consolidated financial statements that are presented in accordance with IFRS, we also use adjusted profit/(loss) for the year/period (a non-IFRS measure) and adjusted net margin (a non-IFRS measure), as additional financial measures, which are not required by, or presented in accordance with IFRS. We believe that these non-IFRS measures facilitate comparisons of operating performance from period to period by eliminating potential impact of certain items. We believe that these measures provide useful information to investors and others in understanding and evaluating our consolidated financial statements in the same manner as they help our management. However, our presentation of adjusted profit/(loss) for the year/period (a non-IFRS measure) and adjusted net margin (a non-IFRS measure) may not be comparable to similar item measures presented by other companies. The use of these non-IFRS measures has limitations as an analytical tool, and you should not consider them in isolation from, or as substitute for analysis of, our consolidated financial statements or financial condition as reported under IFRS. We define adjusted profit/(loss) for the year/period (a non-IFRS measure) as profit/(loss) for the year/period adjusted for fair value changes on convertible redeemable preferred shares (a non-cash item), listing expenses and share-based compensations (a non-cash item). In particular, convertible redeemable preferred shares will be reclassified from liabilities to equity as a result of the conversion of convertible redeemable preferred shares into Ordinary Shares upon Listing. We define adjusted net margin (a non-IFRS measure) as adjusted profit/(loss) for the year/period (a non-IFRS measure) as a percentage of our total revenue.

	Year Ended December 31,			Six Months Ended June 30,	
	2021	2022	2023	2023	2024
	<i>(in RMB thousands, except for percentages)</i>				
	<i>(unaudited)</i>				
<b>Loss for the year/period . . .</b>	<b><u>(506,853)</u></b>	<b><u>(422,705)</u></b>	<b><u>(207,481)</u></b>	<b><u>(202,788)</u></b>	<b><u>(254,891)</u></b>
Add:					
Fair value changes on convertible redeemable preferred shares . . . . .	144,201	191,031	274,132	188,611	157,033
Listing expenses . . . . .	–	–	–	–	15,355
Share-based compensations . . . . .	<u>6,863</u>	<u>6,337</u>	<u>6,231</u>	<u>3,071</u>	<u>374,670<sup>(1)</sup></u>
<b>Adjusted profit/(loss) for the year/period (a non- IFRS measure) . . . . .</b>	<b><u>(355,789)</u></b>	<b><u>(225,337)</u></b>	<b><u>72,882</u></b>	<b><u>(11,106)</u></b>	<b><u>292,167</u></b>

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## SUMMARY

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	Year Ended December 31,			Six Months Ended June 30,	
	2021	2022	2023	2023	2024
	<i>(in RMB thousands, except for percentages)</i>				
	<i>(unaudited)</i>				
<b>Adjusted net margin</b>					
<b>(a non-IFRS measure) . . .</b>	<b><u>(107.9)%</u></b>	<b><u>(69.2)%</u></b>	<b><u>8.3%</u></b>	<b><u>(3.6)%</u></b>	<b><u>27.9%</u></b>

*Note:*

- (1) In April 2024, the Board granted share options to certain employees under the Share Incentive Scheme and the vast majority of such share options were vested immediately after the grant. See note 32 to “Appendix I — Accountants’ Report.”

We recorded adjusted loss for the year (a non-IFRS measure) of RMB355.8 million in 2021 and RMB225.3 million 2022, and managed to turn it into adjusted profit for the year (a non-IFRS measure) of RMB72.9 million in 2023, primarily due to our continuous narrowing of loss for the years from 2021 to 2023. We managed to turn adjusted loss for the period (a non-IFRS measure) of RMB11.1 million in the six months ended June 30, 2023 into adjusted profit for the period (a non-IFRS measure) of RMB292.2 million in the six months ended June 30, 2024, primarily due to an increase in our revenue and gross profit margin. Such changes were primarily due to our successful strategic diversification of our product offering to include assembly character toys. More specifically, we continued to scale up our business and execute a content driven market strategy, which resulted in a gradual increase in our gross profit margin and gradual decrease in our various operating expenses as percentage of our total revenue starting from 2022.

See “Financial Information — Non-IFRS Measure.”

## SUMMARY

### Revenue

The table below sets forth the breakdown of our total revenue by product type and IP category for the periods indicated.

	Year Ended December 31,						Six Months Ended June 30,			
	2021		2022		2023		2023		2024	
	<i>(in RMB thousands, except for percentages)</i>									
	<i>(unaudited)</i>									
<b>Assembly character toys</b>										
Self-developed IP . . . . .	-	-	1,865	0.6%	64,203	7.3%	18,494	6.0%	173,073	16.5%
<i>Hero Infinity</i> . . . . .	-	-	1,865	0.6%	64,203	7.3%	18,494	6.0%	169,713	16.2%
<i>Others</i> . . . . .	-	-	-	-	-	-	-	-	3,360	0.3%
Licensed IP . . . . .	-	-	115,808	35.5%	704,835	80.4%	222,935	71.9%	850,009	81.3%
<i>Ultraman</i> . . . . .	-	-	111,483	34.2%	556,720	63.5%	203,880	65.8%	600,681	57.4%
<i>TRANSFORMERS</i> . . . . .	-	-	-	-	124,977	14.3%	4,553	1.5%	195,444	18.7%
<i>Others</i> . . . . .	-	-	4,325	1.3%	23,138	2.6%	14,502	4.6%	53,884	5.2%
<b>Subtotal</b> . . . . .	<b>-</b>	<b>-</b>	<b>117,673</b>	<b>36.1%</b>	<b>769,038</b>	<b>87.7%</b>	<b>241,429</b>	<b>77.9%</b>	<b>1,023,082</b>	<b>97.8%</b>
<b>Brick-based toys</b>										
Self-developed IP and other										
self-developed products . . .	301,286	91.4%	176,952	54.4%	91,711	10.5%	58,099	18.8%	22,434	2.1%
<i>Magic Blocks</i> . . . . .	142,228	43.1%	83,321	25.6%	51,195	5.8%	35,033	11.3%	9,574	0.9%
<i>Others</i> . . . . .	159,058	48.3%	93,631	28.8%	40,516	4.7%	23,066	7.5%	12,860	1.2%
Licensed IP . . . . .	20,377	6.1%	29,699	9.1%	14,571	1.6%	9,976	3.2%	531	0.1%
<b>Subtotal</b> . . . . .	<b>321,663</b>	<b>97.5%</b>	<b>206,651</b>	<b>63.5%</b>	<b>106,282</b>	<b>12.1%</b>	<b>68,075</b>	<b>22.0%</b>	<b>22,965</b>	<b>2.2%</b>
<b>Others<sup>(1)</sup></b> . . . . .	<b>8,109</b>	<b>2.5%</b>	<b>1,250</b>	<b>0.4%</b>	<b>1,366</b>	<b>0.2%</b>	<b>435</b>	<b>0.1%</b>	<b>156</b>	<b>0.0%</b>
<b>Total</b> . . . . .	<b>329,772</b>	<b>100.0%</b>	<b>325,574</b>	<b>100.0%</b>	<b>876,686</b>	<b>100.0%</b>	<b>309,939</b>	<b>100.0%</b>	<b>1,046,203</b>	<b>100.0%</b>

Note:

- (1) Others primarily include other non-toy revenue, such as certain revenue generated from advertisements shown before, during or after the play of our animations on online platforms.

Our revenue increased by 169.3% from RMB325.6 million in 2022 to RMB876.7 million in 2023, and by 237.6% from RMB309.9 million in the six months ended June 30, 2023 to RMB1,046.2 million in the six months ended June 30, 2024. Such increase was primarily due to an increase in revenue from assembly character toys. We began to offer assembly character toys in January 2022 on the back of the Bloks System. Our successful commercialization of an expanding and diversifying portfolio of self-developed and licensed IPs and the rapid



## SUMMARY

expansion of our sales network resulted in a significant increase in the sales volume and revenue of assembly character toys from 2022 to 2023 and the six months ended June 30, 2023 to the six months ended June 30, 2024.

During the Track Record Period, some of our products were in the form of blind boxes, which is a popular form in the toy industry according to Frost & Sullivan and is allowed according to the relevant laws and regulations, including the Blind Boxes Guidelines. In particular, the sales of our products in the form of blind boxes contributed to a majority of our revenue in 2023, which amounted to RMB555.3 million, accounting for 63.3% of the total revenue in the same year. See “Business — Our Product Offering — Assembly Character Toys.”

### *Cost of Sales*

Our cost of sales increased by 128.4% from RMB202.2 million in 2022 to RMB461.8 million in 2023, and by 183.5% from RMB173.7 million in the six months ended June 30, 2023 to RMB492.5 million in the six months ended June 30, 2024. Such increases were primarily due to increases in cost of goods sold, which was mainly attributable to increases in sales volume of our assembly character toys.

### *Gross Profit and Gross Profit Margin*

The table below sets forth the breakdown of our gross profit and gross profit margin by product type and IP category for the periods indicated.

	Year Ended December 31,						Six Months Ended June 30,			
	2021		2022		2023		2023		2024	
	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin
	<i>(in RMB thousands, except for percentages)</i>									
	<i>(unaudited)</i>									
<b>Assembly character toys</b>										
Self-developed IP . . . . .	-	-	768	41.2%	35,742	55.7%	8,985	48.6%	107,208	61.9%
<i>Hero Infinity</i> . . . . .	-	-	768	41.2%	35,742	55.7%	8,985	48.6%	105,254	62.0%
<i>Others</i> . . . . .	-	-	-	-	-	-	-	-	1,954	58.2%
Licensed IP . . . . .	-	-	42,522	36.7%	336,647	47.8%	97,889	43.9%	437,624	51.5%
<i>Ultraman</i> . . . . .	-	-	41,825	37.5%	262,118	47.1%	90,371	44.3%	302,695	50.4%
<i>TRANSFORMERS</i> . . . . .	-	-	-	-	67,927	54.4%	2,309	50.7%	110,670	56.6%
<i>Others</i> . . . . .	-	-	697	16.1%	6,602	28.5%	5,209	35.9%	24,259	45.0%
<b>Subtotal/Overall</b> . . . . .	-	-	<b>43,290</b>	<b>36.8%</b>	<b>372,389</b>	<b>48.4%</b>	<b>106,874</b>	<b>44.3%</b>	<b>544,832</b>	<b>53.3%</b>

## SUMMARY

	Year Ended December 31,						Six Months Ended June 30,			
	2021		2022		2023		2023		2024	
	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin
	<i>(in RMB thousands, except for percentages)</i>									
	<i>(unaudited)</i>									
<b>Brick-based toys</b>										
Self-developed IP and other self-										
developed products . . . . .	112,413	37.3%	69,637	39.4%	38,048	41.5%	25,347	43.6%	8,541	38.1%
<i>Magic Blocks</i> . . . . .	59,116	41.6%	37,660	45.2%	23,687	46.3%	16,554	47.3%	4,329	45.2%
<i>Others</i> . . . . .	53,297	33.5%	31,977	34.2%	14,361	35.4%	8,793	38.1%	4,212	32.8%
Licensed IP . . . . .	6,105	30.0%	9,242	31.1%	3,119	21.4%	3,552	35.6%	207	39.0%
<b>Subtotal/Overall</b> . . . . .	<b>118,518</b>	<b>36.8%</b>	<b>78,879</b>	<b>38.2%</b>	<b>41,167</b>	<b>38.7%</b>	<b>28,899</b>	<b>42.5%</b>	<b>8,748</b>	<b>38.1%</b>
<b>Others<sup>(1)</sup></b> . . . . .	<b>4,883</b>	<b>60.2%</b>	<b>1,250</b>	<b>100.0%</b>	<b>1,366</b>	<b>100.0%</b>	<b>435</b>	<b>100.0%</b>	<b>156</b>	<b>100.0%</b>
<b>Total/Overall</b> . . . . .	<b>123,401</b>	<b>37.4%</b>	<b>123,419</b>	<b>37.9%</b>	<b>414,922</b>	<b>47.3%</b>	<b>136,208</b>	<b>43.9%</b>	<b>553,736</b>	<b>52.9%</b>

*Note:*

- (1) Others primarily include other non-toy gross profit, such as certain gross profit generated from advertisements shown before, during or after the play of our animations on online platforms, which is generally not directly associated with any cost of sales.

Our gross profit increased by 236.2% from RMB123.4 million in 2022 to RMB414.9 million in 2023, and by 306.5% from RMB136.2 million in the six months ended June 30, 2023 to RMB553.7 million in the six months ended June 30, 2024. Such increases were primarily due to an increase in gross profit from assembly character toy sales, which was mainly attributable to an increase in sales volume of our assembly character toys. Our gross profit margin increased from 37.9% in 2022 to 47.3% in 2023, and from 43.9% in the six months ended June 30, 2023 to 52.9% in the six months ended June 30, 2024. Such increases were primarily due to strong increases in revenue contribution and gross profit margin from assembly character toy sales as we enjoyed stronger economies of scale along with our business growth.

See “Financial Information — Period-to-Period Comparison of Results of Operations.”

## SUMMARY

### Financial Position

	As of December 31,			As of
	2021	2022	2023	June 30, 2024
	<i>(in RMB thousands)</i>			
Total non-current assets . . . . .	254,207	282,156	330,400	310,536
Total current assets . . . . .	2,231,769	1,663,695	682,256	814,997
<b>Total assets</b> . . . . .	<b>2,485,976</b>	<b>1,945,851</b>	<b>1,012,656</b>	<b>1,125,533</b>
Total non-current liabilities . . . . .	1,407,345	1,584,949	1,890,061	1,846,873
Total current liabilities . . . . .	2,037,250	1,738,017	730,889	771,122
<b>Total liabilities</b> . . . . .	<b>3,444,595</b>	<b>3,322,966</b>	<b>2,620,950</b>	<b>2,617,995</b>
<b>Net current assets/(liabilities)</b> . . . . .	<b>194,519</b>	<b>(74,322)</b>	<b>(48,633)</b>	<b>43,875</b>
Net liabilities . . . . .	(958,619)	(1,377,115)	(1,608,294)	(1,492,462)
<b>Equity</b>				
<b>Equity attributable to owners of the parent</b>				
Share Capital . . . . .	–	112	128	128
Deficits . . . . .	(950,528)	(1,366,317)	(1,606,385)	(1,492,590)
Non-controlling interests . . . . .	(8,091)	(10,910)	(2,037)	–
<b>Total equity</b> . . . . .	<b>(958,619)</b>	<b>(1,377,115)</b>	<b>(1,608,294)</b>	<b>(1,492,462)</b>

Our net current assets of RMB194.5 million as of December 31, 2021 turned into net current liabilities of RMB74.3 million as of December 31, 2022, primarily due to a decrease in financial assets at fair value through profit or loss of RMB271.5 million, an increase in amounts due to related parties of RMB26.0 million and an increase in trade and notes payables of RMB25.7 million, partially offset by an increase in cash and cash equivalents of RMB112.8 million.

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## SUMMARY

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Our net current liabilities decreased from RMB74.3 million as of December 31, 2022 to RMB48.6 million as of December 31, 2023, primarily due to increases in certain current assets items, including an increase in cash and cash equivalents of RMB171.9 million, an increase in trade and notes receivables of RMB23.0 million and an increase in inventories of RMB15.1 million, partially offset by increases in current liability items, including an increase in trade and notes payables of RMB141.1 million and an increase in other payables and accruals of RMB56.7 million.

Our net current liabilities of RMB48.6 million as of December 31, 2023 turned into net current assets of RMB43.9 million as of June 30, 2024, primarily due to increases in certain current assets items, including an increase in cash and cash equivalents of RMB193.3 million, an increase in inventories of RMB75.0 million, an increase in trade and notes receivables of RMB25.0 million and an increase in prepayments, other receivables and other assets of RMB23.2 million, partially offset by an increase in trade and notes payables of RMB255.0 million.

The convertible redeemable preferred shares will be reclassified from liabilities to equity as a result of the conversion of convertible redeemable preferred shares into Ordinary Shares upon listing, resulting in a net assets position.

See “Financial Information — Selected Balance Sheet Items.”

Our net liabilities increased from RMB958.6 million as of December 31, 2021 to RMB1,377.1 million as of December 31, 2022, which further increased to RMB1,608.3 million as of December 31, 2023, primarily due to the comprehensive loss recorded in 2021, 2022 and 2023. Our net liabilities decreased from RMB1,608.3 million as of December 31, 2023 to RMB1,492.5 million as of June 30, 2024 primarily due to our enhanced product profitability.

See “Consolidated Statements of Changes in Equity” in “Appendix I — Accountants’ Report.”

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## SUMMARY

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### Cash Flows

	Year Ended December 31,			Six Months Ended June 30,	
	2021	2022	2023	2024	
	<i>(in RMB thousands)</i>				
Operating cash flows before movements in working capital . . . . .	(355,919)	(208,964)	138,040	367,593	
Changes in working capital . . . . .	62,591	40,232	146,888	143,521	
Income tax paid . . . . .	(5)	(5)	(36)	(3,082)	
	<b>Net cash flows (used in)/from operating activities . . . . .</b>	<b>(293,333)</b>	<b>(168,737)</b>	<b>284,892</b>	<b>508,032</b>
	<b>Net cash flows (used in)/from investing activities . . . . .</b>	<b>(230,683)</b>	<b>250,662</b>	<b>(43,269)</b>	<b>(41,217)</b>
	<b>Net cash flows from/(used in) financing activities . . . . .</b>	<b>579,432</b>	<b>31,475</b>	<b>(70,146)</b>	<b>(273,014)</b>
	<b>Net increase in cash and cash equivalents . . . . .</b>	<b>55,416</b>	<b>113,400</b>	<b>171,477</b>	<b>193,801</b>
Cash and cash equivalents at beginning of the year/period . . . . .	20,813	76,153	188,972	360,837	
Effects of foreign exchange rate changes, net . . . . .	(76)	(581)	388	(546)	
	<b>Cash and cash equivalents at end of the year/period .</b>	<b>76,153</b>	<b>188,972</b>	<b>360,837</b>	<b>554,092</b>

In 2021 and 2022, we recorded net cash flow used in operating activities primarily due to our loss during the relevant years. However, we narrowed our net cash flows used in operating activities from RMB293.3 million in 2021 to RMB168.7 million in 2022, and managed to turn it into net cash flows from operating activities of RMB284.9 million in 2023, primarily due to the fact that we continuously narrowed our loss during the relevant years. Our net cash flows from operating activities increased from RMB60.9 million in the six months ended June 30, 2023 to RMB508.0 million in the six months ended June 30, 2024, primarily due to our successful business expansion.

See “Financial Information — Cash Flows.”

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## SUMMARY

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### KEY FINANCIAL RATIOS

	Year Ended/As of December 31,			Six Months Ended/ As of
				June 30,
	2021	2022	2023	2024
Gross profit margin <sup>(1)</sup> . . . . .	37.4%	37.9%	47.3%	52.9%
Adjusted net margin (non-IFRS measure) <sup>(2)</sup> . . . . .	(107.9)%	(69.2)%	8.3%	27.9%
Current ratio <sup>(3)</sup> . . . . .	1.1	1.0	0.9	1.1
Quick ratio <sup>(4)</sup> . . . . .	1.1	0.9	0.8	0.9

*Notes:*

- (1) Gross profit margin equals gross profit for the year/period divided by revenue for the year/period and multiplied by 100%.
- (2) Adjusted profit/(loss) for the year/period (a non-IFRS measure) divided by revenue for the year/period and multiplied by 100%, which is a non-IFRS measure. See “Financial Information — Non-IFRS Measure.”
- (3) Current ratio is calculated based on the total current assets divided by the total current liabilities as at the end of the respective year/period.
- (4) Quick ratio is calculated as total current assets less inventories divided by the total current liabilities as at the end of the respective year/period.

### RISK FACTORS

We face risks including those set out in the section headed “Risk Factors.” As different investors may have different interpretations and criteria when determining the significance of a risk, you should read the “Risk Factors” section in its entirety before you decide to invest in our Offer Shares. Some of the major risks that we face include:

- Demand for our products is affected by changing social and economic circumstances and evolving consumer preferences, as well as our ability to design and develop products to meet these preferences;
- We recorded net losses in the past and we might not be able to sustain our growth or achieve profitability;
- The popularity of existing IPs in our IP portfolio may deteriorate, and we may not be able to successfully source, develop or commercialize new IPs;

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## SUMMARY

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- We may fail to obtain, maintain or renew IP licenses on favorable terms, and our IP proprietors or licensors may fail to maintain and protect their IPs;
- Our competitiveness in part depends on our ability to obtain, maintain and protect our critical intellectual properties;
- We face challenges with regard to changes in existing laws, regulations, or policies governing our industry and business, the imposition of new laws, regulations, or policies, or new interpretations thereof, including the newly promulgated Blind Boxes Guidelines.

### OUR PRE-IPO INVESTORS

We have engaged in Pre-IPO Investments with our Pre-IPO Investors. From 2018 to 2024, our Group has completed several rounds of Pre-IPO Investments at the onshore level in Bloks Technology or at the offshore level in our Company. For further details of the identity and background of the Pre-IPO Investors and the principal terms of the Pre-IPO Investments, see “History, Development and Reorganization — Pre-IPO Investments.”

### OUR CONTROLLING SHAREHOLDERS

Upon the completion of the Global Offering (assuming that the Offer Size Adjustment Option and the Over-allotment Option are not exercised), Mr. Zhu, our chairman and executive Director, will be interested in and control an aggregate of approximately 49.47% of our enlarged issued share capital. Next Bloks, which owns 45.82% of our enlarged issued share capital, is owned as to 99% by Wit Bright Limited under the Wise Global Trust and as to 1% by Playcreation Holding Limited. Playcreation Holding Limited is wholly-owned by Mr. Zhu. The Wise Global Trust is a discretionary trust established by Mr. Zhu (as the settlor) for the benefit of Mr. Zhu and his family members. In addition, Smart Bloks, which owns 3.65% of our enlarged issued share capital, is wholly-owned by Mr. Zhu. Therefore, Mr. Zhu will control the exercise of the voting rights of the Shares held by Next Bloks and Smart Bloks in our Company.

Mr. Zhu, Next Bloks, Smart Bloks, Wit Bright Limited and Playcreation Holding Limited will be the Controlling Shareholders of our Company after Listing. See “Relationship with the Controlling Shareholders — Overview.”

### DIVIDEND POLICY

No dividends have been paid or declared by our Company during the Track Record Period. Our Board has the discretion to pay interim dividends and to recommend to Shareholders to pay final dividends. Any declaration and payment as well as the amount of dividends will be subject to our Articles and the Cayman Companies Act. Under the Cayman Islands law, our Company may pay a dividend out of either profit or share premium account, provided that in no circumstances may a dividend be paid if this would result in our Company being unable to pay its debts as they fall due in the ordinary course of business. As advised by our Cayman Islands counsel, subject to the above, there is no restriction under the Cayman Islands law for our Company to declare and pay a dividend despite our accumulated losses. We do not have a pre-determined dividend payout ratio.

See “Financial Information — Dividend Policy.”

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## SUMMARY

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### LISTING EXPENSES

Listing expenses represent professional fees, underwriting commission and fees incurred in connection with the Listing and the Global Offering. Our listing expenses are estimated to be approximately HK\$105.2 million (including underwriting commission) accounting for 7.5% of the gross proceeds of the Global Offering (assuming an Offer Price of HK\$58.00 per Share, being the mid-point of the Offer Price range stated in this prospectus, and no exercise of the Offer Size Adjustment Option and Over-allotment Option). Among our listing expenses, approximately HK\$71.8 million is directly attributable to the issuance of Shares and will be charged to equity upon completion of the Listing, and approximately HK\$33.4 million has been or will be charged to our consolidated statements of profit or loss. The listing expenses we incurred in the Track Record Period and expect to incur would consist of approximately HK\$54.0 million underwriting related expenses and fees (including but not limited to commissions and fees), approximately HK\$33.4 million non-underwriting-related expenses and fees of the Joint Sponsors, legal advisors and reporting accountant and approximately HK\$17.8 million for other non-underwriting-related fees and expenses. During the Track Record Period, we incurred RMB23.7 million of listing expenses, among which, RMB8.3 million was included in prepayments, other receivables and other current assets and will be subsequently charged to our equity upon completion of the Listing and RMB15.4 million was charged to our consolidated statements of profit or loss.

The listing expenses above are the latest practicable estimate for reference only, and the actual amount may differ from this estimate.

### GLOBAL OFFERING STATISTICS

The statistics in the following table are based on the assumption that (i) the Global Offering has been completed and 24,120,300 new Shares are issued in the Global Offering, (ii) the Offer Size Adjustment Option and the Over-allotment Option are not exercised, and (iii) 241,472,245 Shares are issued and outstanding following the completion of the Global Offering.

	<b>Based on an Offer Price of HK\$55.65 per Offer Share</b>	<b>Based on an Offer Price of HK\$58.00 per Offer Share</b>	<b>Based on an Offer Price of HK\$60.35 per Offer Share</b>
Market Capitalization . . . . .	HK\$13,437.9 million	HK\$14,005.4 million	HK\$14,572.8 million
Unaudited pro forma adjusted consolidated net tangible assets attributable to owners of the parent per share <sup>(1)</sup> . . .	HK\$6.61	HK\$6.83	HK\$7.06

*Note:*

- (1) The unaudited pro forma adjusted consolidated net tangible assets per share is arrived at after adjustments referred in “Appendix II — Unaudited Pro Forma Financial Information” in this prospectus and on the basis of 241,472,245 Shares are in issue, assuming that the Offer Size Adjustment Option and the Over-allotment Option are not exercised and that the conversion of Preferred Shares into the ordinary shares and the Global Offering has been completed.



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## SUMMARY

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### USE OF PROCEEDS

Assuming an Offer Price of HK\$58.00 per Offer Share (being the midpoint of the range of the Offer Price stated in this prospectus), we estimate that we will receive net proceeds of approximately HK\$1,294 million from the Global Offering after deducting the underwriting commissions and other estimated expenses in connection with the Global Offering (assuming the Offer Size Adjustment Option and the Over-allotment Option are not exercised). We intend to use our proceeds for the purposes and in the amounts set forth below.

- Approximately 25%, or HK\$323 million, will be used to enhance our research and development capabilities in relation to product design and development;
- Approximately 25%, or HK\$323 million, will be used to invest in core production resources and our own scaled factories specializing in the production of assembly character toys;
- Approximately 20%, or HK\$259 million, will be used to further enrich our IP portfolio;
- Approximately 20%, or HK\$259 million, will be used for sales and marketing efforts, especially content-driven marketing activities, to improve brand recognition and product popularity; and
- Approximately 10%, or HK\$129 million, will be used for working capital and other general corporate purposes.

### APPLICATION FOR LISTING ON THE STOCK EXCHANGE

We have applied to the Listing Committee for the granting of the listing of, and permission to deal in, the Shares in issue and to be issued by us pursuant to the Global Offering on the basis that, among other things, we satisfy the market capitalisation/revenue test under Rule 8.05(3) of the Listing Rules with reference to: (i) our revenue for the year ended December 31, 2023 exceeds HK\$500 million, and (ii) our expected market capitalisation at the time of Listing, which, based on the low end of the indicative Offer Price range, exceeds HK\$4 billion.

### RECENT DEVELOPMENT

Our products continued to be favored by consumers subsequent to the Track Record Period. In the nine months ended September 30, 2024, our revenue amounted to RMB1,629.3 million, representing a 177.2% increase from RMB587.7 million for the nine months ended September 30, 2023. The growth was primarily driven by significant increase in our product sales volume. For the same period, we recorded gross profit of RMB866.8 million, representing a 220.7% increase in gross profit of RMB270.3 million for the nine months ended September 30, 2023. Our gross profit margin increased from 46.0% for the nine months ended September 30, 2023 to 53.2% for the nine months ended September 30, 2024, primarily due to continuously improved economies of scale.

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## SUMMARY

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Our growing IP portfolio is crucial to the expansion of our product offering. For example, we launched products under the Kamen Rider IP in July 2024 for the first time and received high popularity among consumers, as evidenced by a sales volume of 2.4 million units within the first month of the launch. To further enrich our IP portfolio, we successfully entered into new license agreements for the SUPER SENTAI IP in July 2024, Anime ULTRAMAN Series in October 2024, as well as DC's Superman, DC's Batman, Harry Potter and STAR WARS in November 2024, which enabled us to develop, produce and sell assembly character toys under those IPs in China, which are on comparable terms with our existing IP license agreements. We also expanded our licensed territories for the Ultraman IP in regions such as North America, Europe and Asia. Furthermore, we expanded our licensed territories for the Marvel: Infinity Saga and Spidey and His Amazing Friends IPs to further include other eight countries in Asia in addition to China. For the Minions IP, we expanded our licensed territories to cover more than 150 countries globally.

To further expand the price segment coverage of our products, we launched the TRANSFORMERS Galaxy Version Defender in the value price segment at a suggested retail price of RMB9.9 per unit in November 2024.

Despite our business growth, we may experience a significant increase in net loss for the year ending December 31, 2024, primarily due to fair value changes on convertible redeemable preferred shares, which in turn was the result of higher valuation of our Company, and a significant increase in share-based compensations.

The foregoing selected unaudited financial data in relation to our revenue in the nine months ended September 30, 2024 is derived from our unaudited interim condensed consolidated financial information for the nine months ended September 30, 2024. Our unaudited interim condensed consolidated financial information for the nine months ended September 30, 2024 has been reviewed by our Reporting Accountants in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

### **NO MATERIAL ADVERSE CHANGE**

Our Directors confirmed that, as of the date of this prospectus, there has been no material adverse change in our financial position since June 30, 2024, and there has been no event since June 30, 2024 that would materially affect the information as set out in the Accountants' Report in Appendix I to this prospectus.

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## DEFINITIONS

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*In this prospectus, unless the context otherwise requires, the following terms shall have the following meanings. Certain technical terms are explained in the section headed “Glossary of Technical Terms”.*

“Accountants’ Report”	the accountants’ report of our Company, the text of which is set out in Appendix I to this prospectus
“affiliate(s)”	with respect to any specified person, any other person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified person
“AFRC”	Accounting and Financial Reporting Council of Hong Kong
“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Audit Committee”	the audit committee of the Board
“Board” or “Board of Directors”	the board of Directors of the Company
“Blocs Bricks”	Shanghai Bloks Bricks Technology Co., Ltd. (上海布魯可積木科技有限公司), a limited liability company established in the PRC on March 1, 2019 and a subsidiary of our Company
“Blocs Culture”	Shanghai Bloks Culture Communication Co., Ltd. (上海布魯可文化傳播有限公司), a limited liability company established in the PRC on December 30, 2015 and an associate of Mr. Zhu
“Blocs Holding”	Blocs Holding Limited, a limited liability company incorporated under the laws of BVI on August 10, 2021 and a subsidiary of our Company
“Blocs Information”	Shanghai Information Technology Co., Ltd. (上海布魯可信息技術有限公司), a limited liability company established in the PRC on July 9, 2021 and an associate of Mr. Zhu

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## DEFINITIONS

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“Bloks Technology”	Shanghai Bloks Technology Group Co., Ltd. (上海布魯可科技集團有限公司), a limited liability company established in the PRC on December 24, 2014 and a subsidiary of our Company
“Business Day” or “business day”	a day on which banks in Hong Kong are generally open for normal banking business to the public and which is not a Saturday, Sunday or public holiday in Hong Kong
“BVI”	the British Virgin Islands
“Capital Market Intermediaries” or “CMI(s)”	the capital market intermediaries as named in “Directors and Parties Involved in the Global Offering” in this prospectus
“Cayman Companies Law” or “Cayman Companies Act”	the Companies Act, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, as amended, supplemented or otherwise modified from time to time
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“Chairman”	the chairman of the Board
“China” or “PRC”	the People’s Republic of China, excluding, for the purposes of this prospectus only, the regions of Hong Kong, Macau and Taiwan of the People’s Republic of China, except where the content or context requires otherwise
“China Bloks”	China Bloks Holding Limited (中國布魯可控股有限公司), a limited company established in Hong Kong on August 31, 2021 and a subsidiary of our Company
“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
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time

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## DEFINITIONS

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“Company” or “our Company”	Bloks Group Limited (布魯可集團有限公司), an exempted company incorporated under the laws of Cayman Islands with limited liability on July 28, 2021
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“connected transaction(s)”	has the meaning ascribed thereto under the Listing Rules
“Controlling Shareholder(s)”	has the meaning ascribed to it under the Listing Rules and unless the context otherwise requires, shall mean Mr. Zhu, Next Bloks, Smart Bloks, Wit Bright Limited and Playcreation Holding Limited
“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
“CSRC”	China Securities Regulatory Commission (中國證券監督管理委員會)
“Director(s)” or “our Director(s)”	director(s) of the Company
“Exchange Participant(s)”	a person: (a) who, in accordance with the Hong Kong Listing Rules, may trade on or through the Hong Kong Stock Exchange; and (b) whose name is entered in a list, register or roll kept by the Hong Kong Stock Exchange as a person who may trade on or through the Hong Kong Stock Exchange
“Extreme Conditions”	any extreme conditions caused by a super typhoon as announced by the government of Hong Kong or any extreme conditions or events, the occurrence of which will cause interruption to the ordinary course of business operations in Hong Kong or that may affect the Listing Date
“FINI”	“Fast Interface for New Issuance”, the online platform operated by HKSCC that is mandatory for admission to trading and, where applicable, the collection and processing of specified information on subscription in and settlement for the Listing

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## DEFINITIONS

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“First Prosperity” or “ESOP Platform”	First Prosperity Limited, a platform holding the underlying incentive Shares under the Share Incentive Scheme, which is wholly owned by Trident Trust Company (HK) Limited (as trustee of the Bloks First Trust, which was established by Company as the settlor for the purposes of the Share Incentive Scheme)
“Frost & Sullivan”	Frost & Sullivan (Beijing) Inc., Shanghai Branch Co., a market research and consulting company
“Frost & Sullivan Report”	the industry report commissioned by us and prepared by Frost & Sullivan, summary of which is set forth in “Industry Overview” in this prospectus
“General Rules of HKSCC”	the terms and conditions regulating the use of HKSCC’s services, as may be amended or modified from time to time and where the context so permits, shall include the HKSCC Operational Procedures
“Global Offering”	the Hong Kong Public Offering and the International Offering
“Grantee”	means any participant who accepts an offer in accordance with the terms of Share Incentive Scheme, or (where the context so permits) any person who is entitled to any option in consequence of the death of the original Grantee
“Group”, “our Group” or “we”	the Company and its subsidiaries (or the Company and any one or more of its subsidiaries, as the content may require), or where the context so requires, in respect of the periods before the Company became the holding company of its present subsidiaries, such subsidiaries as if they were subsidiaries of the Company at the relevant time
“HK\$” or “HK dollars”	Hong Kong dollars, the lawful currency of Hong Kong
“HKSCC”	Hong Kong Securities Clearing Company Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited

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## DEFINITIONS

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“HKSCC EIPO”	the application for the Hong Kong Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your designated HKSCC Participant’s stock account through causing HKSCC Nominees to apply on your behalf, including by instructing your <b>broker</b> or <b>custodian</b> who is a HKSCC Participant to give <b>electronic application instructions</b> via HKSCC’s FINI system to apply for the Hong Kong Offer Shares on your behalf
“HKSCC Nominees”	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
“HKSCC Operational Procedures”	the operational procedures of HKSCC, containing the practices, procedures and administrative or other requirements relating to HKSCC’s services and the operations and functions of CCASS, FINI or any other platform, facility or system established, operated and/or otherwise provided by or through HKSCC, as from time to time in force
“HKSCC Participant”	a participant admitted to participate in CCASS as a direct clearing participant, a general clearing participant or a custodian participant
“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Listing Rules” or “Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time
“Hong Kong Offer Shares”	the 2,412,300 Shares initially offered by the Company for subscription at the Offer Price pursuant to the Hong Kong Public Offering (subject to reallocation as described in “Structure of the Global Offering” in this prospectus)

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## DEFINITIONS

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“Hong Kong Public Offering”	the offering of the Hong Kong Offer Shares for subscription by the public in Hong Kong (subject to adjustment as described in “Structure of the Global Offering”) at the Offer Price (plus brokerage, SFC transaction levy, Stock Exchange trading fees and AFRC transaction levy), on and subject to the terms and conditions described as described in “Structure of the Global Offering — Hong Kong Public Offering” in this prospectus
“Hong Kong Share Registrar”	Computershare Hong Kong Investor Services Limited
“Hong Kong Stock Exchange” or “Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Hong Kong Underwriters”	the underwriters of the Hong Kong Public Offering listed in “Underwriting — Hong Kong Underwriters” in this prospectus
“Hong Kong Underwriting Agreement”	the underwriting agreement dated December 29, 2024 relating to the Hong Kong Public Offering entered into by, among others, the Company, the Controlling Shareholders, the Joint Sponsors, the Overall Coordinators and the Hong Kong Underwriters, as further described in “Underwriting — Underwriting Arrangements and Expenses — Hong Kong Public Offering” in this prospectus
“IFRS”	International Financial Reporting Standards, which include standards, amendments and interpretations promulgated by the International Accounting Standards Board
“Independent Third Party(ies)”	party(ies) who are not connected persons of the Company as far as the Directors are aware after having made all reasonable enquiries
“International Offer Shares”	the 21,708,000 Shares initially offered by the Company pursuant to the International Offering together with, where relevant, any additional Shares which may be issued by our Company pursuant to the exercise of the Offer Size Adjustment Option and/or the Over-allotment Option, subject to reallocation as described in “Structure of the Global Offering” in this prospectus



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## DEFINITIONS

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“International Offering”	the offer of the International Offer Shares by the International Underwriters at the Offer Price outside the United States and in offshore transactions in accordance with Regulation S under the U.S. Securities Act and in the United States to QIBs only in reliance on Rule 144A or any other available exemption from the registration requirement under the U.S. Securities Act, in each case on and subject to the terms and conditions of the International Underwriting Agreement, as further described in “Structure of the Global Offering” in this prospectus
“International Underwriters”	the underwriters of the International Offering listed in the International Underwriting Agreement
“International Underwriting Agreement”	the underwriting agreement expected to be entered into on or around the Price Determination Date by, among others, the Company, the Controlling Shareholders, the Overall Coordinators and the International Underwriters in respect of the International Offering, as further described in “Underwriting — Underwriting arrangements and expenses — International Offering” in this prospectus
“IPCC”	Intergovernmental Panel on Climate Change
“Joint Bookrunners”	the joint bookrunners as named in “Directors and Parties Involved in the Global Offering” in this prospectus
“Joint Global Coordinators”	the joint global coordinators as named in “Directors and Parties Involved in the Global Offering” in this prospectus
“Joint Lead Managers”	the joint lead managers as named in “Directors and Parties Involved in the Global Offering” in this prospectus
“Joint Sponsors”	the joint sponsors as named in “Directors and Parties Involved in the Global Offering” in this prospectus
“Latest Practicable Date”	Sunday, December 22, 2024, being the latest practicable date for the purpose of ascertaining certain information contained in this prospectus prior to its publication

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## DEFINITIONS

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“Listing”	listing of the Shares on the Main Board of the Hong Kong Stock Exchange
“Listing Committee”	the Listing Committee of the Hong Kong Stock Exchange
“Listing Date”	the date expected to be on or about Friday, January 10, 2025, on which dealings in our Shares first commence on the Hong Kong Stock Exchange
“Main Board”	the stock market (excluding the option market) operated by the Hong Kong Stock Exchange which is independent from and operated in parallel with the GEM of the Hong Kong Stock Exchange
“Memorandum and Articles of Association”	the memorandum and articles of association of the Company, conditionally approved and adopted on December 18, 2024 and to become effective on the Listing Date, as amended, supplemented or otherwise modified from time to time, a summary of which is set out in Appendix III to this prospectus
“Ministry of Finance” or “MOF”	Ministry of Finance of the PRC (中華人民共和國財政部)
“Mr. Zhu”	Mr. Zhu Weisong (朱偉松), our founder, Chairman, executive Director, chief executive officer and one of our Controlling Shareholders
“Next Bloks”	Next Bloks Limited, a limited liability company incorporated under the laws of BVI on July 19, 2021 and one of our Controlling Shareholders under control of Mr. Zhu, holding approximately 45.82% of the issued share capital of our Company immediately after the Global Offering (assuming that the Offer Size Adjustment Option and the Over-allotment Option is not exercised)
“Offer Price”	the final offer price per Offer Share in Hong Kong dollars (exclusive of a brokerage fee of 1.0%, a SFC transaction levy of 0.0027%, a Stock Exchange trading fee of 0.00565% and AFRC transaction levy of 0.00015%) of not more than HK\$60.35 and expected to be not less than HK\$55.65, at which the Hong Kong Offer Shares are to be subscribed for, to be determined in “Structure of the Global Offering — Pricing and Allocation” in this prospectus

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## DEFINITIONS

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“Offer Share(s)”	Hong Kong Offer Shares and the International Offer Shares, together with, where relevant, any additional Shares which may be issued by the Company pursuant to the exercise of the Offer Size Adjustment Option and/or the Over-allotment Option
“Offer Size Adjustment Option”	the option expected to be granted by our Company under the International Underwriting Agreement to the International Underwriters, exercisable by the Overall Coordinators (for themselves and on behalf of the International Underwriters), pursuant to which our Company may be required to allot and issue up to an aggregate of 3,618,000 additional new Shares, representing approximately 15% of the initial number of Offer Shares offered under the Global Offering, at the Offer Price to, among other things, cover any excess demand (if any) in the International Offering, as described in the section headed “Structure of the Global Offering” in this prospectus
“Ordinary Share(s)”	ordinary share(s) in the share capital our Company, of nominal value US\$0.0001 each
“Overall Coordinator(s)”	the overall coordinators as named in “Directors and Parties Involved in the Global Offering” in this prospectus
“Over-allotment Option”	the option to be granted by the Company to the International Underwriters, exercisable by the Overall Coordinators (for themselves and on behalf of the International Underwriters) pursuant to the International Underwriting Agreement, pursuant to which our Company may be required to allot and issue up to an aggregate of 4,160,700 additional Shares (representing approximately 15% of the Offer Shares initially being offered under the Global Offering assuming the Offer Size Adjustment Option is exercised in full) or up to an aggregate of 3,618,000 additional Offer Shares (representing in aggregate approximately 15% of the Offer Shares being offered under the Global Offering assuming the Offer Size Adjustment Option is not exercised), at the Offer Price to, among other things, cover over-allocations in the International Offering, if any, further details of which are described in “Structure of the Global Offering” in this prospectus

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## DEFINITIONS

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“PBOC”	People’s Bank of China (中國人民銀行), the central bank of the PRC
“PRC Legal Advisor”	Jingtian & Gongcheng
“Preferred Shares”	Series Angel Preferred Shares, Series Pre-A Preferred Shares and Series A Preferred Shares in the capital of our Company, which will be converted on a one-to-one basis into the Ordinary Shares upon the Listing
“Pre-IPO Investments”	the Pre-IPO investments in our Company undertaken by the Pre-IPO Investors, details of which are set out in the section headed “History, Development and Reorganization” in this prospectus
“Pre-IPO Investors”	the investors of the Pre-IPO Investments, details of which are set out in the section headed “History, Development and Reorganization” in this prospectus
“Price Determination Agreement”	the agreement to be entered into by and the Overall Coordinators (for themselves and on behalf of the Underwriters) and our Company on the Price Determination Date to record and fix the Offer Price
“Price Determination Date”	the date, expected to be on or before Wednesday, January 8, 2025 (Hong Kong time) on which the Offer Price is determined by the Overall Coordinators (for themselves and on behalf of the Underwriters) and us, but in any event no later than 12:00 noon, Wednesday, January 8, 2025
“prospectus”	this prospectus being issued in connection with the Hong Kong Public Offering
“province”	a province or, where the context requires, a provincial level autonomous region or municipality, under the direct supervision of the central government of the PRC
“QIB” or “Qualified Institutional Buyer”	a qualified institutional buyer within the meaning of Rule 144A
“Regulation S”	Regulation S under the U.S. Securities Act
“Reporting Accountants”	Ernst & Young

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## DEFINITIONS

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“RMB” or “Renminbi”	Renminbi, the lawful currency of the PRC
“Rule 144A”	Rule 144A under the U.S. Securities Act
“SAFE”	State Administration of Foreign Exchange of the PRC (中華人民共和國國家外匯管理局)
“SAT”	State Administration of Taxation of the PRC (中華人民共和國國家稅務總局)
“SCLA”	Shanghai Character License Administrative Co., Ltd. (上海新創華文化發展有限公司)
“Securities and Futures Ordinance” or “SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Securities Law”	Securities Law of the People’s Republic of China (中華人民共和國證券法), as amended, supplemented or otherwise modified from time to time
“Series Angel Preferred Share(s)”	series angel preferred share(s) of the Company, of nominal or par value of US\$0.0001 each
“Series A Preferred Share(s)”	series A preferred shares of the Company, of nominal or par value of US\$0.0001 each
“Series Pre-A Preferred Share(s)”	series pre-A preferred shares of the Company, of nominal or par value of US\$0.0001 each
“SFC”	the Securities and Futures Commission of Hong Kong
“Share Incentive Scheme”	the share incentive scheme adopted by the Company on January 12, 2023 and amended and restated on March 29, 2024, the principal terms of which are set out in “Appendix IV — Statutory and General Information — E. The Share Incentive Scheme” to this prospectus
“Shareholder(s)”	holder(s) of the Shares
“Share(s)”	the Ordinary Shares, Series Angel Preferred Shares, Series Pre-A Preferred Shares and Series A Preferred Shares in the capital of our Company, as the context so requires

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## DEFINITIONS

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“Smart Bloks”	Smart Bloks Limited, a limited liability company incorporated under the laws of BVI on July 15, 2021 and one of our Controlling Shareholders wholly-owned by Mr. Zhu, holding approximately 3.65% of the issued share capital of our Company immediately after the Global Offering (assuming that the Offer Size Adjustment Option and the Over-allotment Option are not exercised)
“Sponsor-OC”	the sponsor-overall coordinators as named in “Directors and Parties Involved in the Global Offering” in this prospectus
“Stabilizing Manager”	Goldman Sachs (Asia) L.L.C.
“State Council”	the State Council of the PRC (中華人民共和國國務院)
“Stock Borrowing Agreement”	the stock borrowing agreement expected to be entered into between Smart Bloks and the Stabilizing Manager on or about the Price Determination Date
“subsidiary(ies)”	has the meaning ascribed to it in Schedule 1 of the Companies Ordinance and the Listing Rules
“Track Record Period”	the financial years ended December 31, 2021, 2022 and 2023 and the six months ended June 30, 2024
“U.S.” or “United States”	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
“U.S. person”	a U.S. person, as defined of Rule 902 of Regulation S
“U.S. Securities Act”	the United States Securities Act of 1933, as amended, and the rules and regulations promulgated under it
“Underwriters”	the Hong Kong Underwriters and the International Underwriters
“Underwriting Agreements”	the Hong Kong Underwriting Agreement and the International Underwriting Agreement
“US\$” or “U.S. dollars”	United States dollars, the lawful currency of the United States

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## DEFINITIONS

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“VAT”	value added tax
“ <b>White Form eIPO</b> ”	the application process for Hong Kong Offer Shares with applications issued in applicant’s own name and submitted online through the designated website of the <b>White Form eIPO</b> Service Provider at <a href="http://www.eipo.com.hk">www.eipo.com.hk</a>
“ <b>White Form eIPO</b> Service Provider”	Computershare Hong Kong Investor Services Limited
“Wise Global Trust”	a discretionary trust established by Mr. Zhu as the settlor on June 16, 2022, for the benefit of Mr. Zhu and his family members with Trident Trust Company (HK) Limited as the trustee
“%”	percent

For ease of reference, the names of the PRC established companies or entities, laws or regulations have been included in this prospectus in both the Chinese and English languages; in the event of any inconsistency, the Chinese versions shall prevail.

For the purpose of this prospectus, references to “provinces” of China include provinces, municipalities under direct administration of the central government and provincial-level autonomous regions.

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

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## GLOSSARY OF TECHNICAL TERMS

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*This glossary contains explanations of certain technical terms used in this prospectus in connection with the Company and our business. Such terminology and meanings may not correspond to standard industry meanings or usages of those terms.*

“ABS”	acrylonitrile butadiene styrene
“App”	mobile application
“ASTM F963”	U.S. consumer product safety standard for toys
“BFC”	Blokees Figures Creator, person who re-creates our products or produces creative content related to our products, and shares such content
“CAGR”	the compound annual growth rate, which means the year-over-year growth rate over a specified period of time
“DFM”	design for manufacturability, a product design philosophy focusing on creating a better design at a lower cost by optimizing the selection of materials and manufacturing processes
“DTC”	direct-to-customer
“EN71”	European Union safety standard for toys
“ERP”	enterprise resource planning
“ESG”	environmental, social and corporate governance
“first- and second-tier cities”	Beijing, Shanghai, Guangzhou, Shenzhen, Chengdu, Xi’an, Wuhan, Suzhou, Zhengzhou, Chongqing, Hangzhou, Nanjing, Tianjin, Changsha, Dongguan, Ningbo, Hefei, Kunming, Qingdao, Foshan, Shenyang, Jinan, Wuxi, Xiamen, Fuzhou, Wenzhou, Jinhua, Harbin, Dalian, Guiyang, Nanning, Quanzhou, Shijiazhuang, Changchun, Nanchang, Huizhou, Changzhou, Jiaxing, Xuzhou, Nantong, Taiyuan, Baoding, Zhuhai, Zhongshan, Taizhou, Linyi, Weifang, Shaoxing and Yantai
“GMV”	gross merchandise value



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## GLOSSARY OF TECHNICAL TERMS

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“GB6675-2014”	China national safety standards for toys
“IP”	characters, films or other artistic works and their underlying intellectual property rights
“ISO14000”	an international standard that specifies requirements for environmental management
“KOC”	key opinion consumer
“KOL”	key opinion leader
“R&D”	research and development
“SKU(s)”	stock keeping units, being the smallest unit of inventory available for sale
“third-tier and cities and below”	all the cities in China excluding first-tier cities and second-tier cities
“UGC(s)”	user-generated content(s)
“UV printing”	a printing technique that utilizes ultraviolet light to dry or cure ink

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## FORWARD-LOOKING STATEMENTS

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This prospectus contains forward-looking statements. All statements other than statements of historical fact contained in this prospectus, including, without limitation:

- (a) the discussions of our business strategies, objectives and expectations regarding our future operations, products, revenue, margins, profitability, liquidity and capital resources;
- (b) any statements concerning the future development of, and trends and conditions in, the market and the general economy of the countries in which we operate or plan to operate and where our products may be distributed and sold;
- (c) any statements concerning our ability to control costs or expenses;
- (d) any statements concerning the nature of, and potential for, the future development of our business, including any potential business relationships and partnerships;
- (e) any statements preceded by, followed by or that include words and expressions such as “aim”, “aspire”, “expect”, “believe”, “plan”, “intend”, “estimate”, “forecast”, “project”, “projection”, “target”, “schedules”, “outlook”, “vision”, “goal”, “going forward”, “anticipate”, “seek”, “may”, “will”, “ought to”, “would”, “should” and “could” or similar words or statements;
- (f) any statements included in this prospectus that are not historical; and
- (g) any factors beyond our control,

as they relate to us or the management, are forward-looking statements.

These statements are based on assumptions regarding our present and future business, our business strategies and the environment in which we will operate. These forward-looking statements reflect our current views as to future events and are not a guarantee of our future performance. Forward-looking statements are subject to certain known and unknown risks, uncertainties and assumptions, including the risk factors described in “Risk Factors” and elsewhere in this prospectus. Important factors that may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by these forward-looking statements include, among other things, the following:

- (a) developments in our business strategies and business plans;
- (b) our ability to continue to launch new quality-for-money products on a timely, cost-effective basis;

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## FORWARD-LOOKING STATEMENTS

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- (c) prevailing local, regional, national and international economic conditions and consumer confidence in the markets where our products may be sold;
- (d) general political, economic, legal and social conditions in our principal markets;
- (e) developments of our competitors and other competitive pressures within the industries in which we operate;
- (f) changes in social and economic circumstances and consumer preferences, and volatility in the prices of raw materials, commodities and energy;
- (g) our ability to obtain the necessary funding for future capital or refinancing needs and limitations on our ability to contain costs and expenses;
- (h) financial risks, such as interest rate risk, foreign exchange rate risk, commodity risk, asset price risk, equity market risk, counterparty risk, sovereign risk, liquidity risk, inflation or deflation; and
- (i) regulatory changes affecting, among other things, the industry and market, accounting standards and taxes.

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

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

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## RISK FACTORS

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*An investment in our Shares involves a high degree of risk. You should carefully consider the following information about risks, together with the other information contained in this prospectus, including our consolidated financial statements and related notes, before you decide to buy our Shares. If any of the circumstances or events described below actually arises or occurs, our future prospects, business, results of operations and financial condition may suffer. In any such case, the market price of our Shares could decline and you may lose all or part of your investment. This prospectus also contains forward-looking information that involves risks and uncertainties. Our actual results could differ materially from those anticipated in these forward-looking statements as a result of many factors, including the risks described below.*

### **RISKS RELATING TO OUR BUSINESS AND INDUSTRY**

**Demand for our products is affected by changing social and economic circumstances and evolving consumer preferences, as well as our ability to design and develop products to meet these preferences.**

During the Track Record Period, we generate substantially all of our revenue from sales of toy products. The development of toy market is subject to uncertainties and may be impacted by changing social and economic circumstances and evolving consumer preferences. Particularly, toys compete with other entertainment options such as video games for consumer attention and spending in general. Separately, toys are discretionary spending items, and consumer spending patterns are affected by, among other factors, economic conditions, demographic changes, social and cultural trends and uncertainties about future economic prospects. Any decline in the global toy market as a whole could have a material and adverse impact on our future prospects, business, results of operations and financial condition.

The popularity and consumer appeal of various types of toys, such as character toys and assembly character toys, are also affected by evolving consumer preferences. More specifically, as character toys are based on IPs, the character toy industry is also subject to risks inherent with IPs. See “— The popularity of existing IPs in our IP portfolio may deteriorate, and we may not be able to successfully source, develop or commercialize new IPs.” for further details. These uncertainties may impact the growth and competitive landscape of character toy market and have a material and adverse impact on our future prospects, business, results of operations and financial condition.

Furthermore, the global assembly character toy market is highly concentrated, with the top three players having 81.7% of the market share in terms of GMV in 2023. To prevail in the competitive assembly character toy market, we must continue to innovate and launch products that are popular among consumers and meet their needs, which in turn depends on our ability to execute various aspects of our business including product innovations, IP-related capabilities such as selection, development, operation and commercialization, product craftsmanship and quality, production capacity of our partner factories, and the effectiveness

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## RISK FACTORS

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of our sales and marketing efforts. Failure as to any of these aspects can negatively affect our ability to sustain the popularity and market momentum of our product offering or continuously adjust our product offering in response to changing consumer preferences, which could have a material and adverse impact on our business, results of operations and financial condition.

**We recorded net losses in the past and we might not be able to sustain our growth or achieve profitability.**

We experienced significant increase in our revenue during the Track Record Period. However, investors should not view this as a reliable indicator of our future performance. Furthermore, we recorded loss for the period in 2021, 2022, 2023 and the six months ended June 30, 2023 and 2024 of RMB506.9 million, RMB422.7 million, RMB207.5 million, RMB202.8 million and RMB254.9 million, respectively. We cannot assure you that we will be able to maintain our growth or achieve profitability in the future. In addition to consumer preferences and market dynamics, our ability to sustain growth and profitability depends on our successful execution of our business strategy on various aspects, including:

- maintaining and enhancing the innovativeness and competitiveness of our Bloks System;
- obtaining, expanding, maintaining and protecting our intellectual properties, particularly our patents;
- developing or licensing new IPs to expand our IP portfolio;
- continuously and successfully launching new products;
- maintaining and enhancing brand recognition;
- maintaining and expanding our customer base, and nurturing a loyal and engaged fan community;
- marketing and promoting our products;
- managing relationships with third-party partner factories;
- establishing and operating self-owned factories;
- expanding our market presence across existing and new sales channels;
- expanding our presence in China and overseas;
- maintaining and expanding profit margins through sales growth and efficiency initiatives;

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## RISK FACTORS

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- continuously enhancing productivity, hiring, training, and managing employees while preserving our corporate culture;
- improving supply chain, financial and management controls, as well as reporting processes; and
- managing debt, working capital and capital investments to sustain and enhance cash flow generation.

Failure to execute any of the above could have a material and adverse impact on our future prospects, business, results of operations and financial condition.

**The popularity of existing IPs in our IP portfolio may deteriorate, and we may not be able to successfully source, develop or commercialize new IPs.**

The success of our assembly character toys is heavily reliant on the recognition and popularity of the IPs within our IP portfolio. However, whether such IPs will remain popular among the consumers is beyond our control. For instance, consumer preferences may shift away from existing IPs, and unforeseen negative publicity surrounding these IPs may arise. Any decline in the recognition or popularity of our IPs could significantly impact our sales performance and reputation. In addition, we cannot assure you that we will always be successful in developing or identifying IPs that resonate with consumers. Misinterpretation of market trends and consumer preferences may result in a mismatch between our expectations and the actual market reception of our new self-developed or licensed IPs. Our success in developing IPs in-house also depends on our ability to identify and curate the theme, develop captivating worldview and storylines, design the characters, and produce and disseminate popular content. Furthermore, newly introduced IPs may lose popularity due to rapidly evolving market dynamics and changing consumer preferences.

The ability to successfully commercialize our self-developed and licensed IPs is also crucial to our business. Our efforts to commercialize IPs may not always yield the desired outcomes. The economic benefits derived from new IPs may fall short of expectations or fail to offset the licensing fees associated with licensed IPs or the research and development costs linked to self-developed IPs. Any failure to commercialize our self-developed and licensed IPs could have a material and adverse impact on our future prospects, business, results of operations and financial condition.

**We may fail to obtain, maintain or renew IP licenses on favorable terms, and our IP proprietors or licensors may fail to maintain and protect their IPs.**

In addition to self-developed IPs, we acquire IP licenses from third-party IP proprietors or licensors to develop our products, including SCLA and Hasbro, which were our largest and second largest IP licensor and proprietor during the Track Record Period. Sales of products based on these licensed IPs contributed to the substantial majority of our revenue in 2023 and the six months ended June 30, 2024. More specifically, products based on the Ultraman IP

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## RISK FACTORS

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contributed to a majority of our revenue in 2023 and the six months ended June 30, 2024. In 2021, 2022, 2023 and the six months ended June 30, 2024, the revenue from products based on IPs licensed from SCLA was nil, RMB111.5 million, RMB556.7 million and RMB600.7 million, amounting to nil, 34.2%, 63.5% and 57.4% of our total revenue in the corresponding periods. Products based on the TRANSFORMERS IP also contributed a significant portion of our revenue in 2023 and the six months ended June 30, 2024. In 2021, 2022, 2023 and the six months ended June 30, 2024, the revenue from products based on IPs licensed from Hasbro was RMB18.1 million, RMB23.5 million, RMB136.9 million and RMB195.6 million, amounting to 5.5%, 7.2%, 15.6% and 18.7% of our total revenue in the corresponding periods. If we fail to maintain a positive relationship with the proprietors or licensors of such IPs, our operations, business prospects and financial condition may be materially and adversely affected. While we aim to expand our IP portfolio by collaborating with a broader spectrum of IP proprietors or licensors, there remains risk that we may not secure licenses for IPs on favorable terms, if at all. In particular, growing popularity of IP character toys may also intensify the competition for renowned IP among toy companies, which may further adversely affect our ability to obtain licenses from IP proprietors or licensors on favorable terms, if at all. Our license agreements typically span from one to three years and are generally not automatically renewable. As such, there is no assurance that we will always be successful in renewing or maintaining our license agreements on similar terms, or at all. Furthermore, there is a risk that the IP proprietors or licensors may be involved in disputes relating to their IP rights and may inadequately maintain and protect their IP rights, potentially affecting our ability to utilize the licensed IPs. The inability to secure licenses on favorable terms, termination or non-renewal of license agreements, such as the Ultraman IP from SCLA and TRANSFORMERS IP from Hasbro, as well as other IPs from other IP proprietors or licensors, or failure of the IP proprietors or licensors to safeguard their IPs, could have a material and adverse impact on our business, results of operations and financial condition.

**Our competitiveness in part depends on our ability to obtain, maintain and protect our critical intellectual properties.**

As of the Latest Practicable Date, we had 590 patents registered or under application, 1,913 trademarks, 1,418 copyrights and 120 domain names in China. As of the same date, we had 26 patents registered or under application and 158 trademarks overseas. See “Appendix IV — Statutory and General Information — B. Further Information about the Business — Intellectual Property.” We use our patent portfolio, trade secrets and proprietary know-hows to maintain the competitiveness and innovativeness of our Blok System. To the extent possible, we rely on a combination of patent, trademark, copyright and trade secret protection laws in China and other jurisdictions, as well as internal policies, confidentiality procedures and contractual provisions to protect our intellectual property rights. However, these laws, policies, procedures and contractual provisions may provide only limited protection, and any of our intellectual property rights may be challenged, invalidated, circumvented, infringed or misappropriated, such as by producers of counterfeit products and knockoffs. The costs associated with protecting our intellectual property rights may be significant. Also, we are in the process of registering certain patents which have been applied in our business operations, and there can be no assurance that these intellectual property rights applications could be

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## RISK FACTORS

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approved in a timely manner, or at all. In addition, we cannot assure you that our partner factories will not engage in practices that could infringe our intellectual property rights. Any failure to obtain, maintain, and protect our patents, trademarks, copyrights and other intellectual property rights could have a material and adverse impact on our business, results of operations and financial condition.

**We may face negative publicity, damage to our brand reputation, or unable to effectively promote our brand.**

The reputation of our *Blokees* (布魯可) brand plays a crucial role in our consumers' perception and the sales of our products. The reputation of our *Blokees* (布魯可) brand is also essential in maintaining and expanding business relationships with key stakeholders such as IP proprietors, distributors, suppliers and other business partners. Any damage to our brand reputation could have a material and adverse impact on our prospects, business, results of operations and financial condition.

More specifically, any negative publicity concerning our business, management, products, licensed or self-developed IPs, partners, or industry could significantly undermine our brand reputation. Addressing such adverse publicity may necessitate the launch of defensive media campaigns or legal actions, leading to increased marketing and legal expenses and diverting management's focus from core operations. Any counterfeit products or knockoffs may also infringe and undermine our brand reputation in general.

Our content-driven marketing strategy relies on third-party social media platforms. In particular, our fans, BFCs and the KOLs and KOCs we work with may post contents relating to our products from time to time. We may fail to detect and prevent illegal or inappropriate content from being posted, which may incur regulatory investigations, legal liability, or removal from social media platforms. In addition, unfavorable publicity or negative news regarding us, our fans, BFCs, the KOLs and KOCs we work with, or our IP proprietors, or negative review on our brands and products could adversely affect our reputation.

In addition, we may encounter challenges in effectively enhancing brand recognition. Despite our efforts, there is no assurance that our brand promotion and marketing endeavors will resonate with our target audience and drive consumer engagement as anticipated. These challenges could have a material adverse impact on our future prospects, business, results of operations and financial condition.

**We may be unable to expand, manage, monitor and coordinate our multi-channel sales network effectively.**

We face risks associated with managing our multi-channel sales network consisting of offline sales channels, including distributors and consignment sales and online sales channels, including various e-commerce platforms. Our multiple sales channels might compete with each other and result in cannibalization among different channels, which could have a material and adverse impact on our business, results of operations and financial condition.



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## RISK FACTORS

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More specifically, distributorship is an important component of our multi-channel sales network. We had a total of 511 distributors as of June 30, 2024. Our offline distribution sales amounted to RMB112.8 million, RMB157.0 million, RMB732.7 million, RMB238.1 million and RMB957.9 million, accounting for 34.2%, 48.2%, 83.6%, 76.8% and 91.6% of our total revenue in 2021, 2022, 2023 and the six months ended June 30, 2023 and 2024, respectively. We face various risks in relation to distributorship, including:

- We have limited control over our distributors, who may not always comply with our requirements and policies or adhere to agreements with us. This could lead to issues such as misuse of our logo, violations of our guidelines, or inappropriate marketing activities, all of which may negatively impact product sales, consumer experience and brand recognition.
- Some distributors may sell our products to sub-distributors without our involvement or oversight, making it difficult to control their sales activities.
- Our distributors or sub-distributors may violate our guidelines and sales strategies and compete with each other for market share.
- Our distributors and sub-distributors may fail to sell our products in a timely manner or deviate from our guidelines and strategies, it could result in price disparities, decreased product sales and damage to our reputation.
- We may have limited control over the disorganized ordering and stockpiling by distributors, making it challenging to make sales forecast and manage inventory levels effectively.
- Distributors may violate our guidelines and sell our products to unauthorized channels or regions. This may cause price erosion, brand dilution, conflicts with authorized distributors and disruptions in pricing strategies across different channels or regions. This can further exacerbate competition among distributors and undermine our brand recognition.

Occurrence of any of these could have a material and adverse impact on our business, results of operations and financial condition.

Additionally, our ability to maintain and expand our sales network significantly impacts our success, but this is influenced by various factors, some of which are beyond our control. For instance, if we encounter challenges in maintaining positive relationships with existing partners within our sales channels, experience disputes with them, or struggle to expand our sales network with new partners under favorable terms, our market presence across different channels or regions may be compromised. Failure to effectively execute our development and growth strategies, along with providing sufficient resources and operational support to our online and offline sales channels, could have a material and adverse impact on our future prospects, business, results of operations and financial condition.

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## RISK FACTORS

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### **The use of third-party partner factories to produce products presents risks to our business.**

We rely on third-party partner factories to produce our products. In particular, our two largest suppliers in 2023 and the six months ended June 30, 2024, both of which are our partner factories, accounted for 66.7% and 51.0% of our total procurement in the such year or period. As a result, the loss or unavailability of any of our major partner factories, even temporarily, could have a negative impact on our business, results of operations and financial condition. While we believe that we have the ability to replace our partner factories, if necessary, any such move may be time-consuming and costly. More specifically, we integrate our knowledge in assembly character toy production and various patents to curate industry-leading proprietary production techniques and customized equipment to be applied in a network of toy factories dedicated in the production of our products, making it more time-consuming and costly to establish cooperation with alternative factories. In addition, we may face challenges in establishing relationships with new partner factories on similar terms with matching quality. We may also be required to seek out additional partner factories in response to increased demand for our products, as our current partner factories may not have sufficient production capacity. Furthermore, our partner factories are subject to various laws and regulations in the PRC, including environmental protection, health and safety-related laws. Any violation, non-compliances or issues in connection with these laws and regulations can disrupt their production activities. Any failure of our partner factories to deliver a material portion of the products ordered, or our failure to find alternative partner factories in time, could have a material and adverse impact on our business, results of operations and financial condition.

Product quality is crucial to our success. We require third-party partner factories to produce our products according to our quality control procedures and instructions. Nevertheless, we may not have effective control over whether our partner factories would strictly follow our quality control procedures and instructions as to, for example, raw materials to be used in the production of our products. Despite the various policies we design and implement, there is always a risk that our third-party partner factories will not comply with our requirements, and that we may not be able to discover such non-compliance immediately, or at all. Any illegal or policy-violating activities of third-party partner factories may expose us to product liability claims, administrative penalties, confiscation or destruction of certain products, revocation of business license, or other legal consequences, among others. If defective products are produced and sold, it could result in damage to our brand reputation, product recalls, consumer litigation and others, which in turn could have a material and adverse impact on our business, results of operations and financial condition.

### **Our investment and future operations in self-operated factories may not be successful.**

In addition to the collaboration with our partner factories, we plan to invest in our own scaled factories specializing in the production of assembly character toys. We expect to complete the self-operated factory by or around the end of 2026 with a designed capacity of approximately nine million units per months. See “Business — Production — Plan for

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## RISK FACTORS

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Self-operated Factories” and “Future Plan and Use of Proceeds.” Execution of such plan would impose significant responsibilities on our senior management and require commitment of resources and time, for example in identifying, maintaining and integrating additional employees and procuring additional equipment. Self-operated factories will also lead to significant amount of capital expenditure. In addition, the successful execution of such plan requires the self-operated factories to obtain various approvals, permits, licenses and certificates and complete relevant inspections by competent government authorities. Difficulties in effectively managing the budgeting, financing, operational and compliance issues presented by such plan could adversely affect our business, prospects, results of operations and financial condition. There is no assurance that we will be able to execute our plan for self-operated factories as expected or at all.

Even if we manage to establish our self-operated factories, there is no assurance that we could effectively operate or manage our self-operated factories. Historically, all our products were produced by our partner factories. As such, we may be short of experience in operating factories on our own. For example, we may not be able to effectively allocate our production capacity or produce our products with satisfying quality in a timely and cost-effective manner. Furthermore, such self-operated factories can incur significant overhead and support costs, resulting in more operating expenses, which may adversely affect our results of operations and financial condition. There is no assurance that we will be able to recover our investment in such self-operated factories in a timely manner or at all. If we fail to recover the investment in such self-operated factories, our prospects, results of operations and financial conditions could be materially and adversely affected.

**We may be unable to conduct our marketing activities effectively.**

To promote our brand recognition and increase our brand value as well as to sell our products, we invested, and plan to continue to invest in marketing activities. In 2021, 2022, 2023 and the six months ended June 30, 2023 and 2024, the selling and distribution expenses amounted to RMB388.6 million, RMB232.9 million, RMB189.3 million, RMB86.4 million and RMB120.8 million, respectively. We utilize various social media platforms as part of our content-driven online marketing strategy. As social media evolves rapidly, we must continue to maintain a presence on these platforms and establish presence on new or emerging popular social media platforms. Some of these marketing or promotional results may not be as effective as we expected. For example, our KOL and KOC collaborations may not achieve the expected results. If we are unable to cost-effectively use social media platforms as marketing tools, we may not be able to maintain and grow our consumer base and ultimately increase our sales. Furthermore, failure to provide adequate support to our sales partners through effective marketing efforts may result in our business being adversely affected. Materialization of any of the foregoing risks could have a material and adverse impact on our future prospects, business, results of operations and financial condition.

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## RISK FACTORS

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**We may be unable to maintain our attractive pricing and our quality-for-money proposition.**

Attractive pricing is crucial in maintaining our quality-for-money proposition. Many factors beyond our control may impact the pricing of our products. For example, we may need to increase the price of our products due to factors such as rising licensing fees from IP licensor or proprietors, production costs from our partner factories due to higher labor cost or otherwise, and costs for raw materials that meet our quality requirement. We may also incur higher than expected expenses on our sales and marketing efforts or make capital expenditure to strengthen our production resources. Any of these factors could result in lower profitability unless we increase the retail prices of our products, or our distributors are willing to absorb the increase in the price at which we sell our products to them so that we can maintain the same level of retail prices. Any such increases in retail prices could damage our quality-for-money proposition, diminish our appeal to consumers and weaken our competitiveness in the market, which in turn could have a material and adverse impact on our future prospects, business, results of operations and financial condition.

**We may face shortages, price fluctuations or quality issues relating to raw materials or disruptions in the supply of raw materials.**

The raw materials used in the production and packaging of our products primarily include ABS and paper materials. Raw materials are of vital importance as it can directly affect the quality, appearance and texture of our products. We adopted strict criteria for evaluating the qualifications of our raw material suppliers. We take into account their qualification as well as the quality, price and stable supply of the relevant raw materials when selecting our raw material suppliers. The supplies of our raw material may be subject to risks associated with factors beyond our control, such as labor shortages and natural disasters. Any shortages, price fluctuations, or disruption of supply of raw materials used in the production of our products may cause a disruption to production and result in our inability to provide adequate products to meet market demand for our products that subsequently leads to loss of sales.

In addition, we cannot guarantee that raw materials from suppliers will be free from quality issues. Any quality issue of raw materials used in our production may result in defects in our products and subject us to potential liabilities, product recalls, and claims. While we typically require indemnification for our losses caused by raw materials that do not meet our requirements, potential liabilities and claims related to defects in our product may impair our brand reputation and could have a material and adverse impact on our business, results of operations and financial condition.

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## RISK FACTORS

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### **We may encounter product quality issues.**

Product quality is crucial to our success. However, we cannot assure you that we will not encounter any product quality issues and meet all industry related quality standards. Quality issues may arise from various causes such as: (i) product design defects; (ii) defect raw materials used in production; (iii) errors in production and final product inspection processes; or (iv) improper handling of our products during the storage and transportation processes. Any quality issue may expose us to product liabilities, product recalls, claims or legal consequences, which may negatively affect our brand recognition and could have a material and adverse impact on our business, results of operations and financial condition.

### **We face risks related to counterfeit products and knockoffs.**

We may encounter situations where unauthorized third parties sell products under our brand name or trademark, or under similar brand names or trademarks, without obtaining the necessary license or authorization from us. Legal action to address such infringements, counterfeit products and knockoffs could be costly and may divert management's focus and resources away from our core business activities. The presence of unauthorized products in the market may also tarnish our reputation, as consumers may struggle to distinguish between authentic and counterfeit products or knockoffs, which may result in consumer complaints or disputes. In addition, presence of counterfeit products or knockoffs based on licensed IP in the market may also result in disputes with the IP proprietors. Any inadequate detection and handling of counterfeit products and knockoffs could harm our reputation and have a material and adverse impact on our business, results of operations and financial condition.

### **We face challenges in expanding into overseas markets.**

We may face various challenges in relation to our overseas expansion plans, such as our ability to identify suitable markets, secure favorable terms with overseas sales partners, the popularity of our products in the markets we wish to penetrate, the relevant logistics and warehousing arrangement in overseas arrangement and our ability to meet the legal and other requirements of the local market. More specifically, different markets have their unique social and economic circumstances and consumer preferences, which presents challenges for us to introduce our products in these markets. Different legal and other requirements, such as product safety standards, may also lead to additional compliance costs and divert the attention of our management and our resources. Furthermore, operations in certain countries may be negatively affected by deterioration in political and economic relations among countries, sanctions and export controls, international trade regulations and trade protection measures, and may be subject to other geopolitical challenges, economic and labor conditions, increased duties, taxes and other costs and political instability. In addition, our international expansion plan is also subject to challenges in localizing our business and competing against competitors with more local resources in the overseas market. As a result, we cannot guarantee that our expansion plan into overseas markets can be successfully implemented. Failure to execute our overseas expansion plan could have a material and adverse impact on our future prospects, business, results of operations and financial condition.

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## RISK FACTORS

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During the Track Record Period, the revenue contribution from overseas markets in any given period was below 3%. Different overseas market may impose different import tariff rates to our products, which are subject to changes from time to time. In particular, our products are not subject to import tariff to the United States<sup>(1)</sup>, while our products sales in Europe were subject to import tariff up to approximately 5%, during the Track Record Period and up to the Latest Practicable Date. In view of the recent political environment in the United States, there can be no assurance that an import tariff will not be imposed on the import of our products to the United States in the near future. To the extent any country starts to impose or increase the rate of import tariff applicable to our products, our sales in those markets can be adversely affected.

**We are exposed to inventory management risks and may face inventory excess, obsolescence, impairment or shortage.**

Our inventories mainly include finished goods, raw materials and goods in transit. As of December 31, 2021, 2022, 2023 and June 30, 2024, we had inventories of RMB69.8 million, RMB61.2 million, RMB76.3 million and RMB151.3 million respectively. Our inventory turnover days for 2021, 2022, 2023 and the six months ended June 30, 2024 were 137 days, 130 days, 62 days and 46 days, respectively. See “Financial Information — Selected Balance Sheet Items — Inventories.” We are required to maintain sufficient inventory levels to ensure our product demand can be met, while avoiding excess inventory. Failure to forecast consumer demand or respond to any unexpected event negatively affecting the sales of our products could expose us to inventory obsolescence or result in a decline in inventory value or inventory write-downs. On the other hand, inaccurate sales forecast or insufficient production capacity at our partner factories may lead to inventory shortage and result in our inability to meet market demand for our products and satisfy orders from our sales partners. Failure in managing our inventory could have a material and adverse impact on our business, results of operations and financial condition.

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*Note:*

- (1) Based on Harmonized Tariff Schedule of the United States (“HTS”), our products are categorized under code 9503, which cover various types of toys. Products under code 9503 originated from China are currently duty free under the HTS.

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## RISK FACTORS

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**We are exposed to risks relating to warehousing and third-party logistics service providers.**

A significant disruption to the operation of the warehouses, whether as a result of natural disasters, public health incidents, labor shortages, fires or other causes, or any unexpected and adverse changes in the storage conditions of the warehouses, could disrupt our operations, which may cause delay in product deliveries or even destroy our products. Though we maintain insurance to cover our inventory loss and damages, the coverage may not be sufficient and any delay in delivery may not be recoverable. Prolonged disruptions in warehousing could also result in a loss of sales. Furthermore, we may fail to secure the lease agreement of our warehouses on favorable terms, or at all. Any of these events could have a material and adverse impact on our business, results of operations and financial condition.

During the Track Record Period, we engaged independent third-party logistics service providers to transport our products from partner factories to our warehouses and/or customers. Our dependence on third-party logistics providers could expose us to potential service disruptions or inefficiencies. If these providers fail to meet their service obligations due to operational issues, financial difficulties, or other unforeseen circumstances, our ability to deliver products to customers in a timely and cost-effective manner may be impacted, which could cause a decline in product sales and loss of revenue. In addition, improper handling of our products by the logistics service providers could also result in product damage, which could lead to product liabilities or claims and negatively impact our brand image and reputation. Any of these events could have a material and adverse impact on our business, results of operations and financial condition.

**Our success depends on our ability to operate our business without infringing, misappropriating or otherwise violating the patents, trademarks, copyrights, trade secret, know-how and other proprietary rights of third parties.**

We cannot assure you that our business practices do not and will not infringe, misappropriate or otherwise violate any patents, trademarks, copyrights, trade secrets, know-how and other proprietary rights of third parties, given the uncertainties inherent in the scope of certain patents, trademarks, copyrights, trade secrets, know-how and other proprietary rights. Intellectual property related litigation is usually complex and the results of such litigation are unpredictable. As we gain greater visibility and market exposure as a public company, we may also be at greater risk of being the subject of intellectual property related litigation. Third parties may claim that our products or activities infringe, misappropriate or otherwise violate their patents, trademarks, copyrights, trade secrets, know-how or other proprietary rights. Defending against these allegations and lawsuits could be costly, take a significant amount of time, distract management from our business operations and delay our product launch. In addition, if we are found to have infringed, misappropriated or otherwise violated a third party's patents, trademarks, copyrights, trade secrets, know-how or other proprietary rights, we may be required to pay substantial damages or be subject to orders, judgments or administrative penalties that prohibit us from selling certain products or impose other liabilities on us. In addition, any allegation of infringement of the intellectual property

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## RISK FACTORS

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rights of others, even if unfounded, could damage our reputation and tarnish our brand image. Furthermore, our use of the disputed intellectual properties may be restricted, which could disrupt our operations. Occurrence of any of these incidents could have a material and adverse impact on our business, results of operations and financial condition.

**We face challenges with regard to changes in existing laws, regulations, or policies governing our industry and business, the imposition of new laws, regulations, or policies, or new interpretations thereof.**

We are subject to laws, regulations and policies governing the toy industry in countries where we have operations. The regulatory regime for the industry has been evolving, with new laws, regulations and other regulatory measures being introduced from time to time, such as the Product Quality Law of the People’s Republic of China (2018修正) (《中華人民共和國產品質量法 (2018修正)》). See “Regulatory Overview — Regulations On Assembly Character Toys — Regulations on Products Quality and Liability.” Such laws and regulations may become more comprehensive and stringent in the future. While we closely monitor changes in the relevant laws and regulations and have implemented measures to ensure our ongoing compliance, changes in the regulatory regime may materially and adversely impact our business. For example: (i) we may incur higher compliance costs on our business and face challenges in launching new products; (ii) we may encounter greater difficulties in obtaining relevant regulatory approvals; and (iii) our sales and marketing activities may be restricted in scope, content, format and other aspects. Any non-compliance with applicable laws and regulations may expose us to liability. In case of any non-compliance, we may have to incur significant expenses and divert management’s attention and substantial resources to resolving deficiencies. More specifically, on June 8, 2023, the SAMR promulgated the Blind Boxes Guidelines. The interpretation and enforcement of this newly promulgated guidelines can be evolving, which could lead to a material and adverse impact on our prospects, business, results of operations and financial conditions.

Furthermore, we cannot assure you that our customers and other business partners will always be able to comply with the laws and regulations in a timely manner, or at all. We may have to terminate our collaboration with customers and other business partners that fail to do so, which could have a material and adverse impact on our business, results of operations and financial condition.



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## RISK FACTORS

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**We are subject to environmental protection, health, and safety-related laws and regulations. Changes in these laws and regulations may cause us to incur additional compliance costs, and any non-compliance with these laws and regulations could lead to imposition of fines and penalties and harm our business.**

Our operations, particularly our products, raw materials and warehousing, are subject to laws and regulations in relation to environmental protection, health and safety. In particular, we are required to adhere to applicable fire safety requirement for our warehouses. We may incur ongoing compliance costs and incur additional compliance costs for changes in these laws and regulations. Failure to comply with any existing and future environmental protection, health and safety-related laws and regulations could subject us to liabilities, such as monetary damages and fines. Our cost of complying with relevant current and future regulations, and liabilities which may potentially arise, or any non-compliance thereof, could have a material and adverse impact on our business, results of operations and financial condition.

Furthermore, with the increasing awareness on environmental protection, there has been an increasing public scrutiny in reducing the use of plastics and other non-recyclable materials in various industries. In response, we may need to devote substantial resources in developing or identifying alternative raw materials, and our research or development expenses or costs of our raw materials may increase, which in turn could have a material and adverse impact on our business, results of operations and financial condition. On the other hand, failure to respond to the increasing awareness on environmental protection and public scrutiny on the raw materials we use may damage our brand perception. This may result in our brands and products being less appealing to consumers, which in turn could have a material and adverse impact on our future prospects, business, results of operations and financial condition. Any environmental protection, health and safety issues at our partner factories may also damage our reputation in addition to disruption of production activities as discussed in “— The use of third-party partner factories to produce products presents risks to our business.”

**We face risks in relation to inability to obtain and maintain the approvals, licenses and permits required for our operations.**

We are required to maintain various approvals, licenses and permits in order to operate our business. These approvals, licenses and permits are granted upon satisfactory compliance with, among other things, the applicable laws and regulations. Also, they may be valid only for a fixed period of time and subject to renewal and accreditation.

We may experience difficulties, delays, or failures in obtaining the necessary approvals, licenses and permits for our businesses. In addition, there can be no assurance that we will be able to obtain or renew all of the approvals, licenses and permits required for our existing business operations in a timely manner, or at all. If we fail to obtain and/or maintain required approvals, licenses, or permits, our ongoing business could be interrupted, and our expansion plan may be delayed.

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## RISK FACTORS

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Complying with government regulations may require substantial expenses, and any non-compliance may expose us to liability. In case of any non-compliance, we may have to incur significant expenses, and divert substantial management time and resources to resolving any deficiencies. We may also experience negative publicity arising from such deficiencies, which could have a material and adverse impact on our business, results of operations and financial condition.

**Our information systems may experience system failures, interruptions or security breaches.**

Our business operations rely on our information systems for various functions. These systems are critical for maintaining operational efficiency, data accuracy and timely decision-making. However, our information systems are subject to various risks, including system failures, cyber-attacks, data breaches and other security incidents. Any such event could disrupt our operations, compromise our data, and result in significant remediation costs, legal liabilities and reputational damage. Furthermore, our information systems need to be regularly updated and upgraded to keep pace with technological advancements and changing business needs. These updates and upgrades require significant investment and may cause system disruptions or compatibility issues.

We also engage certain third-party service providers for the development, upgrade and maintenance of certain information systems. Any failure of these third-party service providers to meet their service obligations could affect the performance of our information systems. Furthermore, any breach of contract or termination of services by these third-party service providers could result in disruptions to the operation of our information systems and we may incur additional costs and experience delays to find alternative service providers.

**We had net current liabilities, net liabilities and negative operating cash flow in the past, which we may continue to experience in the future.**

We had net current liabilities of RMB74.3 million and RMB48.6 million as of December 31, 2022 and 2023, respectively. Moreover, we had net liabilities of RMB958.6 million, RMB1,377.1 million, RMB1,608.3 million and RMB1,492.5 million as of December 31, 2021, 2022 and 2023 and the six months ended June 30, 2024, respectively. We had net operating cash outflow of RMB293.3 million and RMB168.7 million in 2021 and 2022, respectively. As of June 30, 2024, we had net current assets of RMB43.9 million, and we had a net operating cash inflow of RMB284.9 million and RMB508.0 million in 2023 and the six months ended June 30, 2024, respectively. However, we cannot assure you that we will not experience liquidity problems in the future. If we fail to maintain sufficient cash and financing, we may not have adequate cash flows to fund our business, operations and capital expenditures, which could have a material and adverse impact on our business, results of operations and financial condition.

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## RISK FACTORS

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### **Our deferred tax assets may not be recovered.**

Our deferred tax assets may not be recovered. As of June 30, 2024, our deferred tax assets amounted to RMB160.9 million, representing approximately 14.3% of our total assets. We periodically assess the probability of the realization of deferred tax assets, using accounting judgments and estimates with respect to, among other things, historical operating results, expectations of future earnings and tax planning. In particular, these deferred tax assets can only be recognized to the extent that it is probable that future taxable profits will be available, against which the deferred tax assets can be utilized. However, we cannot assure you that our expectation of future earnings will materialize, due to factors discussed in this section, some of which beyond our control. In such case, we may not be able to recover our deferred tax assets, which in turn could have a material and adverse impact on our results of operations and financial condition.

### **We may not be able to honor our obligations in respect of our contract liabilities.**

Our contract liabilities, which represent (i) advances received from our customers, (ii) sales rebates granted to our distributors for satisfaction of sales target as set out in the distribution agreements, and (iii) customer loyalty program credits granted to our registered members which could be used to offset future purchase price of our products subject to certain terms and conditions, amounted to RMB29.6 million, RMB30.6 million, RMB66.3 million and RMB84.1 million as of December 31, 2021, 2022, 2023 and June 30, 2024. See “Financial Information — Selected Balance Sheet Items — Contract Liabilities.” There is no assurance that we will be able to fulfill our obligations in respect of contract liabilities as the fulfillment of our performance obligations is subject to various factors discussed in this section, some of which are beyond our control. If we are not able to fulfill our obligations with respect to our contract liabilities, the amount of contract liabilities will not be recognized as revenue or may result in additional payment obligations for us. Any failure to fulfill our obligations with respect to our contract liabilities may have a material and adverse impact on our results of operations and financial condition.

### **Any failure to make adequate contributions to various employee benefit plans as required by PRC regulations can result in penalties.**

Companies operating in the PRC are required to participate in various employee benefit plans, including pension insurance, unemployment insurance, medical insurance, work-related injury insurance, maternity insurance and housing provident fund and contribute to the amounts equal to certain percentage of salaries, including bonuses and allowances, of their employees up to a maximum amount specified by the local government from time to time at locations where they operate their business.

As advised by our PRC Legal Advisor, we were in compliance with applicable laws and regulations related to social insurance and housing provident funds in material aspects during the Track Record Period. However, we cannot assure you that any existing and new laws and regulations will not require us to pay any additional amount, which in turn could have a material and adverse impact on our results of operations and financial condition.

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## RISK FACTORS

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### **Failure to register our lease agreements can result in penalties.**

We currently lease several premises in China. Under the PRC laws and regulations, lease agreements in general are required to be registered with the local land and real estate administration bureau. The lease agreements for some of our leased properties in China have not been registered with the relevant PRC government authorities. Although failure to do so does not in itself invalidate the leases, we may be subject to fines if we fail to rectify such non-compliance within the prescribed time frame after receiving notice from the relevant PRC government authorities. The penalty ranges from RMB1,000 to RMB10,000 for each unregistered lease, at the discretion of the relevant authority. As of the Latest Practicable Date, we had not registered two lease agreements. If we receive notice from the relevant PRC government authorities requiring us to complete the registration within the prescribed time frame and if we fail to do so, the maximum aggregate amount of potential administrative penalties we would be subject to is RMB20,000. In the event that any fine is imposed on us for our failure to register our lease agreements, we may not be able to recover such losses from the lessors.

### **Our insurance coverage may be insufficient to cover all of our potential losses.**

We maintain insurance coverage over our daily operations. We cannot assure you that our insurance will provide adequate coverage for all the risks in connection with our business operations. If we were to incur substantial losses and liabilities that are not covered by our insurance policies, we may be required to bear our losses to the extent that our insurance coverage is insufficient. As a result, we could suffer significant costs and diversion of our resources, which could have a material and adverse impact on our business, results of operations and financial condition.

### **We may fail to comply with the laws and regulations relating to cybersecurity and data privacy and protection may subject us to legal or administrative proceedings.**

We have access to and collect transactional information from certain consumers through online channels. Accordingly, our business operations are subject to various cybersecurity and data privacy and protection laws, such as the Revised Cybersecurity Review Measures (《網絡安全審查辦法》), Administration Regulations on Cyber Data Security (《網絡數據安全管理條例》) (the “**Data Security Regulations**”), the Data Security Law of the PRC (《中華人民共和國數據安全法》) (the “**Data Security Law**”), the Provisions on Promoting and Regulating Cross-Border Data Flow (《促進和規範數據跨境流動規定》), Provisions for the cyber protection of children’s personal information (《兒童個人信息網絡保護規定》) and the Personal Information Protection Law (《個人信息保護法》). See “Regulatory Overview — Regulations on Online Business and Data Compliance — Regulations on Cybersecurity and Data Privacy and Protection.” There might be changes from time to time regarding the interpretation and application of the laws and regulations regarding cybersecurity and data privacy and protection as they are generally complex and evolving. In addition, we may be subject to additional regulatory requirements regarding cybersecurity and data privacy and protection, which may necessitate adjustments to our data framework and incur additional

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## RISK FACTORS

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costs. Any failure or perceived failure of us to comply with cybersecurity and data privacy and protection laws, or other concerns about our practices or policies with respect to the collection, use, storage, retention, transfer, disclosure and other processing of data and cybersecurity, could subject us to potential liabilities and reputational damage. In addition, the regulatory regime for cybersecurity and data privacy and protection is complex and constantly evolving, which could increase our compliance costs and operational complexity. Any failure to closely monitor the relevant regulatory development could subject us to potential liabilities, and have a material and adverse impact on our business, results of operations and financial condition.

On December 28, 2021, the Cyberspace Administration of China (the “CAC”), together with other relevant administrative departments, jointly promulgated the Revised Cybersecurity Review Measures with effect from February 15, 2022, according to which an online platform operator who possesses personal information of over one million users and intends for listing in a foreign country must be subject to the cybersecurity review. In the meantime, the Revised Cybersecurity Review Measures grant the governmental authorities the discretion to initiate a cybersecurity review on any data processing activity if they deem such activity affects or may affect national security. On September 24, 2024, the State Council promulgated the Data Security Regulations, which reiterate that the data processors which may possibly affect national security shall apply for cybersecurity review. As of the Latest Practicable Date, we have not received any notice from the CAC of a cybersecurity review on us under the Revised Cybersecurity Review Measures. Based on the phone consultation on April 1, 2024 with the China Cybersecurity Review, Certification and Market Regulation Big Data Center (網絡安全審查認證和市場監管大數據中心), our PRC Legal Advisor is of the view that we are not required to file an application for cybersecurity review under the Revised Cybersecurity Review Measures. However, given the fact that we process personal data information of more than one million users, we cannot rule out the possibility that we will trigger the cybersecurity review in the future. If we are subject to cybersecurity review, we may incur significant costs and face challenges, both in the review process and in making enhancements to our cybersecurity measures that may be required.

PRC regulatory authorities have also enhanced the supervision and regulation of cross-border data transmission. The Data Security Law which took effect in September 2021 prohibits entities and individuals in China from providing any foreign judicial or law enforcement authority with any data stored in China without approval from competent PRC authority, and sets forth the legal liabilities of entities and individuals found to be in violation of their data protection obligations, including rectification order, warning, fines, suspension of relevant business, and revocation of business permits or licenses. Moreover, the Provisions on Promoting and Regulating Cross-Border Data Flow and the Guidelines for Application for Security Assessment of Outbound Data Transfer (Second Edition) promulgated by the CAC came into effect on March 22, 2024. According to the provisions and the guidelines, data processors are subject to security assessments conducted by the CAC prior to any cross-border transfers of important data and personal information, if falling under any of the following circumstances: (i) where the critical information infrastructure operator intends to provide important data or personal information overseas; (ii) where the data processor other than critical information infrastructure operators intends to provide important data overseas; (iii)

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## RISK FACTORS

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where the data processor other than critical information infrastructure operators, who has provided personal information (excluding sensitive personal information) of at least one million individuals or sensitive personal information of at least 10,000 individuals to overseas recipients accumulatively since January 1 of any given calendar year, intends to provide personal information overseas; and (iv) other circumstances where the security assessment of cross-border data transfer is required as prescribed by the CAC. See “Regulatory Overview — Regulations on Online Business and Data Compliance — Regulations on Cybersecurity and Data Privacy and Protection.” We have implemented control procedures to comply with the new requirements. Complying with PRC laws and regulations relating to cross-border data transmission increases our compliance costs and could affect our ability to transfer data across borders. As of the Latest Practicable Date, we have not been subject to the security assessments conducted by the CAC. Our PRC Legal Advisor is of the view that we are not subject to the security assessments based on the fact that we are not involved in any cross-border transfers of important data and personal information which may fall under the aforementioned circumstances.

**We face risks associated with the misconduct of our employees, business partners and their employees and other related individuals.**

Our business operations and reputation are significantly influenced by the conduct of our employees, business partners, their employees and other related individuals. Despite our efforts to implement stringent oversight mechanisms and ethical guidelines, it may not always be possible to prevent or detect misconduct by these individuals. The misconduct by these parties, including fraudulent activities, non-compliance with laws and regulations, unethical business practices or any other actions that are inconsistent with our corporate policies and values, may subject us to potential liabilities and damage our reputation, leading to loss of consumers, decreased market share and potential difficulties in attracting and retaining business partners.

**Our business depends on the continuing efforts of our key personnel performing vital functions.**

Our business operations depend on the continuing efforts of our management, particularly the members of our senior management team. If one or more members of our management are unable or unwilling to continue their employment with us, we may not be able to replace them in a timely manner, or at all. We may incur additional expenses to recruit and retain qualified replacements. In addition, members of our management may join a competitor or form a competing company. There can be no assurance that we will be able to successfully enforce our contractual rights included in employment agreements with our management. As a result, our business may suffer the loss of services of one or more members of our management, which in turn could have a material and adverse impact on our future prospects, business, results of operations and financial condition.

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## RISK FACTORS

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**We may from time to time become a party to litigation, other legal and contractual disputes, claims and administrative proceedings.**

We may from time to time be subject to various litigation, legal or contractual disputes, claims, or administrative proceedings in the ordinary course of our business, including, but not limited to, various disputes with or claims from our consumers, suppliers, customers, business partners and other third parties. Ongoing or threatened litigation, legal or contractual disputes, claims or administrative proceedings may divert our management's attention and other resources. Furthermore, any litigation, legal or contractual disputes, claims or administrative proceedings which are initially not of material importance may escalate and become important to us, due to a variety of factors such as the subject matter of the disputes, the likelihood of loss, the monetary amount at stake and the parties involved. If any adverse verdict, judgment or award is rendered against us or if we settle with any third parties, we may be required to pay significant monetary damages or assume other liabilities. In addition, negative publicity arising from litigation, legal or contractual disputes, claims or administrative proceedings may damage our reputation and have a material and adverse impact on our business, results of operations and financial condition.

**We may make acquisitions, establish joint ventures and conduct other strategic investments, which may not be successful.**

To further expand our business and strengthen our market-leading position, we may form strategic cooperation or make strategic investments and acquisitions to fuel business growth. Acquisitions involve numerous risks, including difficulties in integrating the operations and personnel of the acquired companies, distraction of management from overseeing our existing operations, difficulties in executing new business initiatives, entering markets or lines of business in which we have no or limited direct prior experience, the possible loss of key employees and customers and difficulties in achieving the synergies we anticipated or levels of revenue, profitability, productivity or other benefits we expected. These transactions may also cause us to (i) significantly increase our interest expense, leverage and debt service requirements if we incur additional debt to pay for an acquisition or investment, (ii) issue Shares that would dilute our current Shareholders' percentage ownership, or (iii) incur asset write-offs and restructuring costs and other related expenses. Acquisitions, joint ventures and strategic investments involve numerous other risks, including potential exposure to unknown liabilities of acquired or investee companies and restrictions under regulations relating to anti-monopoly. There can be no assurance that our acquisitions, joint ventures and other strategic investments will be successful and will not have a material and adverse impact on our business, results of operations and financial condition.

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## RISK FACTORS

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**We are subject to the risks associated with force majeure events, natural disasters, public health incidents, acts of war, terrorism, or other factors beyond our control.**

Force majeure events, natural disasters, public health incidents, acts of war, terrorism, or other factors beyond our control could adversely affect the economies, infrastructure and lives of people in the regions in which we operate. Our operations may be subject to the threat of floods, earthquakes, dust storms, snowstorms, fires or droughts, power, water or fuel shortages, malfunctions, breakdowns and failures of information systems, unexpected maintenance or technical problems, or be vulnerable to potential war or terrorist attacks. Severe natural disasters could result in loss of life, injury, destruction of assets and disruption to our business and operations. Acts of war or terrorism could also injure our employees, cause loss of life, disrupt our business operations and impair our markets. Any of these factors, as well as other factors beyond our control, could materially and adversely affect the overall business sentiment and environment, lead to uncertainty in the regions in which we operate, cause our business to suffer losses that we cannot predict and have a material and adverse impact on our business, results of operations and financial condition.

**We have awarded and may continue to award equity instruments under equity incentive plans, which may cause shareholding dilution to our Shareholders and result in increased share-based compensations.**

We adopted the Share Incentive Scheme on January 12, 2023, which was amended and restated on March 29, 2024. The Share Incentive Scheme was mirroring and the continuation of the then share incentive scheme adopted on December 4, 2020 by Bloks Technology, our main operating entity in the PRC. See “Appendix IV — Statutory and General Information — E. The Share Incentive Scheme.” In 2021, 2022, 2023 and the six months ended June 30, 2023 and 2024 we recorded share-based compensations of RMB6.9 million, RMB6.3 million, RMB6.2 million, RMB3.1 million and RMB374.7 million, respectively. To further incentivize our employees, we may adopt other equity incentive plans and award additional equity incentives in the future. Issuance of Shares with respect to our equity incentive plan may dilute the shareholding of our existing Shareholders and incur substantial share-based compensations that could have a material and adverse impact on our results of operations.

**Fluctuations in exchange rates may adversely affect our results of operations.**

The value of RMB against the Hong Kong dollar, the U.S. dollar and other currencies fluctuates, is subject to changes resulting from the PRC government’s policies and depends to a large extent on domestic and international economic and political developments as well as supply and demand in the local market. It is difficult to predict how market forces or government policies may impact the exchange rate between the RMB and the Hong Kong dollar, the U.S. dollar or other currencies in the future.



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## RISK FACTORS

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The proceeds from the Global Offering will be received in Hong Kong dollars and we expect a substantial portion of which to be spent in RMB. As a result, any appreciation of the RMB against the Hong Kong dollar may result in the decrease in the value of our proceeds from the Global Offering. Conversely, any depreciation of the RMB against the Hong Kong dollars may adversely affect the value of, and any dividends payable on, the Shares in foreign currency. In addition, there are limited instruments available for us to reduce our foreign currency risk exposure at reasonable costs. All of these factors could have a material and adverse impact on our business, results of operations and financial condition.

### **RISKS RELATING TO DOING BUSINESS IN CHINA**

#### **Changes in economic, political and social conditions could have a material and adverse impact on our future prospects, business, results of operations and financial condition.**

Substantially all of our revenue is derived from our businesses in the PRC during the Track Record Period. Accordingly, our future prospects, business, results of operations, and financial condition are, to a material extent, subject to economic, political and legal developments in the PRC. If the macroeconomic condition in China experiences significant adverse changes, demand for our products and our ability to maintain our operations may suffer, which could consequently lead to a material and adverse impact on our business, results of operations and financial condition. Moreover, if foreign governments implement laws or regulations restricting investment in Chinese entities and we are deemed to be subject to such restrictions, the investment and transactions in our Shares, our business prospects, results of operations, financial conditions and future capital raising may be adversely affected.

China's economy has experienced significant growth over the past decades since the implementation of reform and opening-up policy. In recent years, the PRC government has implemented measures emphasizing the utilization of market forces in economic reform and the establishment of sound corporate governance practices in business enterprises. These economic reform measures may be adaptively adjusted from industry to industry or across different regions of the country. Changes in China's business environment could have a material and adverse impact on our business, results of operations and financial condition.

#### **You may have difficulties in effecting service of legal process or enforcing foreign judgments against us, our Directors and our senior management.**

Most of our assets are located in the PRC. In addition, most of our Directors and senior management reside in the PRC. The assets of these Directors and executive officers are also mostly located within the PRC. As a result, it may be difficult and time-consuming to effect service of process upon those persons residing in the PRC or to enforce against us or them in the PRC any judgments obtained from non-PRC courts. The PRC does not have treaties providing for the reciprocal recognition and enforcement of judgments of courts of certain other jurisdictions. As a result, recognition and enforcement in the PRC of judgments of a court in any of these jurisdictions outside the PRC may be difficult.

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## RISK FACTORS

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On July 14, 2006, the Supreme People’s Court of the PRC and the Government of the Hong Kong Special Administrative Region of the PRC signed an Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters (《最高人民法院關於內地與香港特別行政區法院相互認可和執行當事人協議管轄的民商事案件判決的安排》) (the “**Arrangement**”). Under the Arrangement, a party with an enforceable final court judgment rendered by any designated People’s Court of mainland China or any designated Hong Kong Court requiring payment of money in a civil and commercial case according to a written choice of court agreement, may apply for recognition and enforcement of the judgment in the relevant People’s Court of mainland China or Hong Kong Court. A written choice of court agreement is defined as any agreement in writing entered into between parties after the effective date of the Arrangement in which a court of mainland China or a Hong Kong court is expressly designated as the court having sole jurisdiction for the dispute. Therefore, it may not be possible to enforce a judgment rendered by a Hong Kong court in mainland China if the parties in the dispute did not agree to enter into a choice of court agreement in writing. As a result, it may be difficult or impossible for you to effect service of process against us in order to seek recognition and enforcement of foreign judgments in mainland China.

On January 18, 2019, the Supreme People’s Court of the PRC and the Government of Hong Kong Special Administrative Region of the PRC entered into an agreement regarding the scope of judgments which may be enforced between mainland China and Hong Kong (《關於內地與香港特別行政區法院相互認可和執行民商事案件判決的安排》) (the “**New Arrangement**”). The New Arrangement broadens the scope of judgments that may be enforced between mainland China and Hong Kong under the Arrangement. Whereas a choice of jurisdiction needs to be agreed in writing in the form of an agreement between the parties for the selected jurisdiction to have exclusive jurisdiction over a matter under the Arrangement, the New Arrangement provides that the court where the judgment was sought could apply jurisdiction in accordance with the certain rules without the parties’ agreement. The New Arrangement became effective on January 29, 2024, both in mainland China and in Hong Kong and replaced the Arrangement. Under the New Arrangement, any party concerned may apply to the relevant court of mainland China or Hong Kong for recognition and enforcement of the effective judgments in civil and commercial cases subject to the conditions set forth in the New Arrangement. Although the New Arrangement has become effective, the outcome and effectiveness of any action brought under the New Arrangement may still be uncertain. We cannot assure you that an effective judgment that complies with the New Arrangement can be recognized and enforced in a mainland China court.

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## RISK FACTORS

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**If we are classified as a PRC resident enterprise for PRC enterprise income tax purposes, such classification could result in unfavorable tax consequences to us and our non-PRC Shareholders.**

Under the PRC Enterprise Income Tax Law and its implementation rules, an enterprise established outside the PRC with its “de facto management body” within the PRC is considered a “resident enterprise” and will be subject to the enterprise income tax on its global income at the rate of 25%. The implementation rules define the term “de facto management body” as the body that exercises full and substantial control and overall management over the business, productions, personnel, accounts and properties of an enterprise. The SAT issued the Notice Regarding the Determination of Chinese-Controlled Offshore Incorporated Enterprises as People’s Republic of China Tax Resident Enterprises on the Basis of De Facto Management Bodies (《關於境外註冊中資控股企業依據實際管理機構標準認定為居民企業有關問題的通知》) (“**SAT Circular 82**”) on April 22, 2009, and most recently amended on December 29, 2017. SAT Circular 82 provides certain specific criteria for determining whether the “de facto management body” of an offshore incorporated enterprise controlled by a PRC enterprise or a PRC enterprise group is located in China. Although this circular only applies to offshore enterprises controlled by PRC enterprises or PRC enterprise groups, not those controlled by PRC individuals or foreigners, the criteria set forth in the circular may reflect the SAT’s general position on how the “de facto management body” text should be applied in determining the tax resident status of all offshore enterprises. According to SAT Circular 82, an offshore incorporated enterprise controlled by a PRC enterprise or a PRC enterprise group will be regarded as a PRC tax resident by virtue of having its “de facto management body” in China, and will be subject to PRC enterprise income tax on its global income only if all of the following conditions are met (i) the primary location of the day-to-day operational management is in the PRC; (ii) decisions relating to the enterprise’s financial and human resource matters are made or are subject to approval by organizations or personnel in the PRC; (iii) the enterprise’s primary assets, accounting books, and records, company seals, and board and shareholder resolutions are located or maintained in the PRC; and (iv) at least 50% of voting board members or senior executives habitually reside in the PRC.

We believe our Company is not a PRC resident enterprise for PRC tax purposes. However, the tax resident status of an enterprise is subject to determination by the PRC tax authorities and uncertainties remain with respect to the interpretation of the term “de facto management body.” If the PRC tax authorities determine that our Company or any of our offshore subsidiaries is a PRC resident enterprise for enterprise income tax purposes, our Company or the relevant offshore subsidiaries will be subject to PRC enterprise income on its worldwide income at the rate of 25%. Furthermore, if we are treated as a PRC tax resident enterprise, we will be required to withhold a 10% tax from dividends we pay to our Shareholders that are non-resident enterprises. In addition, non-resident enterprise Shareholders may be subject to PRC tax at a rate of 10% on gains realized on the sale or other disposition of Shares, if such gain is treated as derived from a PRC source. Furthermore, if we are deemed to be a PRC resident enterprise, dividends paid to our non-PRC individual Shareholders and any gain realized on the transfer of Shares by such Shareholders may be subject to PRC tax at a rate of 20% (which, in the case of dividends, may be withheld at source by us). These rates may be

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## RISK FACTORS

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reduced by an applicable tax treaty, but it is unclear whether our non-PRC Shareholders would, in practice, be able to obtain the benefits of any tax treaties between their country of tax residence and the PRC in the event that we are treated as a PRC resident enterprise. Any such tax may reduce the returns on your investment in our Shares.

**We may be subject to additional regulatory requirements under new laws and regulations on overseas offerings and listings issued by PRC government authorities.**

On July 6, 2021, the relevant PRC government authorities issued the Opinions on Strictly Cracking Down Illegal Securities Activities in Accordance with the Law (《關於依法從嚴打擊證券違法活動的意見》). 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.

On February 24, 2023, the CSRC, the MOF, the National Administration of State Secrets Protection of China, and the National Archives Administration of China published the Provisions on Strengthening Confidentiality and Archives Administration of Overseas Securities Offering and Listing by Domestic Companies (《關於加強境內企業境外發行證券和上市相關保密和檔案管理工作的規定》) (the “**Archives Rules**”), which came into 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.

Given that the Archive Rules were recently promulgated, their interpretation, application and enforcement are still evolving and subject to change. Failure to comply with them could have a material and adverse impact on our business, results of operation and financial condition.

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

We cannot assure you that any new rules or regulations promulgated in the future will not impose additional requirements or restrictions on us or our financing activities. Our business expansions may be subject to foreign investment restrictions and require regulatory approval or other procedures. If it is determined in the future that approval from or filing with the CSRC or other regulatory authorities or other procedures are required, we may fail to obtain such approval, perform such filing procedures or meet such other requirements in a timely manner or at all. We may face sanctions by the CSRC or other PRC regulatory authorities for failure

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## RISK FACTORS

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to seek CSRC approval or other government authorization, or perform filing procedures, for this Global Offering, our future financing activities or business expansion, and these regulatory authorities may impose fines and penalties on us, limit our operating activities in the PRC, limit our ability to pay dividends outside the PRC, delay or restrict the repatriation of the proceeds from the Global Offering into the PRC or take other actions to restrict our financing activities or business expansion, which could have a material and adverse impact on our future prospects, business, results of operations and financial condition.

**We are subject to the currency exchange regulatory system.**

Substantially all of our revenue is derived from our business in the PRC in Renminbi. The Renminbi is currently convertible under the “current account,” which includes dividends, trade and service-related foreign exchange transactions, but requires approval from or registration with appropriate government authorities or designated banks under the “capital account,” which includes foreign direct investment and loans. Currently, our PRC subsidiaries, that are foreign invested enterprises, may purchase foreign currency for settlement of “current account transactions,” including payment of dividends to us, without the approval of SAFE by complying with certain procedural requirements. However, the relevant PRC governmental authorities may limit or eliminate our ability to purchase foreign currencies in the future for current account transactions.

Any insufficiency of foreign exchange may restrict our ability to pay dividends to our Shareholders or to satisfy any other foreign exchange requirements, capitalize our capital expenditure plans, and could ultimately have a material and adverse impact on our future prospects, business, results of operations and financial condition.

**Our operations are subject to PRC tax laws and regulations.**

We are subject to periodic examinations on fulfillment of our tax obligation under the PRC tax laws and regulations by PRC tax authorities. The PRC tax laws and regulations might be subject to interpretations and adjustments by relevant authorities from time to time. Although we believe that in the past, we have acted in compliance with the requirements under the relevant PRC tax laws and regulations in all material aspects and established effective internal control measures in relation to accounting regularities, we cannot assure you that future examinations by PRC tax authorities would not result in fines, other penalties or actions that could have a material and adverse impact on our future prospects, business, results of operations and financial condition.

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## RISK FACTORS

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**PRC regulations establish related procedures for some acquisitions of Chinese companies by foreign investors, which could make it complicated for us to pursue growth through acquisitions in China.**

Among other things, the Regulations on Mergers and Acquisitions of Domestic Enterprises by Foreign Investors (《關於外國投資者併購境內企業的規定》) (the “**M&A Rules**”), adopted by six PRC regulatory agencies in 2006 and amended in 2009, established specific procedures and requirements for merger and acquisition activities by foreign investors. Such regulation requires, among other things, that MOFCOM be notified in advance of any change of control transaction in which a foreign investor takes control of a PRC domestic enterprise, if (i) any important industry is concerned, (ii) such transaction involves factors that have or may have impact on the national economic security, or (iii) such transaction will lead to a change in control of a domestic enterprise which holds a famous trademark or PRC time-honored brand. Moreover, the Anti-Monopoly Law (《中華人民共和國反壟斷法》) promulgated by the Standing Committee of the NPC which became effective in 2008 and subsequently amended in 2022 requires that transactions which are deemed concentrations and involve parties with specified turnover thresholds must be cleared by the relevant anti-monopoly authority before they can be completed. We may pursue potential strategic acquisitions that are complementary to our business and operations. Complying with the requirements of these regulations to complete such transactions could be costly, and any required approval processes, including obtaining approval or clearance from the competent governmental authority, may delay or inhibit our ability to complete such transactions, which could affect our ability to expand our business or maintain our market share.

**Any failure to comply with relevant regulations regarding the registration requirements for employee stock incentive plans may subject our plan participants or us to fines and other legal or administrative sanctions when we adopt equity incentive plans in the future.**

In February 2012, SAFE promulgated the Notices 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》), replacing earlier rules promulgated in 2007. Pursuant to these rules, PRC citizens and non-PRC citizens who reside in China for a continuous period of not less than one year who participate in any stock incentive plan of an overseas publicly listed company, subject to a few exceptions, are required to register with SAFE through a domestic qualified agent, which could be the PRC subsidiaries of such overseas-listed company, and complete certain other procedures. In addition, an overseas-entrusted institution must be retained to handle matters in connection with the exercise or sale of stock options and the purchase or sale of shares and interests. We and our executive officers and other employees (i) who are PRC citizens or who reside in the PRC for a continuous period of not less than one year, and (ii) who have been or will be granted incentive shares or options, are or will be subject to these regulations. Failure to complete the SAFE registrations may subject us and them to fines and legal sanctions, and there may be additional restrictions on their ability to exercise their stock options or remit proceeds gained from the sale of their stock into the PRC.

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## RISK FACTORS

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We also face regulatory uncertainties that could restrict our ability to adopt additional equity incentive plans for our Directors, executive officers and employees. See “Regulatory Overview — Regulations on Foreign Investment — Regulations on Foreign Exchange.”

**The indirect transfers of equity interests in PRC resident enterprises through transfers made by our Shareholders or our non-PRC holding companies are subject to uncertainties.**

On February 3, 2015, the SAT issued the Public Notice Regarding Certain Corporate Income Tax Matters on Indirect Transfer of Properties by Non-Tax Resident Enterprises (《關於非居民企業間接轉讓財產企業所得稅若干問題的公告》) (“**SAT Circular 7**”), which came into effect on February 3, 2015. SAT Circular 7 provides comprehensive guidelines relating to, and heightens the Chinese tax authorities’ scrutiny on, indirect transfers by a non-resident enterprise of assets (including equity interests) of a PRC resident enterprise (the “PRC Taxable Assets”). For example, when a non-resident enterprise transfers equity interests in an overseas holding company that directly or indirectly holds certain PRC Taxable Assets and if the transfer is deemed by the Chinese tax authorities to have no reasonable commercial purpose other than to evade enterprise income tax, SAT Circular 7 allows the Chinese tax authorities to reclassify this indirect transfer of PRC Taxable Assets into a direct transfer and impose on the non-resident enterprise a 10% rate of PRC enterprise income tax. SAT Circular 7 exempts this tax, for a number of grounds, including: (i) where a non-resident enterprise derives income from an indirect transfer of PRC Taxable Assets by acquiring and selling shares of a listed overseas holding company in the public market, and (ii) where a non-resident enterprise transfers PRC Taxable Assets that it directly holds and an applicable tax treaty or arrangement exempts this transfer from PRC enterprise income tax. It remains unclear whether any exemptions under SAT Circular 7 will be applicable to transfers of our Shares by our Shareholders. If the Chinese tax authorities impose PRC enterprise income taxes on these activities, the value of your investment in our Shares may be adversely affected.

On October 17, 2017, the SAT issued the Announcement of the State Administration of Taxation on Issues Concerning the Withholding of Non-resident Enterprise Income Tax at Source (《關於非居民企業所得稅源泉扣繳有關問題的公告》) (“**SAT Circular 37**”), which came into effect on December 1, 2017. SAT Circular 37 further clarifies the practice and procedure of the withholding of non-resident enterprise income tax.

We face uncertainties as to the reporting and other implications of future transactions where PRC Taxable Assets are involved, such as offshore restructuring, sale of the shares in our offshore subsidiaries and investments. As a result, we may be required to expend valuable resources to comply with SAT Circular 7 and/or SAT Circular 37 or to request the relevant transferors from whom we purchase taxable assets to comply with these circulars, or to establish that we should not be taxed under these circulars, which could have a material and adverse impact on our business, results of operations and financial condition.

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## RISK FACTORS

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**We are subject to PRC regulation of loans to and direct investment in PRC entities by offshore holding companies and governmental regulations of currency conversion when we use the proceeds of this Global Offering to make loans or additional capital contributions to our PRC subsidiaries.**

We are an offshore holding company conducting our operations in China through our PRC subsidiaries. If we are to make available any of our offshore funds to our PRC subsidiaries, we may (i) make loans to our PRC subsidiaries, subject to the approval from governmental authorities and limitation of amount, or (ii) make additional capital contributions to our PRC subsidiaries in China. Any loans to our PRC subsidiaries, which are treated as foreign-invested enterprises under PRC law, are subject to PRC regulations and foreign exchange loan registrations. For example, loans by us to our PRC subsidiaries to finance their activities cannot exceed statutory limits and must be registered with the local counterpart of SAFE. In addition, a foreign invested enterprise shall use its capital pursuant to the principle of authenticity and self-use within its business scope. The capital of a foreign invested enterprise shall not be used for the following purposes (i) directly or indirectly used for payment beyond the business scope of the enterprises or the payment prohibited by relevant laws and regulations; (ii) directly or indirectly used for investment in securities investments other than banks' principal-protected products unless otherwise permitted by relevant laws and regulations; (iii) the granting of loans to non-affiliated enterprises, except where it is expressly permitted in the business license; and (iv) paying the expenses related to the purchase of real estate that is not for self-use (except for the foreign-invested real estate enterprises).

In light of the various requirements imposed by PRC regulations on loans to and direct investment in PRC entities by offshore holding companies, we cannot assure you that we will be able to complete the necessary government registrations or obtain the necessary government approvals on a timely basis, if at all, with respect to future loans to our PRC subsidiaries or future capital contributions by us to our wholly foreign-owned subsidiaries in China. As a result, uncertainties exist as to our ability to provide prompt financial support to our PRC subsidiaries when needed, including making the proceeds available to our PRC subsidiaries in accordance with our intended usage disclosed in "Future Plans and Use of Proceeds." If we fail to complete such registrations or obtain such approvals, our ability to use the proceeds we expect to receive from this Global Offering and to capitalize or otherwise fund our PRC operations may be negatively affected, which could materially and adversely affect our liquidity and our ability to fund and expand our business.

**We principally rely on dividends and other distributions on equity paid by our PRC subsidiaries to fund any cash and financing requirements we may have.**

We are a Cayman Islands holding company and we rely principally on dividends and other distributions on equity from our PRC subsidiaries for our cash requirements, including for services of any debt we may incur.



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## RISK FACTORS

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Our PRC subsidiaries' ability to distribute dividends is based upon their distributable earnings. Current PRC regulations permit our PRC subsidiaries to pay dividends to their respective shareholders only out of their accumulated profits, if any, determined in accordance with PRC accounting standards and regulations. In addition, each of our PRC subsidiaries is required to set aside at least 10% of its after-tax profits each year, if any, to fund a statutory reserve until such reserve reaches 50% of each of their registered capitals. These reserves are not distributable as cash dividends. If our PRC subsidiaries incur debt on their own behalf in the future, the instruments governing the debt may restrict their ability to pay dividends or make other payments to us. Separately, in recent years, the PBOC and SAFE have implemented a series of capital control measures, including stricter vetting procedures for PRC-based companies to remit foreign currency for dividend payments. See “— We are subject to the currency exchange regulatory system.” Any limitation on the ability of our PRC subsidiaries to distribute dividends or other payments to their respective shareholders could materially and adversely limit our ability to grow, make investments or acquisitions that could be beneficial to our businesses, pay dividends or otherwise fund and conduct our business.

In addition, the Enterprise Income Tax Law and its implementation rules provide that a withholding tax at a rate of 10% will be applicable to dividends payable by Chinese companies to non-PRC-resident enterprises unless reduced under treaties or arrangements between the PRC central government and governments of other countries or regions where the non-PRC resident enterprises are tax resident. Pursuant to the tax agreement between mainland China and the Hong Kong Special Administrative Region of the PRC, the withholding tax rate with respect to the payment of dividends by a PRC enterprise to a Hong Kong enterprise may be reduced to 5% from a standard rate of 10% if the Hong Kong enterprise (i) directly holds at least 25% of the PRC enterprise, (ii) is a tax resident in Hong Kong and (iii) could be recognized as a beneficial owner of the dividend from PRC tax perspective. Under the Notice of the State Administration of Taxation on Certain Issues with Respect to the Enforcement of Dividend Provisions in Tax Treaties (《國家稅務總局關於執行稅收協定股息條款有關問題的通知》) (“**SAT Circular 81**”), promulgated and took effect on February 20, 2009 by the SAT, a Hong Kong resident enterprise must meet the following conditions, among others, in order to apply the reduced withholding tax rate: (i) it must be a company; (ii) it must directly own the required percentage of equity interests and voting rights in the PRC resident enterprise; and (iii) it must have directly owned such required percentage in the PRC resident enterprise throughout the 12 months prior to receiving the dividends. Pursuant to the Announcement of the SAT on Issuing the Measures for the Administration of Treaty Benefits for Nonresident Taxpayers (《國家稅務總局關於發佈〈非居民納稅人享受協定待遇管理辦法〉的公告》), published in October 2019 and effective in January 2020, nonresident enterprises are not required to obtain pre-approval from the relevant tax authority in order to enjoy the reduced withholding tax. Instead, nonresident enterprises and their withholding agents may, by self-assessment and on confirmation that the prescribed criteria to enjoy the tax treaty benefits are met, directly apply the reduced withholding tax rate, and file necessary forms and supporting documents when performing tax filings, which will be subject to post-tax filing examinations by the relevant tax authorities. Accordingly, our Hong Kong subsidiary may be able to benefit from the 5% withholding tax rate for the dividends it receives from our PRC subsidiaries, if it satisfies the conditions prescribed under SAT Circular 81 and other relevant

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## RISK FACTORS

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tax rules and regulations. However, if the relevant tax authorities consider the transactions or arrangements we have are for the primary purpose of enjoying a favorable tax treatment, the relevant tax authorities may adjust the favorable withholding tax in the future. Accordingly, there is no assurance that the reduced 5% will apply to dividends received by our Hong Kong subsidiary from our PRC subsidiaries. This withholding tax will reduce the amount of dividends we may receive from our PRC subsidiaries.

**If the preferential tax treatments granted by the PRC government become unavailable, our results of operations and financial condition may be adversely affected.**

Our PRC subsidiaries are subject to the PRC corporate income tax at a standard rate of 25% on their taxable income, but one of our PRC subsidiaries was accredited as “High and New Technology Enterprises,” and is entitled to a preferential income tax rate of 15%. We cannot assure you that the PRC policies on preferential tax treatments will not change or that the current preferential tax treatments we enjoy or will be entitled to enjoy will not be canceled. Moreover, we cannot assure you that our PRC subsidiaries will be able to renew the same preferential tax treatments upon expiration. If any such change, cancellation or discontinuation of preferential tax treatment occurs, the relevant PRC subsidiary will be subject to the PRC enterprise income tax, at a rate of 25% on taxable income. As a result, the increase in our tax charge could lead to a material and adverse impact on our results of operations and financial condition.

### **RISKS RELATING TO THE GLOBAL OFFERING AND OUR SHARES**

**There has been no prior public market for our Shares and the liquidity and market price of our Shares may be volatile.**

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

**The trading price of our Shares may be volatile, which could result in substantial losses to you.**

The trading price of our Shares may be volatile and could fluctuate widely in response to factors beyond our control. In particular, the performance and fluctuation of the market prices of other companies with business operations located mainly in mainland China that have listed their securities in Hong Kong may affect the volatility in the price of and trading volumes for our Shares. A number of mainland China-based companies have listed their securities, and some are in the process of preparing for listing their securities, in Hong Kong. The share price of some of these companies have experienced significant volatility, including significant price

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## RISK FACTORS

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declines after their initial public offerings. The trading performances of the securities of these companies at the time of or after their offerings may affect the overall investor sentiment toward mainland China-based companies listed in Hong Kong and consequently may impact the trading performance of our Shares. These factors may significantly affect the market price and volatility of our Shares, regardless of our actual operating performance.

**Future sales or perceived sales of substantial amounts of our Shares in the public market could negatively affect the price of our Shares and our ability to raise additional capital in the future.**

The market price of our Shares could decline as a result of future sales of a substantial number of our Shares or other securities relating to our Shares in the public market, the issuance of new shares or other securities, or the perception that such sales or issuances may occur. Future sales, or perceived sales, of substantial amounts of our securities, including any future offerings, could also materially and adversely affect our ability to raise capital at a specific time and on terms favorable to us. Equity-linked securities issued by us may also confer rights and privileges that take priority over those conferred by the Shares.

**You will incur immediate and substantial dilution and may experience further dilution if we issue additional Shares in the future.**

The Offer Price of the Offer Shares is higher than the net tangible asset value per Share immediately prior to the Global Offering. Therefore, purchasers of the Offer Shares in the Global Offering will experience an immediate dilution in pro forma consolidated net tangible asset value. To expand our business, we may consider offering and issuing additional Shares in the future. Purchasers of the Offer Shares may experience dilution in the net tangible asset value per Share of their Shares if we issue additional Shares in the future at a price that is lower than the net tangible asset value per Share at that time.

**Mr. Zhu has significant influence over us and his interests may not always be aligned with the interest of our other Shareholders.**

Upon the completion of the Global Offering (assuming that the Offer Size Adjustment Option and the Over-allotment Option are not exercised), Mr. Zhu, our chairman and executive Director, will be interested in and control an aggregate of approximately 49.47% of our enlarged issued share capital. Mr. Zhu will, through his voting power at the Shareholders' meetings and his delegates or positions on the Board, have significant influence over our business and affairs, including decisions in respect of mergers or other business combinations, acquisition or disposition of assets, issuance of additional Shares or other equity securities, timing and amount of dividend payments, and our management. Mr. Zhu may not act in the best interests of our minority Shareholders. In addition, without the approval of Mr. Zhu, we could be prevented from entering into transactions that could be beneficial to us. This concentration of ownership may also discourage, delay or prevent a change in control of our Company, which could deprive our Shareholders of an opportunity to receive a premium for the Shares as a part of a sale of our Company and may significantly reduce the price of our Shares.

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## RISK FACTORS

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**There can be no assurance that we will declare and distribute any amount of dividends in the future.**

No dividends have been paid or declared by our Company during the Track Record Period, and there can be no assurance that we will declare and distribute any amount of dividends in the future. The declaration, payment, and amount of any future dividends are subject to the discretion of our Directors, after taking into account our results of operations, financial condition, cash requirements and availability, and other factors as they may deem relevant, and subject to the approval at a Shareholders' meeting. We may not have sufficient or any profits to enable us to distribute dividends to our Shareholders in the future, even if our financial statements indicate that our operations have been profitable.

**Investors may experience difficulties in enforcing Shareholder rights.**

We are an exempted company incorporated in the Cayman Islands with limited liability, and the laws of the Cayman Islands differ in some respects from those of Hong Kong or other jurisdictions where investors may be located. The rights of our Shareholders to take legal actions against us and/or our Directors, actions by minority Shareholders and the fiduciary duties of our Directors to us under Cayman Islands law are to a large extent governed by the common law of the Cayman Islands. The common law of the Cayman Islands is derived in part from comparatively limited judicial precedents in the Cayman Islands, and from English common law, which has persuasive but not binding authority on a court in the Cayman Islands. The rights of our Shareholders and the fiduciary responsibilities of our Directors under the Cayman Islands law may not be as clearly established as they would be under statutes or judicial precedents in Hong Kong, the United States or other jurisdictions where investors may reside. In particular, the Cayman Islands has a less developed body of securities law. As a result of all the above, our Shareholders may have more difficulty in exercising their rights in the face of actions taken by our executive officers, Directors or Controlling Shareholders than they would as shareholders of a Hong Kong company, a United States company or companies incorporated in other jurisdictions.

**Certain statistics contained in this prospectus are derived from publicly available official sources.**

This prospectus, particularly the section headed "Industry Overview," contains information and statistics relating to the toy industry in China and internationally. Such information and statistics have been derived from various official governments and other publications. We believe that the sources of such information are appropriate, and we have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading in any material respect or that any fact has been omitted that would render such information false or misleading in any material respect. The information and statistics from official government sources have not been independently verified by the Company, the Joint Sponsors, the Overall Coordinators, the Sponsor-OC, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of our or their respective Directors, executive officers or representatives or any other

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## RISK FACTORS

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person involved in the Global Offering and no representation is given as to their accuracy. You should therefore not place undue reliance on such information. In addition, we cannot assure you that such information is stated or compiled on the same basis or with the same degree of accuracy as or consistent with similar statistics presented elsewhere, and such information may not be complete or up-to-date. In any event, you should consider carefully the importance placed on such information or statistics.

**You should read the entire prospectus carefully and should not rely on any information contained in press articles or other media regarding us and the Global Offering.**

There may have been, prior to the publication of this prospectus, and there may be, subsequent to the date of this prospectus but prior to the completion of the Global Offering, press and media coverage regarding us, our business, our industry and the Global Offering. Such press and media coverage may include references to certain information that does not appear in this prospectus, including certain operating and financial information and projections, valuations and other information. None of us, the Joint Sponsors, the Overall Coordinators, the Sponsor-OC, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters or any other person involved in the Global Offering has authorized the disclosure of any such information in the press or media coverage, or accepts any responsibility for any such press or media coverage or the accuracy or completeness of any such information or publication.

Accordingly, prospective investors should not rely on any such information or publication in making their decision whether to invest in our Shares. Prospective investors are reminded that, in making their investment decisions as to whether to purchase our Shares, they should rely only on the financial, operational, and other information included in this prospectus. By applying to purchase our Shares in the Global Offering, you will be deemed to have agreed that you will not rely on any information other than that contained in this prospectus.

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## WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

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In preparation of the Global Offering, the Company has sought the following waivers from strict compliance with the relevant provisions of the Listing Rules:

### MANAGEMENT PRESENCE IN HONG KONG

Rule 8.12 of the Listing Rules provides that a new applicant for listing on the Stock Exchange must have a sufficient management presence in Hong Kong and, under normal circumstances, at least two of the new applicant's executive directors must be ordinarily resident in Hong Kong.

The Company's business operations are primarily located outside Hong Kong and most of the Company's assets are located outside Hong Kong. All of the executive Directors and all members of the senior management of the Company currently reside outside Hong Kong as the Board believes it would be more effective and efficient for its executive Directors to be based in a location where the Company's operations are located. As such, the Company does not and, in the foreseeable future, will not be able to comply with the requirements of Rule 8.12 of the Listing Rules for sufficient management presence in Hong Kong.

Accordingly, the Company has applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance with the requirements under Rule 8.12 of the Listing Rules, provided that the Company implements the following arrangements:

- (i) the Company has appointed Mr. Sheng Xiaofeng and Mr. Zhu Yuancheng as the authorized representatives of the Company (the "**Authorized Representatives**") for the purpose of Rule 3.05 of the Listing Rules. The Authorized Representatives will serve as the Company's principal channel of communication with the Stock Exchange. They can be readily contactable by phone, facsimile and email to deal promptly with enquiries from the Stock Exchange and will also be available to meet with the Stock Exchange to discuss any matters on short notice. The contact details of the Authorized Representatives have been provided to the Stock Exchange.
- (ii) all the Directors who are not ordinarily resident in Hong Kong possess or can apply for valid travel documents to visit Hong Kong and can meet with the Stock Exchange within a reasonable period. In addition, each Director has provided his/her contact details, including office phone numbers (if any), mobile phone numbers, email addresses and fax numbers (if any), to the Authorized Representatives and to the Stock Exchange, so that each of the Authorized Representatives and the Stock Exchange would be able to contact all the Directors (including the independent non-executive Directors) promptly at all times if and when the Stock Exchange wishes to contact the Directors.
- (iii) the Company has appointed Gram Capital Limited as its compliance adviser for the period commencing on the Listing Date and ending on the date on which the Company complies with Rule 13.46 of the Listing Rules in respect of the Company's financial results for the first full financial year commencing after the Listing Date.

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## **WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES**

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The Company's compliance adviser will act as the Company's additional and alternative channel of communication with the Stock Exchange, and its representatives will be readily available to answer enquiries from the Stock Exchange.

- (iv) the Company has appointed designated staff members as the responsible communication officers at our headquarters to oversee regular communication with the Authorized Representatives and the Company's professional advisors in Hong Kong, including our legal advisors and the compliance adviser, keep abreast of any correspondence and/or inquiries from the Stock Exchange and report to the executive Directors, streamlining communication between the Exchange and the Company following the Listing.

### **WAIVER IN RESPECT OF JOINT COMPANY SECRETARIES**

Pursuant to Rules 3.28 and 8.17 of the Listing Rules, the company secretary must be an individual who, by virtue of his or her academic or professional qualifications or relevant experiences, is, in the opinion of the Stock Exchange, capable of discharging the functions of the company secretary. Pursuant to Note 1 to Rule 3.28 of the Listing Rules, the Stock Exchange considers the following academic or professional qualifications to be acceptable:

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

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

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

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## WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

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The Company has appointed Mr. Zhu Yuancheng (朱元成) as one of the joint company secretaries of the Company. Mr. Zhu Yuancheng joined the Group in December 2020. He currently also holds the position of the Board secretary of the Company. See “Directors and Senior Management” for further biographical details of Mr. Zhu Yuancheng. Although Mr. Zhu Yuancheng does not possess the qualifications set out in Rule 3.28 of the Listing Rules, the Company believes that it would be in the best interests of the Company and the corporate governance of the Group to have Mr. Zhu Yuancheng as its joint company secretary who is familiar with the Group’s internal operation and management and possesses professional knowledge and experience in handling corporate governance and compliance, legal affairs and public relationship related matters. The Company has also appointed Ms. Yu Wing Sze (余詠詩) to act as the other joint company secretary to assist Mr. Zhu Yuancheng in discharging the duties of a company secretary of the Company. Ms. Yu Wing Sze is an associate member of both The Hong Kong Chartered Governance Institute and The Chartered Governance Institute in the United Kingdom and is therefore qualified under Rule 3.28 of the Listing Rules to act as a joint company secretary of the Company. See “Directors and Senior Management” for further biographical details of Ms. Yu Wing Sze.

Since Mr. Zhu Yuancheng does not possess the formal qualifications required of a company secretary under Rule 3.28 of the Listing Rules, the Company has 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 for a period of three years since the Listing Date on the following conditions: (i) Mr. Zhu Yuancheng must be assisted by Ms. Yu Wing Sze who possesses the qualifications or experience as required under Rule 3.28 of the Listing Rules and is appointed as joint company secretary throughout the waiver period; and (ii) the waiver can be revoked in the event of a material breach of the Listing Rules by the Company.

In support of the waiver application, the Company has adopted, or will adopt the following arrangements:

- (i) In preparation of the application of the Listing, Mr. Zhu Yuancheng has attended training on the respective obligations of the Directors, senior managements and the Company under the relevant Hong Kong laws and the Listing Rules organised by the Hong Kong legal advisors to the Company.
- (ii) Ms. Yu Wing Sze will work closely with Mr. Zhu Yuancheng to jointly discharge the duties and responsibilities as the joint company secretaries of the Company and to assist Mr. Zhu Yuancheng to acquire the relevant experience as required under the Listing Rules for an initial period of three years from the Listing Date, a period which should be sufficient for Mr. Zhu Yuancheng to acquire the relevant experience as required under the Listing Rules.



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## WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

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- (iii) The Company will ensure that Mr. Zhu Yuancheng continues to have access to the relevant training and support in relation to the Listing Rules and the duties required for a company secretary of an issuer listed on the Stock Exchange. Furthermore, both Mr. Zhu Yuancheng and Ms. Yu Wing Sze will seek advice from the Company's Hong Kong legal and other professional advisers as and when required. Mr. Zhu Yuancheng also undertakes to take no less than 15 hours of relevant professional training in each financial year of the Company.
  
- (iv) At the end of the three-year period, the qualifications and experience of Mr. Zhu Yuancheng and the need for on-going assistance of Ms. Yu Wing Sze will be further evaluated by the Company. The Company will then endeavour to demonstrate to the Stock Exchange's satisfaction that Mr. Zhu Yuancheng, having had the benefit of the assistance of Ms. Yu Wing Sze for the immediately preceding three years, has acquired the relevant experience (within the meaning of Note 2 to Rule 3.28 of the Listing Rules) such that a further waiver from Rules 3.28 and 8.17 of the Listing Rules will not be necessary. The Company understands that the Stock Exchange may revoke the waiver if Ms. Yu Wing Sze ceases to provide assistance to Mr. Zhu Yuancheng during the three-year period.

Prior to the expiry of the three-year period, the Company will liaise with the Stock Exchange to enable it to assess whether Mr. Zhu Yuancheng has acquired the relevant experience within the meaning of Note 2 to Rule 3.28 of the Listing Rules.

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## **INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING**

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### **DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS**

This prospectus, for which our Directors (including any proposed Director who is named as such in this prospectus) collectively and individually accept full responsibility, includes particulars given in compliance with the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Securities and Futures (Stock Market Listing) Rules and the Listing Rules for the purpose of giving information to the public with regard to the Group. Our Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief, the information contained in this prospectus is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement in this prospectus misleading.

### **UNDERWRITING AND INFORMATION ON THE GLOBAL OFFERING**

This prospectus is published solely in connection with the Hong Kong Public Offering, which forms part of the Global Offering. The Global Offering comprises the Hong Kong Public Offering of initially 2,412,300 Offer Shares and the International Offering of initially 21,708,000 Offer Shares (subject to reallocation on the basis referred to under the section headed "Structure of the Global Offering" in this prospectus and, in case of the International Offering, to any exercise of the Offer Size Adjustment Option and the Over-allotment Option).

The listing of our Shares on the Stock Exchange is sponsored by the Joint Sponsors and the Global Offering is managed by the Overall Coordinators. The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters pursuant to the Hong Kong Underwriting Agreement. The International Underwriting Agreement relating to the International Offering is expected to be entered into on Wednesday, January 8, 2025. Further information regarding the Underwriters and the Underwriting Agreements are set out in the section headed "Underwriting" in this prospectus.

The Hong Kong Offer Shares are offered solely on the basis of the information contained and representations made in this prospectus and on the terms and subject to the conditions set out herein and therein. No person is authorized to give any information in connection with the Global Offering or to make any representation not contained in this prospectus, and any information or representation not contained herein and therein must not be relied upon as having been authorized by the Company, the Joint Sponsors, the Overall Coordinators, the Sponsor-OC, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of their respective directors, officers, employees, partners, agents, or advisers or any other party involved in the Global Offering.

Neither the delivery of this prospectus nor any subscription or acquisition made under it shall, under any circumstances, constitute a representation that there has been no change or development reasonably likely to involve a change in our affairs since the date of this prospectus or imply that the information contained in this prospectus is correct as of any date subsequent to the date of this prospectus.

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## **INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING**

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Further information regarding the structure of the Global Offering, including its conditions, are set out in the section headed “Structure of the Global Offering” and the procedures for applying for our Hong Kong Offer Shares are set out in the section headed “How to Apply for Hong Kong Offer Shares” in this prospectus.

### **RESTRICTIONS ON OFFER AND SALE OF THE OFFER SHARES**

Each person acquiring the Hong Kong Offer Shares under the Hong Kong Public Offering will be required to, or be deemed by his/her acquisition of the Hong Kong Offer Shares to, confirm that he/she is aware of the restrictions on offers and sales of the Shares described in this prospectus.

No action has been taken to permit a public offering of the Offer Shares in any jurisdiction other than Hong Kong, and no action has been taken to permit the distribution of this prospectus in any jurisdiction other than Hong Kong. Accordingly, without limitation to the following, this prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorized or to any person to whom it is unlawful to make such an offer or invitation. The distribution of this prospectus and the offering and sales of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorization by the relevant securities regulatory authorities or an exemption therefrom. In particular, the Hong Kong Offer Shares have not been publicly offered or sold, directly or indirectly, in the PRC or the United States.

### **APPLICATION FOR LISTING ON THE STOCK EXCHANGE**

We have applied to the Listing Committee for the granting of the listing of, and permission to deal in, the Shares in issue and to be issued by us pursuant to the Global Offering (including any Shares which may be issued pursuant to the exercise of the Offer Size Adjustment Option and the Over-allotment Option).

Dealings in the Shares on the Stock Exchange are expected to commence on Friday, January 10, 2025. No part of our Shares or loan capital is listed or dealt in on any other stock exchange and no such listing or permission to list is being or proposed to be sought on any other stock exchange as of the date of this prospectus. All the Offer Shares will be registered on the Hong Kong register of members of the Company in order to enable them to be traded on the Stock Exchange.

Under section 44B(1) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, any allotment made in respect of any application will be invalid if the listing of, and permission to deal in, our Shares on the Stock Exchange is refused before the expiration of three weeks from the date of the closing of the application lists, or such longer period (not exceeding six weeks) as may, within the said three weeks, be notified to the Company by or on behalf of the Stock Exchange.

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## **INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING**

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### **PROFESSIONAL TAX ADVICE RECOMMENDED**

Potential investors in the Global Offering are recommended to consult their professional advisers as to the taxation implications of subscribing for, purchasing, holding or disposal of, and/or dealing in the Offer Shares or exercising rights attached to them. None of us, the Joint Sponsors, the Sponsor-OC, the Overall Coordinators, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of their respective directors, officers, employees, partners, agents, advisers or representatives or any other person or party involved in the Global Offering accepts responsibility for any tax effects on, or liabilities of, any person resulting from the subscription, purchasing, holding, disposition of, or dealing in, the Offer Shares or exercising any rights attached to them.

### **OFFER SIZE ADJUSTMENT OPTION, OVER-ALLOTMENT OPTION AND STABILIZATION**

Details of the arrangements relating to the Offer Size Adjustment Option, the Over-allotment Option and stabilization are set out under the sections headed “Underwriting” and “Structure of the Global Offering” in this prospectus.

### **HONG KONG REGISTER OF MEMBERS AND HONG KONG STAMP DUTY**

Our Company’s principal register of members will be maintained by its principal share registrar, Campbells Corporate Services Limited, in the Cayman Islands. All of the Offer Shares issued pursuant to the Global Offering will be registered on the Company’s Hong Kong share register to be maintained in Hong Kong by its Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited. Dealings in the Shares registered in the Company’s Hong Kong share register will be subject to Hong Kong stamp duty.

Unless determined otherwise by the Company, dividends payable in Hong Kong dollars in respect of Shares will be paid to the Shareholders listed on the Hong Kong share register of the Company, by ordinary post, at the Shareholders’ risk, to the registered address of each Shareholder.

### **SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS**

Subject to the granting of the listing of, and permission to deal in, the Shares on the Stock Exchange and compliance with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares on the Stock Exchange or on any other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second settlement day after any trading day. All activities under CCASS are subject to the General Rules of HKSCC and HKSCC Operational Procedures in effect from time to time.

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## **INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING**

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All necessary arrangements have been made enabling the Shares to be admitted into CCASS. Investors should seek the advice of their stockbrokers or other professional advisers for details of the settlement arrangements as such arrangements may affect their rights and interests.

### **PROCEDURES FOR APPLICATION FOR HONG KONG OFFER SHARES**

The procedures for applying for Hong Kong Offer Shares are set out in the section headed “How to Apply for Hong Kong Offer Shares” in this prospectus.

### **STRUCTURE OF THE GLOBAL OFFERING**

Details of the structure of the Global Offering, including its conditions, are set out in the section headed “Structure of the Global Offering” in this prospectus.

### **EXCHANGE RATE CONVERSION**

Solely for your convenience, this prospectus contains translations among certain amounts denominated in Renminbi, Hong Kong dollars and U.S. dollars. No representation is made that the amounts denominated in one currency could actually be converted into the amounts denominated in another currency at the rates indicated or at all. Unless indicated otherwise, (i) the translations between Renminbi and U.S. dollars were made at the rate of RMB7.19010 to US\$1.00, (ii) the translations between U.S. dollars and Hong Kong dollars were made at the rate of HK\$7.76930 to US\$1.00, and (iii) the translation between Hong Kong dollars and Renminbi were made at the rate of HK\$1.00 to RMB0.92545. Any discrepancies in any table between totals and sums of amounts listed therein are due to rounding.

### **LANGUAGE**

If there is any inconsistency between this prospectus and the Chinese translation of this prospectus, the English version shall prevail. However, the English names of the PRC nationals, entities, departments, facilities, certificates, titles, laws, regulations and the like are translations of their Chinese names and are included for identification purposes only. If there is any inconsistency, the Chinese name prevails.

### **ROUNDING**

Certain amounts and percentage figures included in this prospectus have been subject to rounding adjustments, or have been rounded to one or two decimal places. Any discrepancies in any table, chart or elsewhere between totals and sums of amounts listed therein are due to rounding.

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## DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

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### DIRECTORS

Name	Address	Nationality
<b>Executive Directors</b>		
Mr. Zhu Weisong (朱偉松)	Room 1102, No.6, Lane 908, Ruining Road, Xuhui District, Shanghai, PRC	Chinese
Mr. Sheng Xiaofeng (盛曉峰)	10D, No. 7, Lane 37, Panyu Road, Changning District Shanghai, PRC	Chinese
<b>Non-executive Directors</b>		
Mr. Chang Kaisi (常凱斯)	706, 7th Floor, Building 2, No. 12 Xinwenhua Street, Xicheng District, Beijing, PRC	Chinese
Mr. Chen Rui (陳瑞)	18F, Building 6, Donghai Garden, Futian District, Shenzhen, Guangdong Province, PRC	Chinese
<b>Independent Non-executive Directors</b>		
Mr. Gao Pingyang (高平陽)	Flat 13A, Block 1, Tam Towers, 25 Sha Wan Drive, Hong Kong Island, Hong Kong	Chinese
Ms. Huang Rong (黃蓉)	No. 65, Lane 377, Zhuxin Road, Minhang District, Shanghai, PRC	American
Mr. Shang Jian (尚健)	7-3001, Lane 1299, Dingxiang Road, Pudong New District, Shanghai, PRC	Chinese

For further details, see “Directors and Senior Management”.

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## DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

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### PARTIES INVOLVED

#### **Joint Sponsors, Overall Coordinators and Sponsor-OC**

**Goldman Sachs (Asia) L.L.C.**  
68/F, Cheung Kong Center  
2 Queen's Road Central  
Hong Kong

**Huatai Financial Holdings (Hong Kong)  
Limited**  
62/F, The Center  
99 Queen's Road Central  
Hong Kong

#### **Joint Global Coordinators**

**Goldman Sachs (Asia) L.L.C.**  
68/F, Cheung Kong Center  
2 Queen's Road Central  
Hong Kong

**Huatai Financial Holdings (Hong Kong)  
Limited**  
62/F, The Center  
99 Queen's Road Central  
Hong Kong

#### **Joint Bookrunners**

**Goldman Sachs (Asia) L.L.C.**  
68/F, Cheung Kong Center  
2 Queen's Road Central  
Hong Kong

**Huatai Financial Holdings (Hong Kong)  
Limited**  
62/F, The Center  
99 Queen's Road Central  
Hong Kong

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**DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING**

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**Joint Lead Managers****Goldman Sachs (Asia) L.L.C.**

68/F, Cheung Kong Center  
2 Queen's Road Central  
Hong Kong

**Huatai Financial Holdings (Hong Kong) Limited**

62/F, The Center  
99 Queen's Road Central  
Hong Kong

**Futu Securities International (Hong Kong) Limited**

34/F, United Centre  
No. 95 Queensway  
Admiralty  
Hong Kong

**Capital Market Intermediaries****Goldman Sachs (Asia) L.L.C.**

68/F, Cheung Kong Center  
2 Queen's Road Central  
Hong Kong

**Huatai Financial Holdings (Hong Kong) Limited**

62/F, The Center  
99 Queen's Road Central  
Hong Kong

**Futu Securities International (Hong Kong) Limited**

34/F, United Centre  
No. 95 Queensway  
Admiralty  
Hong Kong



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## DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

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### Legal Advisors to the Company

*As to Hong Kong and U.S. law:*

**Freshfields**

55th Floor, One Island East  
Taikoo Place  
Quarry Bay  
Hong Kong

*As to PRC law:*

**Jingtian & Gongcheng**

34/F, Tower 3  
China Central Place  
77 Jianguo Road  
Chaoyang District  
Beijing, PRC

*As to Cayman Islands law:*

**Campbells**

3002-04  
30/F Gloucester Tower The Landmark  
15 Queen's Road Central  
Hong Kong

### Legal Advisors to the Joint Sponsors and the Underwriters

*As to Hong Kong and U.S. law:*

**Clifford Chance**

27/F, Jardine House  
One Connaught Place  
Central  
Hong Kong

*As to PRC law:*

**King & Wood Mallesons**

18th Floor, East Tower  
World Financial Center  
No.1 Dongsanhuan Zhonglu  
Chaoyang District  
Beijing, PRC

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## DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

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**Auditor and Reporting Accountants**

**Ernst & Young**

*Certified Public Accountants*

*Registered Public Interest Entity Auditor*

27/F, One Taikoo Place

979 King's Road

Quarry Bay

Hong Kong

**Industry Consultant**

**Frost & Sullivan (Beijing) Inc.,**

**Shanghai Branch Co.**

2504 Wheelock Square

1717 Nanjing West Road

Shanghai, PRC

**Receiving Bank**

**Bank of China (Hong Kong) Limited**

1 Garden Road

Hong Kong

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## CORPORATE INFORMATION

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<b>Registered Office</b>	Floor 4, Willow House Cricket Square Grand Cayman KY1-9010 Cayman Islands
<b>Headquarters and Principal Place of Business in the PRC</b>	Building 10, 1016 Tianlin Road Minhang District, Shanghai, PRC
<b>Place of Business in Hong Kong Registered under Part 16 of the Companies Ordinance</b>	31/F, Tower Two Times Square 1 Matheson Street Causeway Bay Hong Kong
<b>Joint Company Secretaries</b>	<b>Mr. Zhu Yuancheng (朱元成)</b> Building 10, 1016 Tianlin Road Minhang District, Shanghai, PRC  <b>Ms. Yu Wing Sze (余詠詩)</b> <i>(an associate member of both The Hong Kong Chartered Governance Institute and The Chartered Governance Institute in the United Kingdom)</i> 31/F, Tower Two Times Square 1 Matheson Street Causeway Bay Hong Kong
<b>Authorised Representatives</b>	Mr. Sheng Xiaofeng (盛曉峰) Mr. Zhu Yuancheng (朱元成)
<b>Audit Committee</b>	Mr. Gao Pingyang (高平陽) ( <i>Chairman</i> ) Ms. Huang Rong (黃蓉) Mr. Shang Jian (尚健)
<b>Nomination Committee</b>	Mr. Zhu Weisong (朱偉松) ( <i>Chairman</i> ) Mr. Gao Pingyang (高平陽) Mr. Shang Jian (尚健)
<b>Remuneration Committee</b>	Mr. Shang Jian (尚健) ( <i>Chairman</i> ) Ms. Huang Rong (黃蓉) Mr. Zhu Weisong (朱偉松)

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## CORPORATE INFORMATION

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**Compliance Adviser**

**Gram Capital Limited**

Room 1209  
12/F, Nan Fung Tower  
88 Connaught Road Central/  
173 Des Voeux Road Central  
Central  
Hong Kong

**Cayman Islands Principal Share Registrar**

**Campbells Corporate Services Limited**

Floor 4, Willow House  
Cricket Square  
Grand Cayman KY1-9010  
Cayman Islands

**Hong Kong Share Registrar**

**Computershare Hong Kong Investor Services Limited**

Shops 1712-1716, 17th Floor  
Hopewell Centre  
183 Queen's Road East  
Wanchai  
Hong Kong

**Principal Banks**

**Shanghai Pudong Development Bank Co., Ltd.**

**Jinshan Sub-branch**

153-159, Weiqing West Road  
Jinshan District  
Shanghai, PRC

**China Merchants Bank Co., Ltd.**

**Tianlin Branch**

105 Tianlin Road  
Xuhui District  
Shanghai, PRC

**Company's Website**

**<https://www.bloks.com/>**

*(A copy of this prospectus is available on the Company's website. Except for the information contained in this prospectus, none of the other information contained on the Company's website forms part of this prospectus)*

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## INDUSTRY OVERVIEW

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*The information and statistics presented in this section and other sections of this prospectus, unless otherwise indicated, were extracted from different official government publications and other publications, and from the independent industry report prepared by Frost and Sullivan, an independent market research and consulting company that was commissioned by us, in connection with this Global Offering. The information from official government sources has not been independently verified by us, Joint Sponsors, the Overall Coordinators, the Sponsor-OC, the Joint Global Coordinators, Joint Bookrunners, Joint Lead Managers, any of the Underwriters, any of their respective directors and advisers, or any other persons or parties involved in the Global Offering, and no representation is given as to its accuracy. Accordingly, the information from official government sources contained herein may not be accurate and should not be unduly relied upon.*

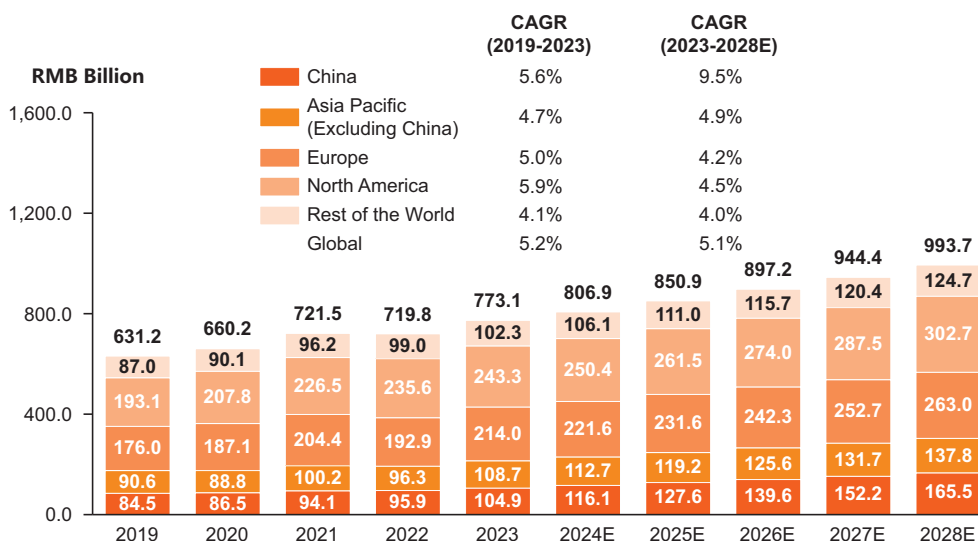
### GLOBAL AND CHINA'S TOY MARKET

The global toy market is massive and is expected to experience steady growth in the future. In terms of GMV, the global toy market grew at a CAGR of 5.2% from RMB631.2 billion in 2019 to RMB773.1 billion in 2023, and is expected to further grow at a CAGR of 5.1% to reach RMB993.7 billion in 2028.

Geographically, North America, Europe and Asia Pacific are the top three toy markets, with a market size of RMB243.3 billion, RMB214.0 billion and RMB213.6 billion in 2023, respectively. China is the largest producer and one of the largest markets by consumption scale globally, producing the majority of the toy products in the world by volume. In recent years, while China's per capita toy consumption experienced strong growth, China's toy market size remains smaller than that of major toy markets such as the United States and Europe. As such, China's toy market has large growth potential in the future. More specifically, the growth of China's toy market is expected to accelerate, driven by an expanding consumer base and consumers' increasing preference for IP toys, coupled with industry players' continued improvement in their research and development capabilities, product quality and IP commercialization capabilities and emergence of new toy categories in recent years on the supply side. In particular, China's toy market is expected to grow at a CAGR of 9.5% from RMB104.9 billion in 2023 to RMB165.5 billion in 2028, accounting for approximately one-sixth of the global toy market.

## INDUSTRY OVERVIEW

### Toy Market Size in terms of GMV by Geography, Global, 2019-2028E



Source: Frost & Sullivan, International Monetary Fund (IMF), National Bureau of Statistics of China (NBS)

IP toy segment is a major component of the global toy market with a market size of RMB521.3 billion in 2023, accounting for 67.4% of the global toy market. In the same year, the IP toy market in China was RMB67.6 billion, accounting for 64.4% of the China's toy market. IP toys are toy products designed and produced based on intellectual property rights associated with storyline characters, brands, art and culture, etc. The popularity of IP toys is driven by renowned IPs' high recognition as well as their narrative nature combined with rich contents, leading to easy consumption decisions by consumers. In addition, the broad fan base of IPs and the long-term emotional connection between fans and IPs further expand the consumer base. With the popularity of various types of IPs such as characters in films, television shows and animes around the world, and the growing IP commercialization capabilities in the toy industry, the global and China's IP toy market as a percentage of the toy market is expected to grow further and reach 73.8% and 74.5%, respectively, in 2028.

The global and China's toy market can be categorized by form into character and non-character toys. Character toys refer to toys with human-like or animal-like appearances, such as dolls, plush toys and toys based on human or non-human characters in movies and television shows. Many character toys are directly associated with specific IPs and have easily recognizable appearances, features and distinctive cultural elements. In addition to character toys, other forms of toys include vehicle toys and scenery toys, which usually do not resemble human or animal.

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## INDUSTRY OVERVIEW

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### GLOBAL AND CHINA'S CHARACTER TOY MARKET

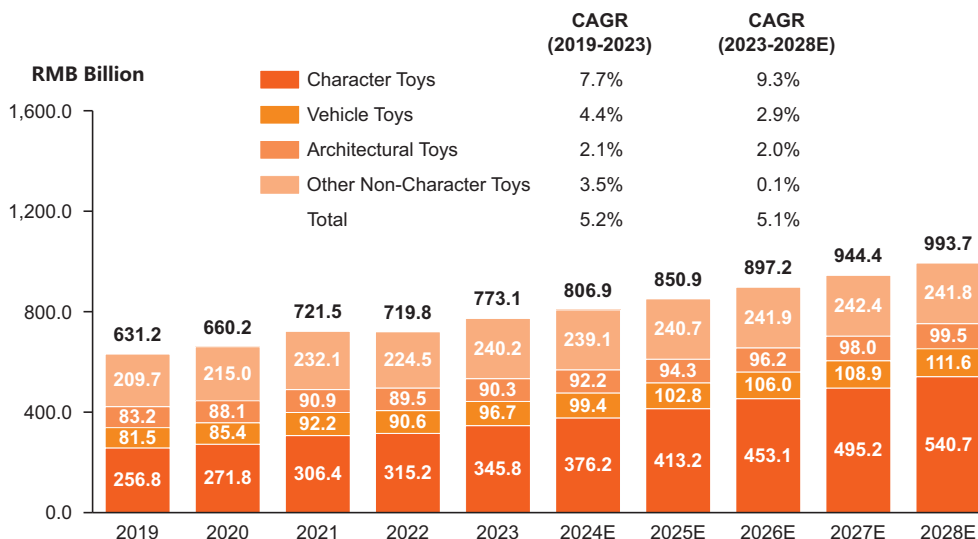
Character toy market is the largest segment of the global toy market by form, and has a market size of RMB345.8 billion in 2023 that accounted for 44.7% of the global toy market. The popularity of character toys is firstly attributable to the fact that character toys feature both fun and individuality given they are often based on images resonating with the public. In addition, character toys provide emotional engagement and vibrant experience that non-character toys cannot deliver. Furthermore, character toys are increasingly combined with renowned IPs to gain high recognition. Enabled by the rich IP contents, character toys cover a diverse range of toy categories, reach a wide consumer demographics, and possess collectability. As a result, the market size of character toys is expected to grow at a CAGR of 9.3% from 2023 to 2028, much higher than the 1.2% CAGR of non-character toys segment during the same period. The market size of the global character toys is expected to reach RMB540.7 billion in 2028, accounting for 54.4% of the global toy market. China's character toy market is expected to grow at a CAGR of 17.7% from RMB40.3 billion in 2023 to RMB91.1 billion in 2028. Compared to the global market, the fast growth rate of China's character toy segment is primarily due to factors such as a vast and expanding consumer base, the increasing presence of IP toys and more quality toy supply.

### GLOBAL AND CHINA'S NON-CHARACTER TOY MARKET

The global non-character toy market consists of several segments, among which vehicle and architectural toys are the second and third largest segments by form in the global toy market, with a market size of RMB96.7 billion and RMB90.3 billion in 2023, respectively, accounting for 12.5% and 11.7% of the global toy market. Vehicle toys are toys that take the form of passenger- or cargo-carrying vehicles, such as cars, trains, ships, airplanes, spacecrafts and rockets. Architectural toys are toys that take the form of buildings or scenic landscapes, such as houses, skyscrapers, castles, bridges, harbors and streets. The design of vehicle and architectural toys poses high requirements for physical structure, spatial perception and balanced proportions. The toys can be either finished products or assembly kits. As a result, vehicle and architectural toys provide consumers the flexibility to unleash their imagination and creativity in addition to recreating the form of a subject. Vehicle and architectural toys can be played with independently or together with other toy categories to expand thematic scenes and enhance play experience. From 2023 to 2028, markets for vehicle and architectural toys are expected to grow at a CAGR of 2.9% and 2.0%, respectively, to reach RMB111.6 billion and RMB99.5 billion. In addition, from 2023 to 2028, markets for vehicle and architectural toys in China are expected to grow at a CAGR of 6.3% and 5.3% to reach RMB20.5 billion and RMB18.2 billion, respectively.

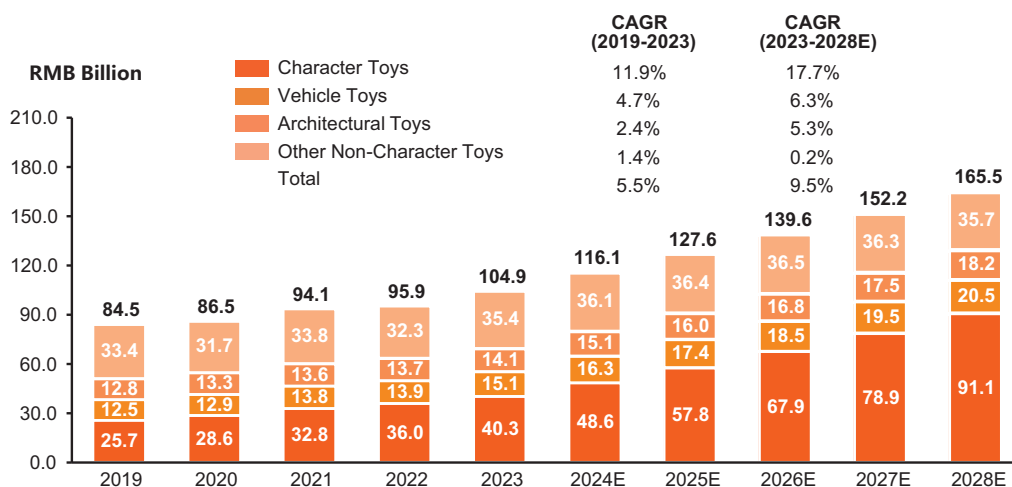
## INDUSTRY OVERVIEW

### Toy Market Size in terms of GMV by Form, Global, 2019-2028E



Source: Frost & Sullivan, International Monetary Fund (IMF)

### Toy Market Size in terms of GMV by Form, China, 2019-2028E



Source: Frost & Sullivan, International Monetary Fund (IMF), National Bureau of Statistics of China (NBS)



## INDUSTRY OVERVIEW

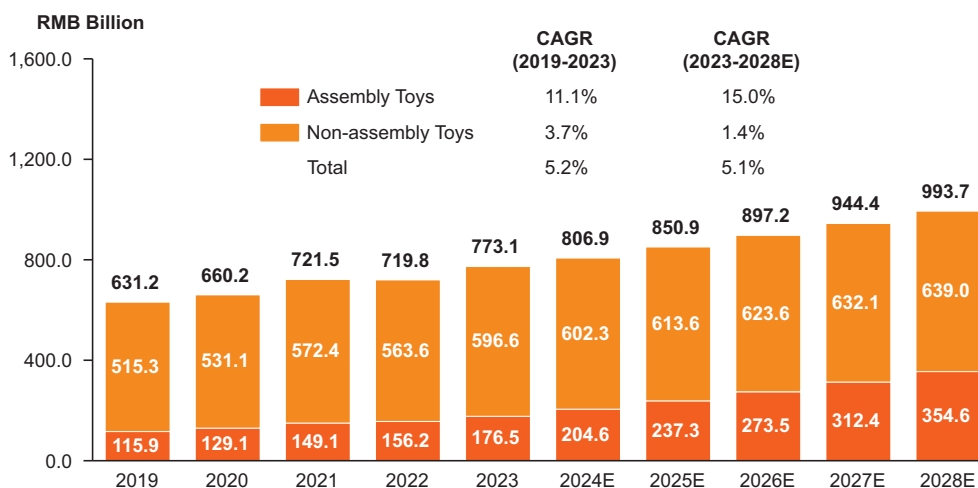
### GLOBAL AND CHINA'S ASSEMBLY TOY MARKET

Assembly toys represent a fast-growing segment within the global toy market. Assembly toys generally require consumers to invest time in assembling various components of different shapes, sizes and functions into finished toys resembling different subjects such as characters, vehicles and buildings.

Assembly toys can be assembled into a predetermined structure following the product design or can be assembled based on individual consumer's creativity and preferences. This makes assembly toys more fun to play with and intellectually stimulating. In addition, the components used in assembly toys generally contain certain proportion of standard components, which can be compatible among different products. This brings about stronger consumer engagement and brand loyalty and enables better control over quality and cost by the producers. The global market size of assembly toys was RMB176.5 billion in 2023. Although this segment only accounted for 22.8% of the global toy market in 2023, it grew at a CAGR of 11.1% from 2019 to 2023, and is expected to grow at a CAGR of 15.0% from 2023 to 2028, far outpacing the growth rate of non-assembly toys.

Driven by similar factors that drive the growth of China's toy market and character toy market, China's assembly toy market is expected to grow at a CAGR of 22.1% from RMB23.7 billion in 2023 to RMB64.0 billion in 2028. Within China's assembly toy market, the assembly character toy segment is expected to lead this growth. The market size is projected to grow at a CAGR of 41.3%, from RMB5.8 billion in 2023 to RMB32.5 billion in 2028. The assembly vehicle toy market is expected to be the second fastest-growing segment, with its market size increasing from RMB3.3 billion in 2023 to RMB7.3 billion in 2028, representing a CAGR of 17.2%. Additionally, the assembly architectural toy market is anticipated to grow at a CAGR of 8.5%, expanding from RMB13.0 billion in 2023 to RMB19.5 billion in 2028.

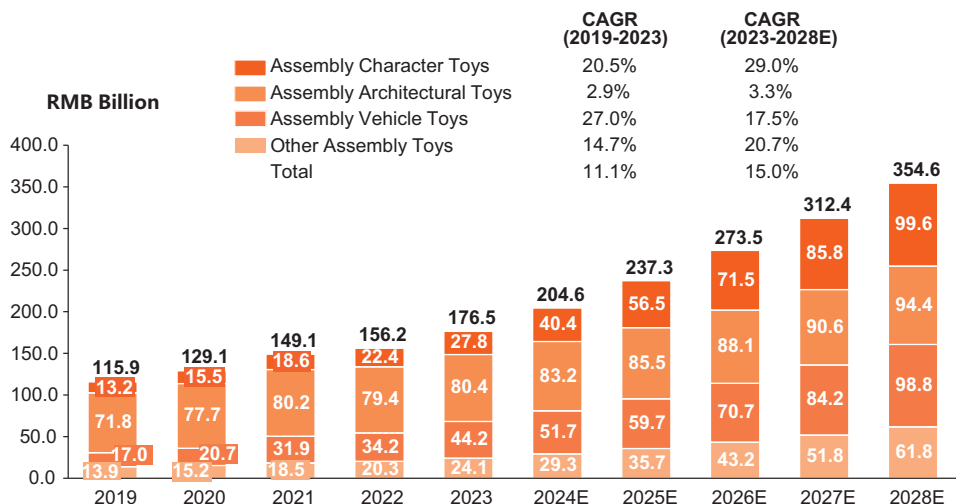
**Toy Market Size in terms of GMV:  
Assembly Toys and Non-assembly Toys, Global, 2019 – 2028E**



Source: Frost & Sullivan, International Monetary Fund (IMF)

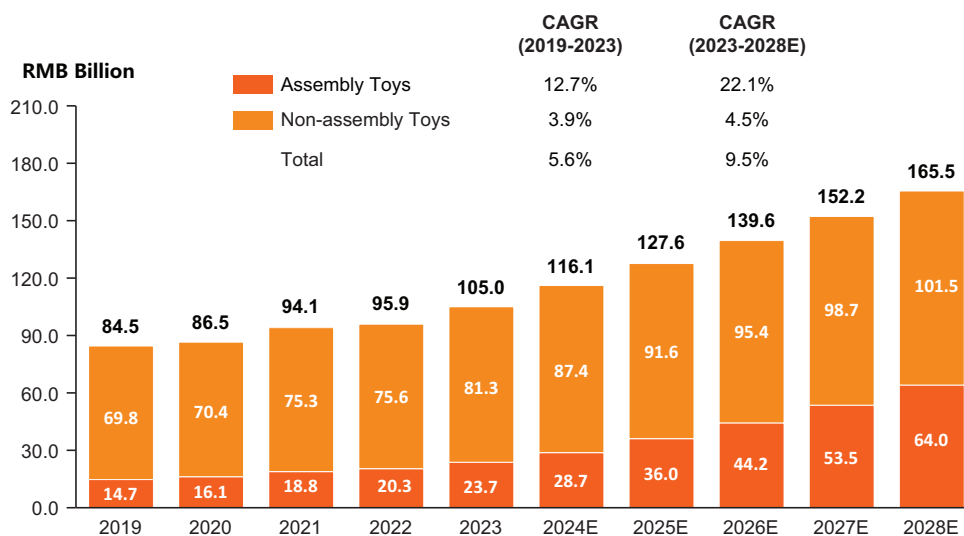
## INDUSTRY OVERVIEW

### Toy Market Size in terms of GMV: Assembly Toys, Global, 2019-2028E



Source: Frost & Sullivan, International Monetary Fund (IMF), National Bureau of Statistics of China (NBS)

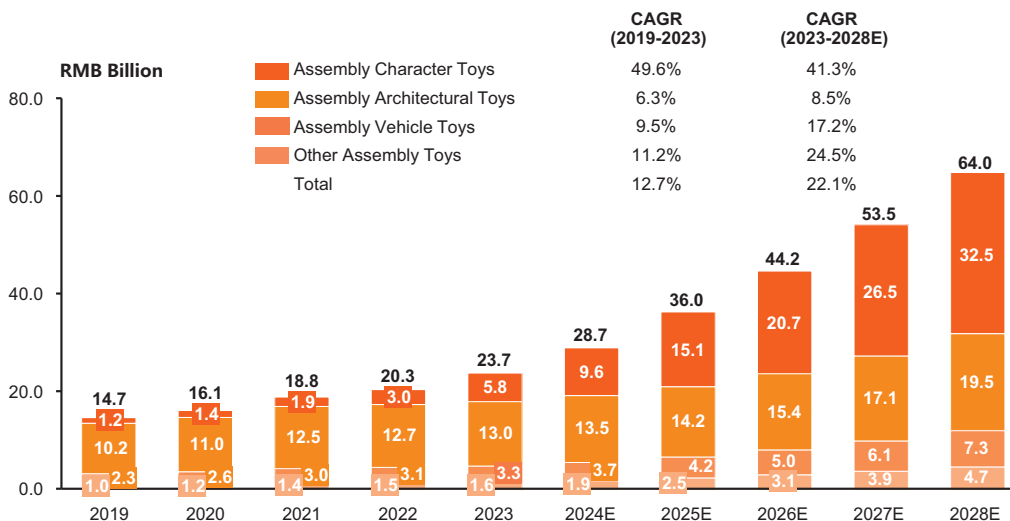
### Toy Market Size in terms of GMV: Assembly Toys and Non-assembly Toys, China, 2019-2028E



Source: Frost & Sullivan, International Monetary Fund (IMF), National Bureau of Statistics of China (NBS)

## INDUSTRY OVERVIEW

### Toy Market Size in terms of GMV: Assembly Toys, China, 2019-2028E



Source: Frost & Sullivan, International Monetary Fund (IMF), National Bureau of Statistics of China (NBS)

### CHALLENGES IN THE GLOBAL AND CHINA'S CHARACTER TOY MARKET

There are three major challenges for the global and China's character toy market:

**Consumer end.** There is significant room for improvement in efficiently meeting consumer demand for products that combine assembling experience, consistent quality and great value-for-money. Character toys, such as dolls and plush toys, are mostly sold as finished products which are ready to play straight out of box, making the ways for consumers can play with them simple and limited. Meanwhile, many character toys are offered as individual products rather than in series, which lack collectability. In terms of quality, the diverse range of character toys and varying operational scales and production techniques of industry players result in inconsistent product quality, such as finishing, texture and appearance. In terms of pricing, a large amount of labor input in the production of many traditional character toys results in relatively high prices that do not meet the widespread consumer demand for value-for-money products.

**Supply end.** Product design, research and development and production for many traditional character toys are not highly standardized, which leads to room for improvement in efficiently meeting consumer demand for quality-for-money products. Since establishing a standardized system requires heavy investment including time, labor and production resources (such as production lines and molds), continuous and large-scale toy orders are a prerequisite for systemic standardization. Currently, many industry players primarily operate on the basis of scattered orders for non-standardized products, make limited investment in standardization, and employ a substantial proportion of labor in their supply chain, resulting in a low degree of standardization. Some large-scale industry players focus more on the scale of SKU number rather than systemized and compatible product offering, and therefore have lower need on a highly standardized system of product design, research and development and production. The overall low degree of standardization

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## INDUSTRY OVERVIEW

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in the character toy market leads to varying quality at the same price level, and many companies have difficulties in quickly launching new products in response to the evolving consumer preferences. For example, even products licensed by the same IP proprietor may vary significantly in quality due to differences in production resources, techniques and geographical location among different toy companies, which in turn leads to inconsistent consumer experience.

*Industrial ecosystem end.* IP proprietors wish to quickly commercialize their IPs through toy categories that effectively represent their IPs and cover wide demographics, price segments and global markets. Although many character toy categories can recreate the IP character relatively well, it remains difficult for these categories to achieve full coverage across different demographics, price segments and geographical markets. Specifically, many character toys have limited target audience due to constraints in their categories (such as dolls and plush toys) and mechanism, making it challenging to achieve penetration into a larger population. In addition, since many industry players offer products within a narrow price range, they are unable to fully reach consumers across different price segments, including value (unit retail price below RMB20), mass-market (unit retail price RMB20 to below RMB50), mid-end (unit retail price RMB50 to below RMB100) and high-end (unit retail price RMB100 and above). Finally, the potential for global expansion of many character toys is relatively limited due to the fact that their mechanism cannot meet the universal demand of global consumers for toys that are easy to play with. As a result, there are few character toy categories that can meet the demand of IP proprietors to commercialize their IPs efficiently at scale, and to cover all demographics, all price segments and global consumers.

















### GLOBAL AND CHINA'S ASSEMBLY CHARACTER TOY MARKET

Over the past few years, assembly character toys, which combine the advantages of assembling mechanism and character toys, have experienced rapid growth along with the development of the global and China's character toy market. Industry players typically design and produce assembly character toys using two forms: block kits and model kits, both offering better play experience than traditional character toys. Block kits use block components to recreate the IP characters and simulate their poses, and are highly standardized and easy to play with. Model kits, on the other hand, involve the assembly of components and prioritize on high degree of recreation of IP characters using a large proportion of customized components, which determines the price tag of products and difficulty in assembling.

With a different product approach, a new category of assembly character toys were developed and offered consumers a new choice. For example, our assembly character toys leverage the advantages of character toys and assembling mechanism and improve thereupon, and can effectively meet consumer demand for products that are fun with consistent quality and great value-for-money, enjoying significant differentiated advantages over traditional character toys. Our assembly character toys combine the high degree of standardization and ease-of-play and features of high degree of recreation of IP characters and individuality. In addition, by establishing an integrated standardized system of design, research and development and production on the supply end, we have achieved cost advantages and solid quality control. These factors lead to better value-for-money for assembly character toys.

## INDUSTRY OVERVIEW

### Value Comparison of Our Assembly Character Toys, Block Kit Assembly Character Toys, Model Kit Assembly Character Toys and Non-assembly Character Toys

	Recreation of IP Characters <sup>(1)</sup>	Engagement <sup>(2)</sup>	Ease-of-play <sup>(3)</sup>	Cost Control <sup>(4)</sup>
Our Assembly Character Toys				
Block Kit Assembly Character Toys				
Model Kit Assembly Character Toys				
Non-assembly Character Toys				

Source: Frost & Sullivan

Notes:

- (1) Recreation of IP characters: It refers to the degree to which the toy recreates the appearance, features, and essence of the IP characters.
- (2) Engagement: It refers to the extent to which the toy can hold the attention and interest of the consumer.
- (3) Ease-of-play: It refers to how easily a consumer, regardless of age or skill level, can play with or assemble the toy, if applicable, without the need for tools, or extensive prior knowledge or training.
- (4) Cost control: It refers to a toy company's ability to control the toy manufacturing cost.

The Company's assembly character toys recreate the essence of the IP characters with a combination of standard and customized components, but precise recreation of the IP characters is not the main purpose. Meanwhile, consumers can enjoy the Company's assembly character toys by assembling the IP character, posing the completed IP character and performing re-touch, meaning painting the character toys in different or additional color themes. As such, the Company's assembly character toys offer strong engagement. The combination of standard and customized components and patented connection mechanisms make the Company's assembly character toys easy to assemble. The use of standard components and standardized design, research and development and production also facilitate cost control.

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## INDUSTRY OVERVIEW

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Block kit assembly character toys involve the use of blocks in geometric shapes to recreate the IP characters, which makes it challenging to recreate either the essence or precise details of the IP characters as compared with the Company's assembly character toys and model kit assembly character toys. Meanwhile, while block kit assembly character toys also allow for the joy of assembling, it offers less flexibility in posing and performing re-touch. Similar to the Company's assembly character toys, the assembling of block kits does not require experience or tools and therefore is easy to play with. Block kits contain mostly standard components, which facilitate cost control.

Model kit assembly character toys typically involve the use of various components to precisely recreate the IP characters in miniature scale. Model kit assembly character toys offer a similar level of engagement with the Company's assembly character toys as consumers can also assemble, pose and perform re-touch on the toys. However, precise recreation of the IP characters can involve the use of a large quantity of customized components, thereby making the model kit assembly character toys more complex and therefore more difficult to assemble without experience or tools. Prioritizing in the high degree of recreation of the IP characters through the extensive use of customized components also poses potential difficulty on cost control.

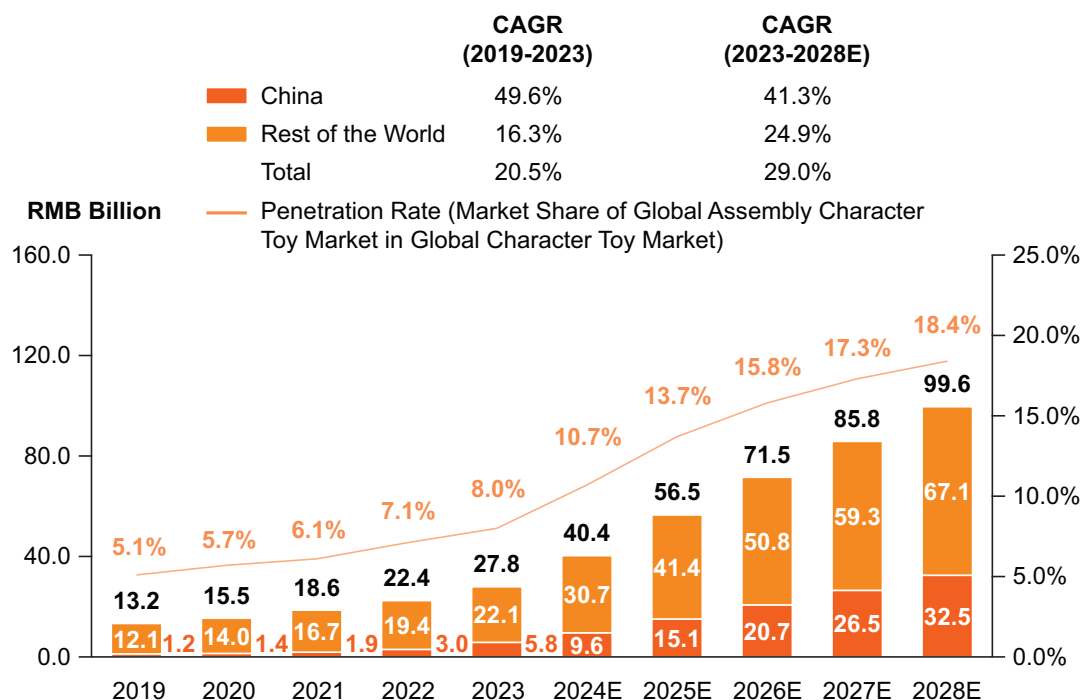
Non-assembly character toys may recreate the IP characters precisely, but do not offer any engagement that comes from assembling and performing re-touch. There is virtually no difficulty to play with a non-assembly character toy. Lastly, the low degree of standardization and manual labor involved in the production of non-assembly character toys pose potential difficulty on cost-control.

### **Market Size and Growth Rate**

The assembly character toy market is the fastest growing and highly promising segment in the global toy market. The global market size of assembly character toys grew at a CAGR of 20.5% from RMB13.2 billion in 2019 to RMB27.8 billion in 2023, with a penetration rate of 8.0% in the global character toy market. Assembly character toys combine the advantages of assembling mechanism and character toys, and their shares within the character toy market are expected to expand. The assembly character toy market is expected to grow at a CAGR of 29.0% from 2023 to 2028 to reach RMB99.6 billion in size with a penetration rate of 18.4% in the global character toy market in 2028. Within China's character toy market, assembly character toy is the fastest-growing segment, which is expected to grow at a CAGR of 41.3% from RMB5.8 billion in 2023 to RMB32.5 billion in 2028. China's assembly character toy segment as a percentage of China's character toy market is expected to increase from 14.3% in 2023 to 35.6% in 2028.

## INDUSTRY OVERVIEW

### Market Size and Penetration Rate of Assembly Character Toy Market in terms of GMV, Global, 2019 – 2028E



Source: Frost & Sullivan, International Monetary Fund (IMF), National Bureau of Statistics of China (NBS)

### Key Growth Drivers for the Global and China's Assembly Character Toy Market

***Demand for high-quality experiences and individualized products.*** In the global and China's context where the toy product categories continue to expand and the product quality improves, consumption based on experience and individuality has become the mainstream. Assembly character toys meet this consumer trend. On the one hand, the assembling mechanism is widely popular among different consumer groups because it meets consumers' need for fun products that involve creativity, imagination and spatial perception. Combined with character toys, assembling mechanism not only provides character toys that are fun to play with, but also expands the category and extends the life cycle of toys. In addition, consumers are eager to achieve self-expression and establish a connection with toys through the assembling process. The growing consumer demand for high-quality experiences and products with individuality elements is expected to drive the sustained growth of the assembly character toy market.

***Expansion of the consumer base.*** Assembly character toys offer a diverse range of features, including intellectually stimulating, parent-child bonding, association with IPs and collectability, which can effectively meet the demands of toy consumers across all age groups, thus promoting the continuous expansion of the consumer base. The intellectually stimulating and parent-child bonding features of assembling mechanism have increasingly attracted families who used to buy brick-based toys and traditional character toys for children to switch

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## INDUSTRY OVERVIEW

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to assembly character toys. In addition, there is a growing demand for assembly character toys among young consumers, as a lot of assembly character toys are based on IP characters with existing fan bases. Due to the IP attributes and collectability of assembly character toys, adults with higher disposable incomes and stronger spending power are becoming an important group of consumers for assembly character toys. The diverse features of assembly character toys also meet the evolving preference of consumers as they grow older, and therefore have a longer user life cycle. With the global dissemination of various IPs based on movie, television and anime characters, the consumer base for assembly character toys has also expanded both globally and in China.

***Value-for-money consumption trend.*** Driven by the global and China's trend of value-for-money consumption, consumers are becoming more sensitive to both price and quality of the products. As such, quality-for-money toys have a strong appeal and large market potential. With the emergence of great value-for-money products and the expansion of sales channels, consumers in lower-tier cities can also experience high-quality products, which in turn drives the consumption growth in these markets.

***Emergence of high-quality supply.*** Growing market demand for assembly character toys, which combine the advantages of assembling mechanism and character toys, has increasingly attracted high-quality supply into the segment. In particular, in recent years, innovative toy companies have emerged in the market, further increasing the high-quality supply. Such toy companies have established factory systems specializing in the production of assembly character toys, achieving efficient output, consistent quality and cost advantages to meet rapidly growing consumer demand. Leading industry players have spearheaded the industry progression and expanded the supply, forming a virtuous cycle and promoting the long-term development of the assembly character toy market.

***Wide application of IP.*** With the consumers' increasing demand for cultural products, the expansion of IP categories and the diversification of IP creation and distribution, IP proprietors actively explore ways of expanding the influence and commercialization of their IPs beyond animes and movies. IP proprietors are increasingly attracted to the assembly character toy category that can efficiently commercialize the IPs with products covering wide demographics, price segments and global consumers. From toy companies' perspective, increasing use of renowned IPs in assembly character toys has elevated consumer awareness of the category and attracted purchases from more IP fans. Leading assembly character toy companies build a rich IP portfolio through self-developed and licensed IPs and launch diverse product offering based on the varying attributes of IPs matching different audiences, so as to better satisfy consumers' demand and drive the market development.

***Distinctive consumer ecosystem for the category.*** Due to the nature of the assembling process and the deep integration with IPs, assembly character toy category has a distinctive consumer ecosystem. Consumer's emotion and interests are crucial factors driving the consumption of assembly character toys. Assembling mechanism can stimulate the fans' and creators' creativity and desire to share their UGCs. Furthermore, renowned IP characters typically have loyal fan bases and can resonate with these fans. Based on the product theme



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## INDUSTRY OVERVIEW

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and IP influence, fans and creators create and disseminate rich and high-quality UGCs, which drive consumer awareness and more purchases. The positive feedback from consumers on the UGCs from fans and creators further stimulates the enthusiasm for self-creation in the ecosystem, thus forming a virtuous cycle. The expansion of the ecosystem increases the loyalty and repeat purchases of consumers and fans.

### **Key Success Factors in the Global and China's Assembly Character Toy Market**

***Leading innovation capability.*** A differentiated approach to address existing issues in the character toy industry is the key for an industry player to succeed in the market. The core of innovation lies in an industry player's ability to build on the strengths of the industry and elevate further. Such product approach should not only achieve a high degree of standardization to balance quality and cost, but also provide consumers with individualized way of playing, so that the products can reach a wide range of consumers across different age groups, genders and spending powers. Only the leading industry players that have developed a product approach that effectively combines standardization and individuality elements are capable of offering global leading assembly character toys to satisfy the widespread consumer demand for high-quality experiences and recreation of the essence of IP characters.

***Extensive patent portfolio.*** Extensive patent portfolio is essential for protecting the originality of assembly character toys. An extensive patent portfolio also creates barriers for other industry players to replicate the system. In addition, patents related to technology and production techniques enable the leading industry players to establish a factory system specializing in the production of assembly character toys to achieve large-scale and efficient production of assembly character toys, better control the product quality and improve consumer experience.

***Diverse IP portfolio.*** The high recognition, rich content and extensive fan base associated with IPs enhance the competitiveness of toy products. Industry players can satisfy the diverse demands of consumers and fans and reach global consumers across different age groups through in-house IP development and extensive cooperation with proprietors of renowned IPs. However, developing IPs requires the accumulation of long-term consumer insights and excellent development capabilities, which many industry players do not possess. In addition, the requirements for licensing renowned IPs are generally high, which typically involves the partner having a systematic IP operation system and leading IP commercialization and management capabilities. Meanwhile, renowned IPs are usually only licensed to a handful of toy companies in specific product categories and regions. Therefore, it is difficult for most industry players to develop their own IPs or obtain a wide range of IP licenses. A few leading industry players have established competitive advantages through a rich IP portfolio comprising self-developed IPs and renowned IPs licensed from their proprietors.

***Product strength.*** Excellent product strength is one of the key elements that determine whether an industry player can stand out in the assembly character toy market. Product strength is mainly reflected in the quality and pricing, the product launch and the IP's product life cycle. First of all, quality-for-money toys satisfy the widespread demand of global and China's

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## INDUSTRY OVERVIEW

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consumers, and an industry player will only be competitive if the products enjoy high qualities such as safety, durability, exquisite design and consistent experience while providing value-for-money. Secondly, consumer preference is constantly and rapidly evolving, so industry players need to launch new products frequently and take into account the number of new products and the success rates in order to gain a competitive edge. Thirdly, extending the IP's product life cycle is crucial for the sustained growth of industry players. Successful industry players can continue to launch new products based on each individual IP while extending such IP's product life cycle through continuous iterations.

***High efficiency, large-scale production and cost advantages.*** The efficiency, economies of scale and cost advantages of the production largely determine whether an industry player can fully meet the consumer need for quality-for-money products. By effectively exploring and customizing high-quality and cost-effective production resources, leading industry players systematically manage the production of assembly character toys, so as to create a technically advanced production system to strengthen the differentiated advantages on the production end. In addition, a highly standardized system covering design, research and development and production enables leading industry players to improve the scale and efficiency of product launch, the consistency of product quality, and cost advantages.

***Excellent marketing capabilities.*** Assembly character toys are naturally suitable for content-driven marketing due to the consumer connection from the assembling process, and the fact that IP characters are closely associated with rich contents that can be widely disseminated. Effective marketing methods can efficiently reach and maintain a broad base of consumers and fans, promote the formation of a consumer ecosystem, and increase the stickiness and repeat purchases of consumers and fans. Therefore, leading industry players fully leverage the popularity and influence of IPs, utilizing multiple communication channels (such as official accounts and accounts of KOLs, KOCs and fans) on social media platforms to systematically disseminate product related contents. This enhances brand recognition and consumer awareness of products, improves efficiency for promotion and product launch success rates, and generates synergies and network effects across different sales channels.

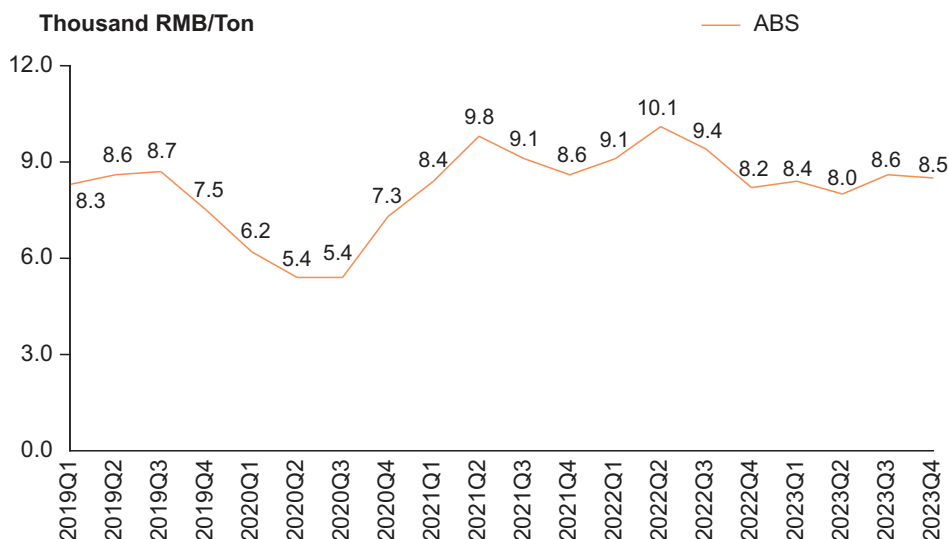
### **Key Raw Material Price Trends for Producing Assembly Character Toys**

The key raw materials for assembly character toys are ABS and corrugated cardboard.

Over the past five years, the price of ABS in China has generally shown a fluctuating trend. The price of ABS experienced a substantial decline and hit the lowest level of RMB54,000 per ton in the second and third quarter of 2020 primarily due to the impact of COVID-19. Since then, the price of ABS gradually recovered and peaked in the first half of 2022 at RMB101,000 per ton, nearly doubled the lowest price in the second half of 2020. By 2023, the prices of ABS stabilized, maintaining at a range between RMB80,000 per ton and RMB85,000 per ton.

## INDUSTRY OVERVIEW

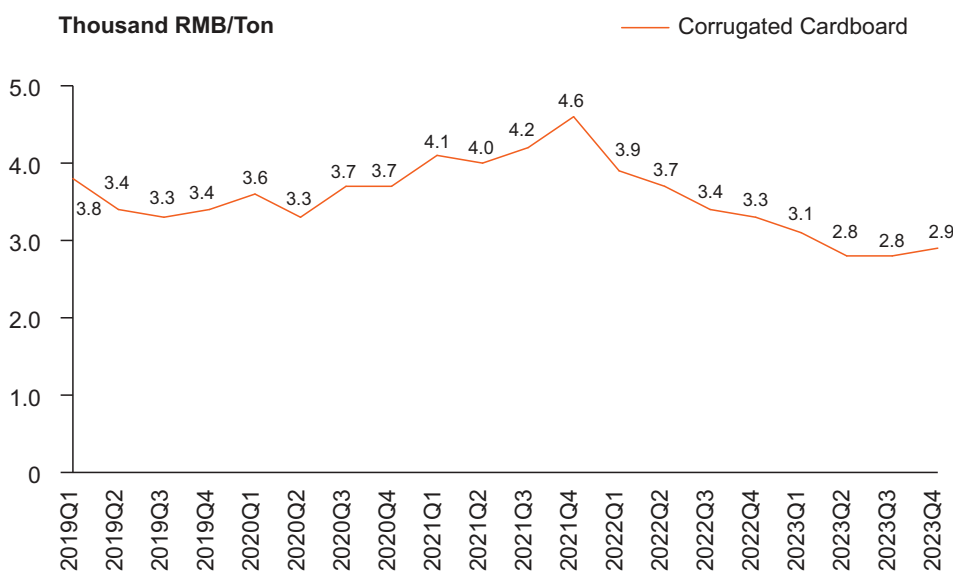
**Average Price of ABS, China, 2019Q1 – 2023Q4**



Source: Frost & Sullivan

In terms of corrugated cardboard prices in China, there was a steady upward trend from 2019 to 2021, rising from RMB3,800 per ton to RMB4,600 per ton. However, in 2022, corrugated cardboard prices started to decline. By the fourth quarter of 2023, corrugated cardboard prices had dropped to RMB2,800 per ton, hitting the lowest level in five years. This was mainly affected by demand and cost side factors. On the demand side, the overall market demand for corrugated cardboard was lower than expected, presenting a market trend of oversupply. On the cost side, the price of waste paper, the main raw material for corrugated cardboard, has been continuously declining in recent years.

**Average Price of Corrugated Cardboard, China, 2019Q1 – 2023Q4**



Source: Frost & Sullivan

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## INDUSTRY OVERVIEW

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### Competitive Landscape

In the global assembly character toy market, the Group is the third largest assembly character toy company in the world in terms of GMV in 2023. Leading industry players in the assembly character toy market besides the Group are mainly multinational companies that are well known in the toy industry. The global assembly character toy market is highly concentrated, with the top five players accounting for 87.1% of the total market share in terms of GMV in 2023, and two renowned multinational toy companies holding a large market share.

#### Ranking of Assembly Character Toy Industry Players in terms of GMV<sup>(1)</sup>, Global, 2023

Ranking	Company	Main Business	GMV <sup>(1)</sup> (RMB Billion)	Market Share (%)
1.....	Company A <sup>(2)</sup>	Games, toys, IP production, etc.	11.0	39.5%
2.....	Company B <sup>(3)</sup>	Brick toys	10.0	35.9%
<b>3.....</b>	<b>The Group</b>	<b>Mainly assembly character toys</b>	<b>1.8</b>	<b>6.3%</b>
4.....	Company C <sup>(4)</sup>	Dolls, vehicle toys, toys for infant, toddler and pre-school children	0.9	3.2%
5.....	Company D <sup>(5)</sup>	Assembly toys	0.6	2.2%

Source: Frost & Sullivan

Notes:

- (1) GMV only includes the retail sales generated from sales of assembly character toys.
- (2) Company A is a publicly listed multinational entertainment and toy company headquartered in Tokyo, Japan.
- (3) Company B is a privately held multinational toy company headquartered in Billund, Denmark.
- (4) Company C is a publicly listed multinational toy and family entertainment company headquartered in El Segundo, United States.
- (5) Company D is a privately held assembly toy company headquartered in Shantou, China.

In terms of GMV in 2023, China's assembly character toy market is highly concentrated, with the top five market players accounted for a total market share of 76.9%. The Group, as the largest player in the assembly character toy market in China, has a market share of 30.3%.

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## INDUSTRY OVERVIEW

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### Ranking of Assembly Character Toy Industry Players in terms of GMV<sup>(1)</sup>, China, 2023

Ranking	Company	Main Business	GMV <sup>(1)</sup> (RMB Billion)	Market Share (%)
1.....	<b>The Group</b>	<b>Mainly assembly character toys</b>	<b>1.7</b>	<b>30.3%</b>
2.....	Company A	Games, toys, IP production, etc.	1.2	20.0%
3.....	Company B	Brick toys	0.9	14.8%
4.....	Company D <sup>(2)</sup>	Assembly toys	0.6	10.4%
5.....	Company E <sup>(3)</sup>	IP toys	0.1	1.4%

Source: Frost & Sullivan

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Notes:

- (1) GMV only includes the retail sales generated from sales of assembly character toys through official channels in China.
- (2) Company D is a privately held assembly toy company headquartered in Shantou, China.
- (3) Company E is an IP toy company and is a subsidiary of a publicly listed retailer of lifestyle products headquartered in Guangzhou, China.

### SOURCE OF INFORMATION

In connection with the Global Offering, we engaged Frost & Sullivan, an independent market research consultant, to conduct an analysis of, and to prepare the Frost & Sullivan Report about, the assembly character toy market. Frost & Sullivan is an independent global consulting firm founded in 1961 in New York and its services include, among others, industry consulting, market strategic consulting and corporate training. In connection with the market research services provided, we have paid a fee of RMB550,000 to Frost & Sullivan, which we believe to be consistent with market rates.

In compiling and preparing the Frost & Sullivan Report, Frost & Sullivan conducted (i) primary research, which involved discussing the status of the industry with certain leading industry participants, and interviews with industry experts on a best-effort basis to collect information in aiding in-depth analysis; and (ii) secondary research, which involved reviewing company reports, independent research reports and data based on its own research database. The market projections in the Frost & Sullivan Report are based on the following key assumptions during the forecast period: (i) the social, economic and political conditions currently discussed will remain stable during the forecast period; and (ii) the relevant policies on the toy industry will remain unchanged in material aspects during the forecast period.

Except as otherwise noted, all the data and forecasts contained in this section are derived from the Frost & Sullivan Report. The commissioned report has been prepared by Frost & Sullivan independently without the influence from the Company or other interested parties. Our Directors confirm that, to the best of their knowledge, after making reasonable inquiries, there is no material and adverse change in the market information since the date of the Frost & Sullivan Report, which may qualify, contradict or have an impact on the information in this section.

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## REGULATORY OVERVIEW

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### REGULATIONS ON ASSEMBLY CHARACTER TOYS

#### Regulations on Consumer Protection

Pursuant to the Law of the People's Republic of China on the Protection of Consumer Rights and Interests (2013 Amendment) (the “**PRC Consumer Protection Law**”, 《中華人民共和國消費者權益保護法》(2013修正)), promulgated by the Standing Committee of the National People's Congress (the “**SCNPC**”, 全國人民代表大會常務委員會) on October 31, 1993, and last amended on October 25, 2013, and became effective on March 15, 2014, Business Operators shall provide consumers with truthful and full information concerning the quality, performance, purpose and term of validity of the goods or services they provide and shall not make any false or misleading statements. Business Operators shall:

1. ensure that goods and services provided to consumers comply with relevant laws and regulations, including requirements regarding personal safety and protection of property;
2. issue vouchers for goods or services to consumers in accordance with relevant national regulations or business practices or upon the request of a consumer;
3. ensure the quality, functionality, application and duration of use of the goods or services under normal use and ensure that the actual quality of the goods or services are consistent with that displayed in advertising materials, product descriptions, sample apparel or any other manners;
4. properly perform its responsibilities for guaranteed repair, replacement, return or other liability in accordance with national regulations or any agreement with consumers;
5. not set unreasonable or unfair terms for consumers or excluding itself from civil liability for undermining the legal rights and interests of consumers by means of standard contracts, circulars, announcements, shop notices and the like;
6. listen to the consumers' opinions on the commodities and services they supply and accept consumers' supervision;
7. not insult or slander consumers, may not search the body of consumers or the articles they carry with them, and may not violate the personal freedom of consumers.

Violations of the PRC Consumer Protection Law may result in the imposition of fines. In addition, the relevant Business Operator will be ordered to suspend its operations and its business licence will be revoked. Criminal liability may be incurred if the Business Operator constitutes crime. According to the PRC Consumer Protection Law, a consumer whose legal rights and interests are prejudiced during the purchase or use of goods may demand

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## REGULATORY OVERVIEW

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compensation from the seller. Where the responsibility lies with the manufacturer or another seller that provides the goods to the seller, the seller shall, after settling the claim, have the right to recover such claim from that manufacturer or that other seller. Consumers or parties who suffer injuries or property losses due to product defects in commodities may demand compensation from the manufacturer as well as the seller. Where the responsibility lies with the manufacturer, the seller shall, after settling the claim, have the right to recover such claim from the manufacturer, and vice versa.

### Regulations on Products Quality and Liability

The principal legal provisions governing product liability are set out in the Product Quality Law of the People's Republic of China (2018 Amendment) (the "**PRC Product Quality Law**", 《中華人民共和國產品質量法》(2018修正)), which was promulgated by the SCNPC on February 22, 1993, became effective on September 1, 1993 and was last amended and became effective on December 29, 2018. The PRC Product Quality Law is applicable to all activities of production and sale of any product within the territory of the PRC, and the manufacturers and sellers shall be liable for product quality in accordance with the PRC Product Quality Law. In the event of a violation of any legal provisions of the PRC Product Quality Law, manufacturers and sellers may be fined, suspended of operation, confiscated of any products illegally manufactured or sold and the proceeds gained therefrom or stripped of business licenses, and where the circumstances are serious, criminal liability shall be pursued. Consumers or other victims suffering personal injuries or property damage resulting from defects in commodities may demand compensations either from the sellers or from the manufacturers. If the liability lies with the manufacturers, the sellers shall have the right to recover the compensations from the manufacturers after paying the compensations, or vice versa.

According to the Civil Code of the People's Republic of China (the "**PRC Civil Code**" 《中華人民共和國民法典》), which was adopted by the National People's Congress of the PRC (the "**NPC**", 全國人民代表大會) and promulgated accordingly by the President Order No. 45 on May 28, 2020 and became effective on January 1, 2021, a manufacturer or a commercial seller is subject to liability for harm to persons or property caused by the product defects. The infringed may seek compensation from the manufacturer or the commercial seller. Where the infringed seeks compensation from the commercial seller, the commercial seller shall have the right to make a claim against the liable manufacturer after it has made compensation. Where any harm is caused to another person by a defective product and the defect is caused by the fault of a third party such as carrier or warehouseman, the manufacturer or seller of the product that has paid the compensation shall be entitled to be reimbursed by the third party. Where any defect of a product is discovered after the product is put into circulation, the manufacturer or seller shall take such remedial measures as warning and recall in a timely manner, otherwise any failure to react timely or sufficiently that concurrently causes damages shall subject such manufacturer or seller to tort liabilities. However, where a manufacturer or

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## REGULATORY OVERVIEW

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seller is aware of any defect of a product but knowingly refuses to terminate its operation activities, severely jeopardizing the life and health of any another person, such person or its successor suffering such tort shall be entitled to punitive damages or other indemnifications to the extent permitted by laws.

### **Regulations on Pricing**

According to the Pricing Law of the People's Republic of China (《中華人民共和國價格法》), promulgated by the SCNPC on December 29, 1997, and became effective on May 1, 1998, Business Operators shall follow the principles of fairness, lawfulness and good faith in fixing prices. Business Operators shall not commit any illegitimate price acts: colluding with others to manipulate the market price, thus harming the lawful rights and interests of other Operators or consumers; besides the disposal of perishable, seasonal and overstocked commodities at reduced prices in accordance with the law, dumping commodities at prices lower than the cost in order to drive out rivals or monopolize the market, thus disrupting the normal production and operation order and impairing the interests of the State or the lawful rights and interests of other Operators; fabricating and spreading information about price hikes and forcing up prices, thus stimulating excessive commodity price hikes; using false or misleading means in terms of price to deceive consumers or other Operators into trading with them; employing price discrimination against other Operators with equal transaction conditions while providing the same commodities or services; forcing up or forcing down prices in disguised form by raising or lowering grades when purchasing or selling commodities or providing services; making exorbitant profits in violation of the provisions of laws and regulations; or other illegitimate price acts prohibited by laws and administrative regulations. Where a Business Operator commits any illegitimate price acts, such Operator shall be ordered to make correction, and the illegal gains thereof shall be confiscated, a fine not more than five times the illegal gains may be imposed on such Operator; if there are no illegal gains, such Operator shall be given a warning and may also be fined; if the circumstances are serious, such Operator shall be ordered to suspend the business for rectification, or have the business license thereof revoked by the administrative department for industry and commerce, or should such illegitimate price acts be otherwise subject to any penalties or punitive orders under other relevant PRC applicable laws, such laws shall also apply and business operators shall abide by such laws.

### **Regulations on Unfair Competition**

The Anti-Unfair Competition Law of the People's Republic of China (2019 Amendment) (the “**PRC Anti-Unfair Competition Law**”, 《中華人民共和國反不正當競爭法》(2019修正)), which was promulgated by the SCNPC on September 2, 1993, and last amended and became effective on April 23, 2019, prohibits Business Operators from performing unfair competitions. According to the PRC Anti-Unfair Competition Law, Business Operators shall not perform any confusing acts that will enable people to mistake its products for another business's products or believe certain relations exist between its products and any business's products, such as unauthorized use of a mark that is identical or similar to the name, packaging or decoration of another business's commodity, which has influence to a certain extent;



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## REGULATORY OVERVIEW

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unauthorized use of another business's corporate name (including its shortened name, trade name, etc.), the name of a social group (including its shortened name, etc.), or the name of an individual (including his/her pen name, stage name, translated name, etc.), which has influence to a certain extent; unauthorized use of the main domain name, website name or webpage, which has influence to a certain extent; and other confusing acts that are sufficient to enable people to mistake its products for another business's products or believe certain relations exist between its products and any business's products. Where a Business Operator performs any confusing act, the supervision and inspection authority shall order it to cease the offense, and confiscate its illicit commodities. If the illicit turnover exceeds RMB50,000, it shall be fined up to five times the illicit turnover. If there is no illicit turnover or the illicit turnover is less than RMB50,000, it shall be fined up to RMB250,000; where the circumstance is serious, its business license shall be revoked.

Business Operators shall not conduct commercial promotions for the performance, function, quality, sales status, user evaluation, honor received concerning its products in a false or misleading manner, attempting to cheat or mislead consumers. Where a Business Operator conducts commercial promotions for its commodities in a false or misleading manner, or assists other Business Operators with commercial promotions in a false or misleading manner by way of organizing false transactions or by other means, the competent supervision and inspection authority shall order the Business Operator to cease its violations and impose on it a fine of between RMB200,000 and RMB1,000,000; where the circumstance is serious, it shall be fined between RMB1,000,000 and RMB2,000,000, and its business license may be revoked. Where a Business Operator constitutes the releasing of a false advertisement, it shall be punished according to the Advertising Law of the People's Republic of China.

### **Regulations on Advertising**

According to the Advertising Law of the People's Republic of China (2021 Amendment) (《中華人民共和國廣告法》(2021修正)), promulgated by the SCNPC on October 27, 1994, and last amended and became effective on April 29, 2021, no advertisement shall contain any false or misleading information, and shall not deceive or mislead consumers. Where a false advertisement is published, the advertisers shall be ordered to cease publishing the advertisements, minimize and eliminate any adverse effects to a corresponding extent, and a fine of not less than three times and not more than five times the advertising fees shall be imposed, and where the advertising fees cannot be calculated or are significantly low, a fine of not less than RMB200,000 and not more than RMB1,000,000 shall be imposed; where the illegal activities have been committed more than three times within two years or there are other serious circumstances, a fine of not less than five times and not more than ten times the advertising fees shall be imposed, and where the advertising fees cannot be calculated or are significantly low, a fine of not less than RMB1,000,000 and not more than RMB2,000,000 shall be imposed; the business licenses may be revoked, and the approval documents for the advertisement may be revoked and void, and any applications by such advertisers for advertisement review may be no more accepted within the following one (1) year. With regard to publishing false advertisements that deceive or mislead consumers, causing damage to the legitimate rights and interests of consumers who have purchased the products or used the

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## REGULATORY OVERVIEW

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services so advertised, the advertisers shall bear civil responsibilities in accordance with the law. Where an advertising agent or advertisement publisher fails to provide the true name, address and valid contact information of the advertiser(s), the consumers may require the advertising agent or advertisement publisher to make advance compensation. In case that the advertising agents, advertisement publishers or advertisement endorsers for such advertisements design, produce, provide agency, publish or make endorsements or testimonials for the advertisements even though they know or should know the advertisements are false, they shall bear joint and several liabilities with the advertisers concerned.

### **Regulations on Purchase Contract**

Pursuant to the PRC Civil Code, where the purpose of a contract cannot be achieved because the quality of the subject matter does not comply with the quality requirements, the buyer may refuse to accept the subject matter or terminate the contract. Where the buyer requests to return the subject matter or terminate the contract in accordance with PRC applicable laws, the seller shall bear the risk of return of the payment to buyer and liquidation damages to the subject matter. The seller shall deliver the subject matter according to the agreed quality requirements. In case that the seller provides the quality specifications concerning the subject matter, the delivered subject matter shall comply with the quality requirements in such specifications. If the terms in relation to quality are not met, the liability for breach of contract shall be borne by the seller in accordance with the agreement between the parties.

### **Regulations on Import and Export of Toys**

The Foreign Trade Law of the People's Republic of China (2022 Amendment) (the “**PRC Foreign Trade Law**”, 《中華人民共和國對外貿易法》(2022修正)) was promulgated by the SCNPC on May 12, 1994, and last amended on December 30, 2022 and came into effective on the same date. Pursuant to the PRC Foreign Trade Law, the State allows free import and export of goods and technologies, unless it is otherwise provided under the laws and administrative regulations. According to the provisions of the PRC Foreign Trade Law, the State may restrict or prohibit the import or export of relevant goods or technologies for certain reasons. Import and export of goods that are banned or restricted for import and export without permission shall be handled and punished by the Customs in accordance with the provisions of laws and administrative rules; if crime is constituted, the criminal liabilities shall be ascertained.

According to the Customs Law of the PRC (2021 Amendment) (《中華人民共和國海關法》(2021修正)) promulgated by the SCNPC on January 22, 1987 and last amended on April 29, 2021 and became effective on the same date, where an enterprise engages in import or export of goods which goes through customs declaration formalities, it shall be subject to registration by customs or shall authorise customs clearing enterprise to handle customs declaration formalities.

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## REGULATORY OVERVIEW

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Measures for the Inspection, Supervision and Administration of Import and Export Toys (2018 Revision) (《進出口玩具檢驗監督管理辦法》(2018修訂)), was promulgated by the General Administration of Quality Supervision, Inspection and Quarantine of the PRC (中華人民共和國國家質量監督檢驗檢疫總局) on March 2, 2009, and amended by the General Administration of Customs (海關總署) and became effective on April 28, 2018, May 29, 2018 and November 23, 2018. Imported toys shall be inspected in accordance with the mandatory requirements of the national technical specifications of China. Exported toys shall be inspected according to the technical regulations and standards of the importing country or region. If the technical requirements agreed by the two parties are higher than the technical regulations and standards, the inspection shall be carried out in accordance with the agreed requirements. If the technical regulations and standards of the importing country or region are not clearly defined, the inspection shall be carried out in accordance with the mandatory requirements of the national technical specifications of China. Where an intergovernmental treaty is made in place, the inspection shall be carried out in accordance with the requirements stipulated therein. When exported toys are inspected, in addition to the relevant materials in accordance with the Provisions on Entry and Exit Inspection and Quarantine, the product quality and safety compliance statement shall be provided at the same time. When the exported toy is first inspected, the test report issued by the toy laboratory and other materials as stipulated by the General Administration of Customs shall be provided.

### **Regulations on Lease of Property**

Pursuant to the Administrative Measures for Commodity Housing Tenancy (《商品房屋租賃管理辦法》) issued by the Ministry of Housing and Urban-Rural Development (住房和城鄉建設部) on December 1, 2010 and came into effect on February 1, 2011, the parties concerned to a housing tenancy shall go through the housing tenancy registration and filing formalities with the competent construction (real-estate) departments of the People's Government of the municipalities, cities and counties where the housing is located within 30 days after the housing tenancy contract is signed. Where the content of the housing tenancy registration is altered, or the housing tenancy contract is renewed or terminated, the parties concerned shall, within 30 days, go through housing tenancy registration amendment, renewal or termination formalities at the department which originally registered the housing tenancy. The competent construction (real estate) departments of the People's Government of the municipalities, cities and counties shall urge those who do not register on time hereof to make corrections within a specified time limit, and shall impose a fine below RMB1,000 on individuals who fail to make corrections within the specified time limit, and a fine between RMB1,000 and RMB10,000 on institutions which fail to make corrections within the specified time limit, though such lease is valid and binding according to Provisions of the Supreme People's Court on Certain Issues Related to the Application of Law in the Trial of Civil Cases Involving Disputes on Housing Lease in Cities and Suburban Areas (2020 Amendment) (《最高人民法院關於審理城鎮房屋租賃合同糾紛案件具體應用法律若干問題的解釋》(2020修正)).

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## REGULATORY OVERVIEW

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### Regulations on Toys

Assembly character toys products are currently regulated by the Announcement on Matters Relating to the Implementation of National Standards on Toy Safety Series (《關於實施玩具安全系列國家標準有關事項的公告》) issued and implemented on December 31, 2015, which establishes a series of national safety standards for toy products.

### Regulations on Blind Boxes

The Compliance Guidelines for Blind Box Business Activities (for Trial Implementation) (the “**Blind Boxes Guidelines**”, 《盲盒經營行為規範指引(試行)》) was promulgated and effective by the SAMR on June 8, 2023. According to the Blind Boxes Guidelines, blind box business operators shall set fair prices for blind boxes, avoiding unmarked fees, overpricing, or price fraud. Blind box business operators are prohibited from indirectly induce consumption through arbitrarily adjusting the probabilities for a specific model being selected from a given blind box against the publicly disclosed probabilities, and altering the relevant selection outcome of a specific blind box. Blind box business operators shall not sell blind boxes to the minors under the age of eight. Where blind boxes are sold to the minors aged eight or above, the blind box business operators shall ensure the relevant guardians has agreed to the purchase. Blind box business operators shall publicize the key product details of the blind boxes to consumers, including product names, product categories, product specifications, the products potentially contained in a given box and the relevant price range, product selection rules which may set out the format of participation such as via online or offline method and probabilities for a specific model being selected, as well as the quantity of limited-edition products. Blind box business operators are encouraged to promise not hoarding, hyping, or entering the secondary market. In addition, for blind boxes sold via non-instant methods such as offline stores where the consumers will not know the selection outcomes until opening the blind box, blind box business operators must retain the records of selection rules and probabilities and establish a corresponding sampling inspection mechanism. For blind boxes sold through instant online methods, through which the consumers will know the selection outcome instantly, operators must retain the records of selection rules and probabilities and complete records of selection outcome. The relevant record retention time is generally not less than three years.

## REGULATIONS ON INTELLECTUAL PROPERTY RIGHTS

### Patent

In accordance with the Patent Law of the People’s Republic of China (2020 Amendment) (《中華人民共和國專利法》(2020修正)) which was promulgated by the SCNPC on March 12, 1984 and latest amended on October 17, 2020, with the latest revision effective on June 1, 2021, the Implementation Regulations for the Patent Law of the People’s Republic of China (2023 Revision) (《中華人民共和國專利法實施細則》(2023修訂)) which was promulgated by the State Council on December 21, 1992 and latest amended on December 11, 2023, with the latest revision effective on January 20, 2024, and the Public Announcement on Measures on Filing of Patent Licensing Contracts (《專利實施許可合同備案辦法》) which was

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## REGULATORY OVERVIEW

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promulgated by the State Intellectual Property Office on June 27, 2011 and came into effect on August 1, 2011, patent in PRC shall be categorized as invention, utility model and design. The duration of patent rights for an invention shall be 20 years, the duration of patent rights for a utility model shall be 10 years and the duration of patent rights for a design shall be 15 years, commencing from the filing date. Any organization or individual proposing to implement the patent of others shall enter into a licensing contract with the patentee for implementation and pay royalties to the patentee. And the State Intellectual Property Office shall be responsible for filing of patent licensing contracts nationwide. The parties concerned shall complete filing formalities within three months from the effective date of a patent licensing contract.

### **Trademark**

In accordance with the Trademark Law of the People's Republic of China (2019 Amendment) (《中華人民共和國商標法》(2019修正)) which was promulgated by SCNPC on August 23, 1982, and was latest amended on April 23, 2019, with the latest revision effective on November 1, 2019, and the Implementation Regulations for the Trademark Law of the People's Republic of China (2014 Revision) (《中華人民共和國商標法實施條例》(2014修訂)) which was promulgated by the State Council on August 3, 2002 and was latest amended on April 29, 2014, with the latest revision effective on May 1, 2014, trademarks approved and registered by the trademark bureau are registered trademarks, including commodity trademarks, service marks and collective trademarks, certification marks; trademark registrants are entitled to exclusive rights to use trademark and are protected by the law. A registered trademark shall be valid for 10 years, commencing from the date of registration. Use of a trademark identical or similar to a registered trademark on the same type of commodities without licensing by the trademark registrant shall be deemed as infringement of exclusive rights to use registered trademarks.

### **Domain Name**

In accordance with the Administrative Measures on Internet Domain Names (《互聯網域名管理辦法》) which was promulgated by the Ministry of Industry and Information Technology (the "MIIT", 工業和信息化部) on August 24, 2017 and came into effect on November 1, 2017, the Implementing Rules for the Registration of National Top-level Domain Names (《國家頂級域名註冊實施細則》) and Procedural Rules for Resolution of Disputes over National Top-level Domain Names (《國家頂級域名爭議解決程序規則》) which were promulgated by China Internet Network Information Center on June 18, 2019 and came into effect on the same date, the domain name registration services shall in principle implement "first apply first register"; where the corresponding detailed rules for domain name registration stipulate otherwise, such provisions shall prevail. The domain name disputes shall be accepted and solved by a domain name dispute resolution body as recognized by the China Internet Network Information Center.

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## REGULATORY OVERVIEW

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In accordance with the Notice of the Ministry of Industry and Information Technology on Regulating the Use of Domain Names in Providing Internet-based Information Services (《工業和信息化部關於規範互聯網信息服務使用域名的通知》) (hereinafter referred to as “**Notice**”), which was promulgated by the MIIT on November 27, 2017 and came into effect on January 1, 2018, the Internet access service provider concerned shall check the real identity information of the domain name registrant via the Record-filing System, and shall not provide access services if the Internet-based information service provider fails to provide real identity information or the identity information provided is inaccurate or incomplete, with the exception of domain names that have been filed for record with the Record-filing System prior to the effectiveness of this Notice.

### **Copyright and Computer Software**

In accordance with the Copyright Law of the People’s Republic China (2020 Amendment) (《中華人民共和國著作權法》(2020修正)) which was promulgated by the SCNPC on September 7, 1990 and latest amended on November 11, 2020, with latest revision effective on June 1, 2021, Chinese citizens, legal persons or organizations without legal personality enjoy copyright over their works, whether published or not, including written works; oral works; musical, dramatic, opera, dance, acrobatic artistic works; fine arts, architectural works; photographic works; audio-visual works; graphic works and model works, such as engineering design plan, product design plan, map, schematic diagram, etc.; computer software and any other intellectual achievements which comply with the characteristics of the works. Copyright shall include the following personal rights and property rights: publication right, right of authorship, right of revision, right to preserve the integrity of work, reproduction right, distribution right, rental right, exhibition right, performance right, screening right, broadcasting right, information network transmission right, filming right, adaptation right, translation right, compilation right, and any other rights enjoyed by a copyright holder.

The Regulations on Computer Software Protection (2013 Revision) (《計算機軟件保護條例》(2013修訂)), which was promulgated on June 4, 1991, amended on January 30, 2013 and became effective on March 1, 2013 by the State Council, stipulates that Chinese residents, legal entities or other organizations enjoy copyright in the software which they have developed, whether published or not, and a software copyright owner may register it with the software registration institution recognized by the copyright administration department of the State Council. The Measures for the Registration of Computer Software Copyright (《計算機軟件著作權登記辦法》), promulgated by the National Copyright Administration on February 20, 2002 with immediate effect, regulates registration of software copyright, exclusive licensing contracts for software copyright and transfer contracts. The Copyright Protection Center of China (the “**CPCC**”) is the designated software registration authority. The CPCC grants registration certificates to computer software copyright applicants which conform to the provisions of both the Regulations on Computer Software Protection and the Measures for the Registration of Computer Software Copyright.

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## REGULATORY OVERVIEW

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### Trade Secrets

The PRC Anti-Unfair Competition Law also sets up regulations to protect Trade Secrets. Business Operators shall not engage in any infringements of trade secrets, such as obtaining an obligee's trade secrets by theft, bribery, fraud, intimidation, electronic intrusion or other improper means; disclosing, using, or allowing others to use an obligee's trade secrets obtained by the means mentioned in the preceding paragraph; disclosing, using or allowing others to use an obligee's trade secrets in violation of confidentiality obligations or the obligee's requirements on keeping such trade secrets confidential; or obtaining, disclosing, using or allowing any other party to use an obligee's trade secrets by instigating, tempting or helping any other party to violate the confidentiality obligations or the obligee's requirements on keeping such trade secrets confidential. Where a Business Operator infringes any trade secret, the supervision and inspection authority shall order it to cease the illegal act, confiscate the illegal gains and impose on it a fine of between RMB100,000 and RMB1 million; where the circumstance is serious, the fine shall be between RMB500,000 and RMB5 million.

### REGULATIONS ON ONLINE BUSINESS AND DATA COMPLIANCE

#### Regulations on Online Trading and E-Commerce

In accordance with the Measures for the Supervision and Administration of Online Transactions (the “**Measures for Online Transaction**”, 《網絡交易監督管理辦法》), which was promulgated by the State Administration for Market Regulation (the “**SAMR**”) on March 15, 2021, which came into effect on May 1, 2021, any business activity of selling goods or providing services through the Internet within the PRC shall abide by the laws and regulations of the PRC and the provisions of the Measures for Online Transaction. Measures for Online Transaction reinforce the operation requirements as provided under the PRC E-Commerce Law and the principles of legality, rationality and necessity in the collection and use of the users' information and disclosure of the rules, purposes, methods and scopes of collection and use of user information specified in the Cyber Security Law of the PRC. Measures for Online Transaction also provide that the business operator through online platform (i) shall not use false transactions, fabricated user review to conduct false or misleading business promotion, so as to defraud or mislead consumers; (ii) shall not eliminate or restrict competition, damage or ruin the competitor's reputation; (iii) shall not force consumers to agree with the collection and use of their personal information that is not directly related to such operator's business activities by means of general authorization, default authorization, bundling with other authorization, termination of installation and use.

The SCNPC enacted the E-Commerce Law of the People's Republic of China (the “**PRC E-Commerce Law**”, 《中華人民共和國電子商務法》) on August 31, 2018, which became effective on January 1, 2019. Under the PRC E-Commerce Law, e-commerce refers to operating activities of selling goods or providing services through the internet or other information networks. The PRC E-Commerce Law generally applies to: (i) Platform Operators, which refer to legal persons or unincorporated organizations that provide network places of business, transaction matching, information release and other services to enable the transaction

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## REGULATORY OVERVIEW

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parties to carry out independent transaction activities; (ii) Operators on the platform, which refer to e-commerce Operators that sell goods or provide services to customers through e-commerce platforms; and (iii) other e-commerce Operators that sell goods or provide services through self-established websites or other network services. The PRC E-commerce Law also provides rules in relation to e-commerce contracts, dispute settlements, e-commerce development as well as legal liabilities involved in e-commerce. An e-commerce Business Operator shall make market participant registration and obtain relevant administrative licensing according to the law.

### **Regulations on Mobile Internet Applications Information Services**

In addition to the Telecommunications Regulations and other regulations above, mobile internet applications (the “**Apps**”) as well as the internet application store are specially regulated by the Administrative Provisions on Mobile Internet Applications Information Services (2022 Amendment) (the “**APP Provisions**”, 《移動互聯網應用程序信息服務管理規定》(2022修正)), which were promulgated by the Cyberspace Administration of China (the “**CAC**”, 國家互聯網信息辦公室) on June 28, 2016, and last amended in June 14, 2022, and became effective on August 1, 2022. APP Provisions regulates that, the Apps information service providers shall satisfy relevant qualifications required by laws and regulations, strictly carry out the information security management responsibilities and fulfill their obligations in various aspects relating to the real-name system, protection of users’ information and the examination and management of information content. Furthermore, on December 16, 2016, the MIIT promulgated the Interim Measures on the Administration of Pre-Installation and Distribution of Applications for Mobile Smart Terminals (the “**Mobile Application Interim Measures**”, 《移動智能終端應用軟件預置和分發管理暫行規定》), which took effect on July 1, 2017. The Mobile Application Interim Measures require, among others, that internet information service providers shall ensure that a mobile application, as well as its ancillary resource files, configuration files and user data can be uninstalled by a user on a convenient basis, unless it is a basic function software, which refers to a software that supports the normal functioning of hardware and operating system of a mobile smart device.

### **Regulations on Cybersecurity and Data Privacy and Protection**

The Cybersecurity Law of the People’s Republic of China (the “**Cybersecurity Law**”, 《中華人民共和國網絡安全法》), which was promulgated on November 7, 2016 and came into effect on June 1, 2017, requires that when constructing and operating a network, or providing services through a network, technical measures and other necessary measures shall be taken in accordance with laws, administrative regulations and the compulsory requirements set forth in national standards to ensure the secure and stable operation of the network, to effectively cope with cybersecurity incidents, to prevent criminal activities committed on the network, and to maintain the integrity, confidentiality and availability of network data. The Cybersecurity Law emphasizes that any individuals and organizations that use networks must not endanger cybersecurity or use networks to engage in activities endangering national security, economic order and social order or infringing the reputation, privacy, intellectual property rights and other lawful rights and interests of others. The Cybersecurity Law also reiterates certain basic



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## REGULATORY OVERVIEW

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principles and requirements on personal information protection previously specified in other existing laws and regulations. Any violation of the provisions and requirements under the Cybersecurity Law may subject an internet service provider to rectifications, warnings, fines, confiscation of illegal gains, revocation of business permits, cancellation of business license, closedown of websites or even criminal liabilities.

The Data Security Law of the People's Republic of China (the "**Data Security Law**", 《中華人民共和國數據安全法》) was passed on June 10, 2021 and came into effect on September 1, 2021. The Data Security Law requires a data processor to establish and improve a whole-process data security management system, organize data security education and training, and take corresponding technical measures and other necessary measures to safeguard data security. In conducting data processing activities using the Internet or any other information networks, a data processor shall perform the above data security protection obligations on the basis of the hierarchical cybersecurity protection system. Any violation of the provisions and requirements under the Data Security Law may subject a data processor to rectifications, warnings, fines, suspension of the related business, revocation of business permits or even criminal liabilities.

The Personal Information Protection Law of the PRC (the "**Personal Information Protection Law**", 《中華人民共和國個人信息保護法》) was promulgated on August 20, 2021 and came into effect on November 1, 2021. Instead of relying solely on "notification and consent" as established in the Cybersecurity Law, the Personal Information Protection Law reiterates the circumstances under which a personal information processor could process personal information and the requirements for such circumstances, such as when (i) the individual's consent has been obtained; (ii) the processing is necessary for the conclusion or performance of a contract to which the individual is a party; (iii) the processing is necessary to fulfill statutory duties and statutory obligations; (iv) the processing is necessary to respond to public health emergencies or protect a natural person's life, health and property safety under emergency circumstances; (v) the personal information that has been made public is processed within a reasonable scope in accordance with this Law; (vi) personal information is processed within a reasonable scope to conduct news reporting, public opinion-based supervision and other activities in the public interest; or (vii) under any other circumstance as provided by any law or regulation. It also stipulates the obligations of a personal information processor. Any violation of the provisions and requirements under the Personal Information Protection Law may subject a personal information processor to rectifications, warnings, fines, suspension of the related business, revocation of licenses, inclusion in relevant credit record, or even criminal liabilities.

In addition, on September 24, 2024, the State Council promulgated the Data Security Regulations which will come into force on January 1, 2025. The Data Security Regulations reiterate that the data processors which may possibly affect national security shall apply for cybersecurity review. Meanwhile, this regulation further clarifies the general provisions on

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## REGULATORY OVERVIEW

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network data security management, and also further supplements and refines the specific requirements on personal information protection, important data security management, cross-border security management of network data, and obligations of network platform service providers.

On March 22, 2024, the CAC issued the Provisions on Promoting and Regulating Cross-border Data Flow (《促進和規範數據跨境流動規定》). According to the provisions, data processors are subject to security assessments conducted by the CAC prior to any cross-border transfers of important data and personal information, if falling under any of the following circumstances: (i) where the critical information infrastructure operator intends to provide important data or personal information overseas; (ii) where the data processor other than critical information infrastructure operators intends to provide important data overseas; (iii) where the data processor other than critical information infrastructure operators, who has provided personal information (excluding sensitive personal information) of at least one million individuals or sensitive personal information of at least 10,000 individuals to overseas recipients accumulatively since January 1 of any given calendar year, intends to provide personal information overseas; and (iv) other circumstances where the security assessment of cross-border data transfer is required as prescribed by the CAC.

On January 23, 2019, the CAC, the MIIT, the Ministry of Public Security, and the SAMR jointly issued the Notice on Special Governance of Illegal Collection and Use of Personal Information via Apps (《關於開展App違法違規收集使用個人信息專項治理的公告》), which restates the requirement of legal collection and use of personal information, encourages App operators to conduct security certifications, and encourages search engines and App stores to clearly mark and recommend those certified Apps.

On November 28, 2019, the CAC, MIIT, the Ministry of Public Security and SAMR jointly issued the Measures to Identify Illegal Collection and Usage of Personal Information by Apps (《App違法違規收集使用個人信息行為認定方法》), which came into effect on the same day and lists six types of illegal collection and usage of personal information, including “non-disclosure of collection and use rules,” “failure to expressly state the purpose, method and scope of collecting and using personal information,” “collection or use of personal information without the consent of users,” “collection of personal information unrelated to the services they provide in violation of the principle of necessity,” “provision of personal information without consent,” “failure to provide the function of deleting or correcting personal information in accordance with the law” and “failure to disclose the information such as ways of filing complaints and whistleblowing reports.”

On July 22, 2020, the MIIT issued the Notice of Ministry of Industry and Information Technology on Carrying out Special Rectification Actions in Depth against the Infringement upon Users’ Rights and Interests by Apps (《工業和信息化部關於開展縱深推進APP侵害用戶權益專項整治行動的通知》), which lists four types of illegal collection and usage of personal information, including “illegally processing personal information of users by the App and the SDK,” “setting up obstacles and frequently harassing users,” “cheating and misleading users” and “inadequate implementation of application distribution platforms’ responsibilities.”

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## REGULATORY OVERVIEW

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On August 22, 2019, the CAC issued the Provisions on the Cyber Protection of Children's Personal Information (《兒童個人信息網絡保護規定》), which became effective on October 1, 2019 and applies to the collection, storage, use, transfer and disclosure of the personal information of the minors under the age of 14, i.e. the children, via the internet. Where a personal information processor collects or uses a child's personal information, it shall formulate special personal information processing rules and obtain the consent of the child's parents or other guardians.

### REGULATIONS ON FOREIGN INVESTMENT

#### Restrictions on Foreign Investment

Pursuant to the Catalogue of Industries for Encouraged Foreign Investment (2022 Edition) (the “**Catalogue**”, 《鼓勵外商投資產業目錄》(2022版)), and the Special Administrative Measures for Access of Foreign Investment (Negative List) (2021 Edition) (the “**Negative List**”, 《外商投資准入特別管理措施(負面清單) (2021年版)》), both promulgated jointly by the Ministry of Commerce (the “**MOFCOM**”, 中華人民共和國商務部) and the National Development and Reform Commission (the “**NDRC**”, 國家發展和改革委員會) and became effective on January 1, 2023, and January 1, 2022, respectively, design, production and retail of pan-entertainment are permitted on foreign investment.

#### The PRC Foreign Investment Law

On March 15, 2019, the SCNPC approved the Foreign Investment Law of the PRC (《中華人民共和國外商投資法》), and on December 26, 2019, the State Council promulgated the Implementing Rules of the Foreign Investment Law (《中華人民共和國外商投資法實施條例》), or the Implementing Rules, to further clarify and elaborate the relevant provisions of the Foreign Investment Law. The Foreign Investment Law and the Implementing Rules both took effect on January 1, 2020 and replaced three previous major laws on foreign investments in China, namely, the Sino-foreign Equity Joint Venture Law (《中華人民共和國中外合資經營企業法》), the Sino-foreign Cooperative Joint Venture Law (《中華人民共和國中外合作經營企業法》) and the Wholly Foreign-owned Enterprise Law (《中華人民共和國外資企業法》), together with their respective implementing rules. Pursuant to the Foreign Investment Law, “foreign investments” refer to investment activities conducted by foreign investors (including foreign natural persons, foreign enterprises or other foreign organizations) directly or indirectly in the PRC, which include any of the following circumstances: (i) foreign investors setting up foreign-invested enterprises in the PRC solely or jointly with other investors, (ii) foreign investors obtaining shares, equity interests, property portions or other similar rights and interests of enterprises within the PRC, (iii) foreign investors investing in new projects in the PRC solely or jointly with other investors, and (iv) investment of other methods as specified in laws, administrative regulations, or as stipulated by the State Council. The Implementing Rules introduce a see-through principle and further provide that foreign-invested enterprises that invest in the PRC shall also be governed by the Foreign Investment Law and the Implementing Rules.

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## REGULATORY OVERVIEW

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### Regulations on M&A and Overseas Listings

Pursuant to the Regulations on Mergers and Acquisitions of Domestic Enterprises by Foreign Investors (2009 Revision) (the “**M&A Rules**”, 《關於外國投資者併購境內企業的規定》(2009修訂)), which was promulgated by the MOFCOM on August 8, 2006 and became effective on September 8, 2006, and was last amended and became effective on June 22, 2009, Foreign Investors must comply with the M&A Rules when they purchase equity interests of a domestic company or subscribe the increased capital of a domestic company and thus changing the nature of the domestic company into a foreign invested enterprise; or when the foreign investors establish a foreign invested enterprise in China, purchase the assets of a domestic company and operate the asset; or when the foreign investors purchase the asset of a domestic company, establish a foreign invested enterprise by injecting such assets and operate the assets. The M&A Rules requires companies with special purpose of overseas listing through acquisitions of PRC domestic companies, which are controlled directly or indirectly by PRC companies or individuals, to obtain the approval of the CSRC prior to publicly listing and trading of such securities on an overseas stock exchange.

The Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies and five supporting guidelines (the “**Overseas Listing Trial Measures**”, 《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 and became 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, file the required documents with the CSRC after its application for overseas listing is submitted.

On February 24, 2023, the CSRC released the Provisions on Strengthening Confidentiality and Archives Administration in Respect of Overseas Issuance and Listing of Securities by Domestic Enterprises (the “**Confidentiality Provisions**”, 《關於加強境內企業境外發行證券和上市相關保密和檔案管理工作的規定》), which became effective on March 31, 2023. Pursuant to the Confidentiality Provisions, domestic joint-stock enterprises listed in overseas markets via direct offering and domestic operational entities of enterprises listed in overseas markets via indirect offering must obtain approval and complete filing or other requirements before they publicly disclose any documents and materials that contain state secrets or government work secrets or that, if divulged, will jeopardize China’s national security or public interest, or before they provide such documents or materials to entities or individuals such as securities companies, securities service providers and overseas regulators.

### Regulations on Foreign Exchange

According to the Foreign Currency Administration Rules of the People’s Republic of China (2008 Revision) (《中華人民共和國外匯管理條例》(2008修訂)) promulgated by the State Council on January 29, 1996 and last amended and became effective on August 5, 2008 and the Regulations on the Administration of Foreign Exchange Settlement, Sale and Payment (《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 became effective on July 1, 1996, RMB is convertible into other currencies

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## REGULATORY OVERVIEW

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through their foreign exchange bank account for the purpose of current account items, such as trade related receipts and payments, payment of interest and dividends. The conversion of RMB into other currencies and remittance of the converted foreign currency outside the PRC for the purpose of capital account items, such as direct equity investments, loans and repatriation of investment, requires the prior approval from the State Administration of Foreign Exchange (the “SAFE”, 國家外匯管理局) or its local counterparts. For foreign exchange proceeds under the capital accounts, approval from the SAFE is required for its retention or sale to a financial institution engaging in settlement and sale of foreign exchange, except where such approval is not required under the relevant rules and regulations of China. Generally, foreign invested enterprises may convert RMB into foreign currencies and remit them out of the PRC without the prior approval of the SAFE under the two following circumstances: (a) when an enterprise needs to settle current account items in foreign currencies; and (b) when an enterprise needs to distribute dividends to its foreign shareholders.

In accordance with the Circular of SAFE on Further Improving and Adjusting Foreign Exchange Administration Policies for Direct Investment (《國家外匯管理局關於進一步改進和調整直接投資外匯管理政策的通知》) (hereinafter referred to as “**Circular 59**”) which was promulgated by SAFE on November 19, 2012, became effective on December 17, 2012, and was last amended on December 30, 2019, approval is not required for the opening of an account entry in foreign exchange accounts under direct investment. Circular 59 also simplifies the capital verification and confirmation formalities for foreign invested enterprises (the “**FIEs**”) and the foreign capital and foreign exchange registration formalities required for the foreign investors to acquire equities from Chinese party, and it further improve the administration on exchange settlement of FIEs.

According to the Notice of the SAFE on Further Simplifying and Improving the Foreign Exchange Management Policies for Direct Investment (《國家外匯管理局關於進一步簡化和改進直接投資外匯管理政策的通知》) (hereinafter referred to as “**Circular 13**”), which was promulgated by the SAFE on February 13, 2015 and came into effect on June 1, 2015, and was amended on December 30, 2019, the foreign exchange registration under domestic direct investment and the foreign exchange registration under overseas direct investment are directly reviewed and handled by banks in accordance with the Circular 13. The SAFE and its branches shall perform indirect regulation over the foreign exchange registration via banks.

According to the Circular on Relevant Issues Relating to Domestic Resident’s Investment and Financing and Round-trip Investment through Special Purpose Vehicles (《國家外匯管理局關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知》) (hereinafter referred to as “**Circular 37**”), which was promulgated on July 4, 2014 and came into effect on the same day, states that (i) a PRC resident, including a PRC resident natural person or a PRC legal person, shall register with the local branch of the SAFE before it contributes the assets of or its equity interests into a special purpose vehicle for the purpose of investment and financing; and (ii) when the special purpose vehicle undergoes changes of basic information, such as changes in PRC resident natural person shareholder, name or

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## REGULATORY OVERVIEW

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operating period, or occurrence of a material event, share capital of a PRC resident natural person, performance of merger or split, the PRC resident shall register such changes with the local branch of the SAFE in a timely manner.

The Notice of the State Administration of Foreign Exchange on Reforming the Administration of Foreign Exchange Settlement of Capital of Foreign-invested Enterprises (《國家外匯管理局關於改革外商投資企業外匯資本金結匯管理方式的通知》) (hereinafter referred to as “**Circular 19**”) was promulgated by SAFE on March 30, 2015, came into effect on June 1, 2015 partially repealed on December 30, 2019 and partially amended by the Notice of the State Administration of Foreign Exchange of Policies for Reforming and Regulating the Control over Foreign Exchange Settlement under the Capital Account (《國家外匯管理局關於改革和規範資本項目結匯管理政策的通知》) promulgated by SAFE on June 9, 2016. Circular 19 superseded the Notice from the State Administration of Foreign Exchange on Reforming the Administration Method of Settlement of Foreign Exchange Capitals of Foreign-invested Enterprises (《關於完善外商投資企業外匯資本金支付結匯管理有關業務操作問題的通知》) (hereinafter referred to as “**Circular 142**”) from the effective date. Circular 19 specifies that foreign exchange settlement by foreign-invested enterprise is subject to supervision under foreign exchange settlement policies, and cancels certain foreign exchange restrictions under Circular 142. However, Circular 19 restates that the use of capital of foreign invested enterprises should follow the principle of truthfulness and self-use within the business scope of an enterprise.

In accordance with the Notice from the State Administration of Foreign Exchange on Reforming and Regulating the Policies of Administration of Foreign Exchange Settlement for Capital Items (《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》) (hereinafter referred to as “**Circular 16**”) which was promulgated by the State Administration of Foreign Exchange on June 9, 2016 and came into effect on the same date, an enterprise registered in China may, at its sole discretion, convert its foreign debts in a foreign currency to RMB. Circular 16 provides a unified standard for foreign exchange under capital items (including but not limited to foreign currency capital and foreign debt) which may be convertible at the sole discretion of the enterprise. Such standard is applicable to all enterprises registered in the PRC. In addition, Circular 16 restates that, unless otherwise specified, an enterprise shall not directly or indirectly use RMB funds obtained as a result of conversion of foreign currency funds, for purposes outside the business scope, or for securities investment and investments wealth management other than capital protected products of banks in China. Moreover, except within the business scope, RMB funds obtained as a result of conversion shall not be used as loans to non-related companies; save for investment in a real estate enterprise, RMB funds obtained as a result of conversion shall not be used for construction or purchase of real estate which will not be used by the enterprise.

On October 23, 2019, the State Administration of Foreign Exchange released the Notice of the State Administration of Foreign Exchange on Further Promoting the Facilitation of Cross-border Trade and Investment (《國家外匯管理局關於進一步促進跨境貿易投資便利化的通知》), according to which, besides foreign-invested enterprises engaged in investment business, non-investment foreign-invested enterprises are also permitted to make domestic

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## REGULATORY OVERVIEW

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equity investments with their capital funds in accordance with the laws provided that such investments do not violate the Negative List and the target investment projects are genuine and in compliance with laws. According to the Notice of the SAFE on Optimizing Foreign Exchange Administration to Support the Development of Foreign-related Business (《國家外匯管理局關於優化外匯管理支持涉外業務發展的通知》), issued by the State Administration of Foreign Exchange on April 10, 2020, eligible enterprises are allowed to make domestic payments by using their capital funds, foreign credits and the income under capital accounts of overseas listing, without submitting the evidentiary materials concerning authenticity of such capital for banks in advance; provided that their capital use is authentic and in compliance with administrative regulations on the use of income under capital accounts. The bank in charge shall follow the principle of prudential business development to manage and control relevant business risks, and conduct post spot checking on the facilitation of payment for the income under capital accounts in accordance with relevant requirements.

In February 2012, SAFE promulgated the Notices on Issues Concerning the Foreign Exchange Administration for Domestic Individuals Participating in Stock Incentive Plans of Overseas Publicly-Listed Companies (《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》) (the “**Stock Option Rules**”). In accordance with the Stock Option Rules and relevant rules and regulations, PRC citizens or non-PRC citizens residing in China for a continuous period of not less than one year, who participate in any stock incentive plan of an overseas publicly listed company, subject to a few exceptions, must register with SAFE through a domestic qualified agent, which could be a PRC subsidiary of such overseas listed company, and complete certain procedures. In addition, the State Taxation Administration of the PRC has issued circulars concerning employee share options or restricted shares. Under these circulars, employees working in the PRC who exercise share options, or whose restricted shares vest, will be subject to PRC individual income tax. The PRC subsidiaries of an overseas listed company have obligations to file documents related to employee share options or restricted shares with relevant tax authorities and to withhold individual income tax of these employees related to their share options or restricted shares. If the employees fail to pay, or the PRC subsidiaries fail to withhold, their individual income tax in accordance with relevant laws, rules and regulations, the PRC subsidiaries may face sanctions imposed by the tax authorities or other PRC government authorities.

### REGULATIONS ON LABOR

#### Regulations on Employment

According to the Labor Law of the People’s Republic of China (2018 Amendment) (《中華人民共和國勞動法》(2018修正)) promulgated by the SCNPC on July 5, 1994 that became effective on January 1, 1995, and last amended and became effective on December 29, 2018, workers are entitled to fair employment, choice of occupation, labor remuneration, leave, a safe workplace, a sanitation system, social insurance and welfare and certain other rights. The working time for workers may not exceed eight hours per day and no more than 44 hours per week on average. Employers shall establish and improve their work safety and sanitation system, educate employees on safety and sanitation, and provide employees with a working

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## REGULATORY OVERVIEW

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environment that meets the national work safety and sanitation standards. Enterprises and institutions shall establish and improve their system of workplace safety and sanitation, strictly abide by state rules and standards on workplace safety, educate laborers in labor safety and sanitation in China. Labor safety and sanitation facilities shall comply with state-fixed standards.

Pursuant to the Labor Contract Law of the People's Republic of China (2012 Amendment) (the "**Labor Contract Law**") (《中華人民共和國勞動合同法》(2012修正)), which was promulgated by the SCNPC on June 29, 2007, amended on December 28, 2012 and became effective on July 1, 2013, labor contracts shall be concluded in writing if labor relationships are to be or have been established between enterprises or institutions and the laborers. Enterprises and institutions are forbidden to force laborers to work beyond the time limit and employers shall pay laborers for overtime work in accordance with the laws and regulations. In addition, labor wages shall not be lower than local standards on minimum wages and shall be paid to laborers in a timely manner.

The Employment Promotion Law of the People's Republic of China (2015 Amendment) (《中華人民共和國就業促進法》(2015修正)), which was promulgated by the SCNPC on August 30, 2007, amended and became effective on April 24, 2015, requires that individuals have equal employment opportunities, both in hiring and in employment terms, without discrimination on the basis of ethnicity, race, gender, religious belief, communicable disease or rural residence. Under this law, companies are also required to provide employees with vocational training. Administrative authorities at the county level or above are responsible for implementing policies to promote employment.

### **Social Insurance and Housing Provident Fund**

In accordance with the Social Insurance Law of the People's Republic of China (2018 Revision) (《中華人民共和國社會保險法》(2018修訂)) which was promulgated by the SCNPC on October 28, 2010 and was latest amended on December 29, 2018, with the latest revision effective on the same date, employers are required to contribute, on behalf of their employees, to a number of social security funds, including funds for basic pension insurance, unemployment insurance, basic medical insurance, occupational injury insurance, and maternity insurance. Employers failed to promptly contribute social security premiums in full amount shall be ordered by the social security premium collection agency to make or supplement contributions within a stipulated period, and shall be subject to a late payment fine computed from the due date at the rate of 0.05% per day; where payment is not made within the stipulated period, the relevant administrative authorities shall impose a fine ranging from one to three times the amount of the amount in arrears.

In accordance with the Regulations on the Administration of Housing Provident Fund (2019 Revision) (《住房公積金管理條例》(2019修訂)) which was promulgated by the State Council on April 3, 1999, and was latest amended on March 24, 2019, with the latest revision effective on the same date, an employer shall make registration of contribution to the housing provident fund with the housing provident fund management center, and go through the



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## REGULATORY OVERVIEW

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formalities of opening housing provident fund accounts on behalf of its employees. And an employer fails to undertake contribution registration of housing provident fund or fails to go through the formalities of opening housing provident fund accounts for its employees, the housing provident fund management center shall order it to go through the formalities within a prescribed time limit; where failing to do so at the expiration of the time limit, a fine of not less than RMB10,000 nor more than RMB50,000 shall be imposed. An employer is overdue in the contribution of, or underpays, the housing provident fund, the housing provident fund management center shall order it to make the contribution within a prescribed time limit; where the contribution has not been made after the expiration of the time limit, an application may be made to a people's court for compulsory enforcement.

### REGULATIONS IN RELATION TO TAX

#### Enterprise Income Tax

In accordance with the EIT Law which was promulgated by the SCNPC on March 16, 2007, and was latest amended on December 29, 2018, with the latest revision effective on the same date and the Implementation Regulations for 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實施條例》) which was promulgated by the State Council on December 6, 2007, and was latest amended on April 23, 2019, with the latest revision effective on the same date, a uniform income tax rate of 25% will be applied to resident enterprises and non-resident enterprises that have established institutions and premises in China. Besides, enterprises established within the PRC, enterprises established in accordance with the laws of other judicial districts whose "de facto management bodies" are within the PRC are considered "resident enterprises" and subject to the uniform 25% enterprise income tax rate for their income derived from both inside and outside the PRC. Corporate income tax for key advanced and new technology enterprises supported by PRC shall be at a reduced tax rate of 15%.

In accordance with the Administrative Measures on Accreditation of High-tech Enterprises (《高新技術企業認定管理辦法》) which was promulgated by the Ministry of Science and Technology, the Ministry of Finance and the State Administration of Taxation on April 14, 2008 and amended on January 29, 2016 and came into effect on January 1, 2016, high-tech enterprises referred to in these Measures shall mean resident enterprises registered in mainland China (excluding Hong Kong SAR, Macau SAR and Taiwan) which are continuously engaging in research and development and technology commercialization within the realm of the Regions of Advanced Technologies Strongly Supported by PRC, forming the core independent intellectual property of the enterprise, and carrying out business activities on such basis, which accredited pursuant to these Measures may declare and claim tax incentives pursuant to the EIT Law and its Implementation Regulations, the Administrative Law of the People's Republic of China on the Levying and Collection of Taxes, the Implementation Regulations for the Law of the People's Republic of China on Administration of Tax Collection (《中華人民共和國稅收徵收管理法實施細則》) etc. Upon obtaining the qualification as a

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## REGULATORY OVERVIEW

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high-tech enterprise, the enterprise shall complete tax reduction and exemption formalities with the tax authorities in charge and the qualifications of an accredited high-tech enterprise shall be valid for three years from the date of issuance of the certificate.

### Value-added Tax

In accordance with the Provisional Regulations of the People's Republic of China on Value-added Tax (2017 Revision) (《中華人民共和國增值稅暫行條例》(2017修訂)) which was promulgated by the State Council on December 13, 1993, and was latest amended on November 19, 2017, with the latest revision effective on the same date, the Detailed Rules for the Implementation Rules for the Provisional Regulations the People's Republic of China on Value-added Tax (2011 Revision) (《中華人民共和國增值稅暫行條例實施細則》(2011修訂)) which was promulgated by the Ministry of Finance (財政部) on December 25, 1993, and was latest amended on October 28, 2011, with the latest revision effective on November 1, 2011, In accordance with the Decisions on Abolishing the PRC Provisional Regulations on Business Tax and Amending the PRC Provisional Regulations on Value-Added Tax (《國務院關於廢止<中華人民共和國營業稅暫行條例>和修改<中華人民共和國增值稅暫行條例>的決定》) which was promulgated by the State Council and effective on November 19, 2017 and the Notice of the Ministry of Finance and the State Administration of Taxation on the Adjustment to VAT Rates (《財政部、稅務總局關於調整增值稅稅率的通知》) which was promulgated by the Ministry of Finance and the State Administration of Taxation on April 4, 2018 and came into effect on May 1, 2018, entities and individuals selling goods, services and intangible assets in the People's Republic of China VAT taxpayers and shall pay VAT. Taxpayers selling services and intangible assets are subject to a tax rate of 6%, except in particular circumstances. If a taxpayer is engaged in sale subject to VAT at the previously applicable rate of 17%, the tax rate is reduced to 16%. In accordance with the Announcement on Policies for Deepening the VAT Reform (《關於深化增值稅改革有關政策的公告》) which was issued by the Ministry of Finance, State Taxation Administration and General Administration of Customs on March 20, 2019 and came into effect on April 1, 2019, if a general VAT taxpayer is engaged in a VAT taxable sale or imports goods at the previously applicable rate of 16%, the tax rate is reduced to 13%.

### Urban Maintenance and Construction Tax

In accordance with Urban Maintenance and Construction Tax Law of People's Republic of China (《中華人民共和國城市維護建設稅法》) which was promulgated by the SCNPC on August 11, 2020 and came effect on September 1, 2021 and the Notice of the State Council on Harmonizing the Urban Maintenance and Construction Tax and Educational Surcharges for Chinese and Foreign-funded Enterprises and Individuals (《國務院關於統一內外資企業和個人城市維護建設稅和教育費附加制度的通知》) which was promulgated by the State Council on October 18, 2010 and latest effective on December 1, 2010, entities and individuals which are subject to consumption tax and VAT shall pay urban maintenance and construction tax. The tax rate is 7% for a taxpayer who is domiciled in a downtown area, and 5% for a taxpayer who is domiciled in a county or town, and 1% for a taxpayer who is domiciled outside a downtown area, county or town.

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## HISTORY, DEVELOPMENT AND REORGANIZATION

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### OUR HISTORY

#### Overview

We are a leader of assembly character toys in China. Our history traces back to December 2014, when Mr. Zhu, our founder, Chairman and chief executive officer, founded Bloks Technology, the principal operating entity of the Group primarily engaging in the design, research and development and sales of assembly toys.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on July 28, 2021, and as a result of the Reorganization, the Company became the offshore holding company of the current business of the Group. See “— Reorganization.”

#### Key milestones

The following sets out a summary of the key development milestones of the Group:

<u>Year</u>	<u>Milestone(s)</u>
2014	Mr. Zhu founded Bloks Technology, the principal operating entity of the Group.
2016	We started research and development of our brick-based toys.
2017	We launched the Magic Blocks, our self-developed IP, based on which we rolled out brick-based toys.
2019	We started research and development of the assembly character toys.
2021	We were accredited as “High and New Technology Enterprise” by the Shanghai Science and Technology Commission.  We entered into a license agreement and obtained the rights to design, develop, produce and sell Ultraman assembly character toys.
2022	We launched our assembly character toys.  We launched Hero Infinity, our self-developed IP.  We were selected as the “National Intellectual Property Advantage Enterprise” by the National Intellectual Property Administration.
2023	We obtained IP licenses in a large number of countries around the world from the IP proprietors, which enabled us to offer assembly character toys in the overseas markets.  We were selected as the “Shanghai Patent Work Demonstration Enterprise” by the Shanghai Intellectual Property Administration.

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## HISTORY, DEVELOPMENT AND REORGANIZATION

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### OUR PRINCIPAL SUBSIDIARIES

The following sets forth the information on our subsidiaries that have made material contribution to our operating results during the Track Record Period.

<u>Subsidiaries</u>	<u>Place of incorporation</u>	<u>Date of incorporation</u>	<u>Registered capital</u>	<u>Principal activities</u>
Bloks Technology ....	PRC	December 24, 2014	RMB300,000,000	Design, research and development and sales of toys
Bloks Bricks .....	PRC	March 1, 2019	RMB100,000,000	Design, research and development and sales of toys

### OUR HISTORY AND MAJOR SHAREHOLDING CHANGE BEFORE REORGANIZATION

Bloks Technology has been the principal operating entity of our Group since its establishment. Bloks Technology was founded in the PRC by Mr. Zhu on December 24, 2014 with a registered capital of RMB10,000,000. Upon establishment, Bloks Technology was owned as to 92% by Mr. Zhu and 8% by Mr. Lin Taijun (林泰君) (“**Mr. Lin**”), respectively.

From August 2015 to February 2018, Bloks Technology underwent a series of capital increase and equity transfers, whereby Mr. Sheng Xiaofeng (盛曉峰) (“**Mr. Sheng**”), our executive Director and president became a shareholder, and Ningbo Shengteng Investment Management Partnership (Limited Partnership) (寧波聖騰投資管理合夥企業(有限合夥)) (“**Ningbo Shengteng**”) was set up for employee equity incentive platform. Upon completion of such capital increase and equity transfers, Bloks Technology was owned as to 81% by Mr. Zhu, 15% by Ningbo Shengteng, 3% by Mr. Sheng and 1% by Mr. Lin, respectively. In November 2018, Mr. Lin transferred all his equity interests in Bloks Technology to Mr. Sheng, and in November 2020, Mr. Sheng subsequently transferred the same equity interests to Mr. Huang Zheng (黃政) (“**Mr. Huang**”), our vice president.

From February 2018 to April 2021, Bloks Technology has undertaken a series of capital increases and equity transfers to raise capital and/or to expand shareholder base, details of which are set forth as follows.

## HISTORY, DEVELOPMENT AND REORGANIZATION

### Series Angel Investment

Pursuant to the capital increase agreements among the following series angel investors (each a “**Series Angel Investor**”), Bloks Technology and its then shareholders dated February 26, 2018, October 18, 2018, May 10, 2019, November 22, 2019 and March 2, 2020, respectively, the Series Angel Investors and Mr. Zhu agreed to subscribe for an increased registered capital of RMB8,009,808 to be issued by Bloks Technology at an aggregate consideration of RMB857,000,000 (the “**Series Angel Investment**”). The respective subscription amount and consideration paid by the Series Angel Investors and Mr. Zhu in the Series Angel Investment were as follows:

<u>Subscribers</u>	<u>Registered Capital Subscribed for</u>	<u>Consideration Paid</u>
	<i>(RMB)</i>	<i>(RMB)</i>
<b>February 26, 2018</b>		
Mr. Lin Qi (林奇) <sup>(1)</sup> .....	1,000,000	100,000,000
Mr. Chen Weirui (陳偉瑞).....	1,000,000	100,000,000
Hangzhou Jinyi Chuangpin Equity Investment Partnership Enterprise (Limited Partnership) (杭 州金億創品股權投資合夥企業(有限合夥)) (“ <b>Jinyi Chuangpin</b> ”).....	400,000	40,000,000
Mr. Qi Dahong (齊大宏) <sup>(2)</sup> .....	100,000	10,000,000
Xinyu Bowen Investment Management Center (Limited Partnership) (新余博文投資管理中心 (有限合夥)) (“ <b>Bowen Investment</b> ”) .....	200,000	20,000,000
Mr. Zhu <sup>(3)</sup> .....	1,300,000	130,000,000
<b>October 18, 2018</b>		
Bowen Investment .....	131,613	15,000,000
Hangzhou Zheyi Investment Partnership Enterprise (Limited Partnership) (杭州浙逸投資合夥企業 (有限合夥)) (“ <b>Zheyi Investment</b> ”) <sup>(4)</sup> .....	175,484	20,000,000
Mr. Qi Dahong .....	87,742	10,000,000
Mr. Chen Libiao (陳禮標) <sup>(5)</sup> .....	526,452	60,000,000
Mr. Jin Xudong (金旭東).....	175,484	20,000,000
<b>May 10, 2019</b>		
Jinyi Chuangpin .....	614,194	70,000,000
Shanghai Junjin Investment Management Co., Ltd. (上海君進投資管理有限公司) (“ <b>Junjin Investment</b> ”) .....	438,710	50,000,000

## HISTORY, DEVELOPMENT AND REORGANIZATION

<u>Subscribers</u>	<u>Registered Capital Subscribed for</u>	<u>Consideration Paid</u>
	<i>(RMB)</i>	<i>(RMB)</i>
<b>November 22, 2019</b>		
SinoMedia Advertising Co., Ltd. (中視金橋廣告有限公司) (“ <b>SinoMedia Advertising</b> ”) .....	1,070,451	122,000,000
Jinyi Chuangpin .....	350,968	40,000,000
<b>March 2, 2020</b>		
Mr. Chen Weirui .....	350,968	40,000,000
Mr. Chen Libiao .....	87,742	10,000,000
<b>Total</b> .....	<b>8,009,808</b>	<b>857,000,000</b>

*Notes:*

- (1) Such equity interest was inherited by the children of Mr. Lin Qi, and was subsequently transferred to Mr. Jin Xudong on April 16, 2021 at the consideration of RMB146,680,300.
- (2) Mr. Qi Dahong, the brother of Mr. Qi Daqing (齊大慶), acted as a nominal shareholder and held such beneficiary interest in Bloks Technology on behalf of Mr. Qi Daqing.
- (3) Pursuant to the capital increase agreement dated July 29, 2020 in the Series Pre-A Investment, Suzhou Yuanming Venture Capital Center (Limited Partnership) (蘇州源明創業投資中心(有限合夥)) (“**Suzhou Yuanming**”) and Suzhou Yuanqi Equity Investment Center (Limited Partnership) (蘇州源啟股權投資中心(有限合夥)) (“**Suzhou Yuanqi**”) were granted an option to acquire the registered capital of Bloks Technology which was subscribed for by Mr. Zhu in the Series Angel Investment, at 70% of the cost per RMB1.00 registered capital of Bloks Technology they subscribed for in the Series Pre-A Investment, provided that the total consideration payable by Suzhou Yuanming and Suzhou Yuanqi shall not exceed RMB100,000,000. On March 1, 2021, Suzhou Yuanming and Suzhou Yuanqi exercised such option in full and acquired the registered capital of RMB752,068 and RMB501,379 from Mr. Zhu, at the consideration of RMB60,000,000 and RMB40,000,000, respectively.
- (4) On August 15, 2019, the registered capital of RMB175,484 held by Zheyi Investment was transferred to Hangzhou Jinyi Maibang Investment Partnership (Limited Partnership) (杭州金億麥邦投資合夥企業(有限合夥)) (“**Jinyi Maibang**”) at the consideration of RMB20,000,000.
- (5) Mr. Chen Libiao transferred the registered capital of RMB438,710 out of the registered capital of RMB526,452 held by him to Mr. Yao Rongjun (姚榮君) (“**Mr. Yao**”) at the consideration of RMB50,000,000 on May 6, 2019.

## HISTORY, DEVELOPMENT AND REORGANIZATION

### Series Pre-A Investment

Pursuant to the capital increase agreements among the following series Pre-A investors (each a “**Series Pre-A Investor**”), Bloks Technology and its then shareholders dated July 29, 2020 and November 29, 2020, the Series Pre-A Investors and Mr. Zhu agreed to subscribe for an increased registered capital of RMB2,895,484 to be issued by Bloks Technology at an aggregate consideration of RMB330,000,000 (the “**Series Pre-A Investment**”). The respective subscription amount and consideration paid by the Series Pre-A Investors and Mr. Zhu in the Series Pre-A Investment were as follows:

<u>Subscribers</u>	<u>Registered Capital Subscribed for</u>	<u>Consideration Paid</u>
	(RMB)	(RMB)
<b>July 29, 2020</b>		
Suzhou Yuanming .....	526,451	60,000,000
Suzhou Yuanqi .....	350,968	40,000,000
<b>November 19, 2020</b>		
Suzhou Junjunde Equity Investment, L.P. (蘇州君 駿德股權投資合夥企業(有限合夥)) (“ <b>Suzhou Junjunde</b> ”) .....	1,316,129	150,000,000
Beijing Gaorong Phase IV Kangteng Equity Investment Partnership (L.P.) (北京高榕四期康 騰股權投資合夥企業(有限合夥)) (“ <b>Beijing Gaorong</b> ”) .....	372,903	42,500,000
Chengdu Tianfu New District Gaorong Phase IV Kangyong Investment Partnership (Limited Partnership) (成都市天府新區高榕四期康永投資 合夥企業(有限合夥)) (“ <b>Chengdu Gaorong</b> ”) ....	65,807	7,500,000
Mr. Zhu <sup>(1)</sup> .....	263,226	30,000,000
<b>Total</b> .....	<b>2,895,484</b>	<b>330,000,000</b>

*Note:*

- (1) On March 1, 2021, Mr. Zhu entered into an equity transfer agreement with Hangzhou Wenqu Equity Investment Partnership (Limited Partnership) (杭州文曲股權投資合夥企業(有限合夥)) (“**Hangzhou Wenqu**”), pursuant to which Hangzhou Wenqu acquired the registered capital of Bloks Technology of RMB250,689 from Mr. Zhu at a consideration of RMB20,000,000. Such equity interests were subsequently re-designated as Series Angle Preferred Shares in our Company.

## HISTORY, DEVELOPMENT AND REORGANIZATION

### Series A Investment

Pursuant to the capital increase agreement among the following series A investors (each a “**Series A Investor**”), Bloks Technology and its then shareholders dated April 24, 2021, the Series A Investors agreed to subscribe for an increased registered capital of RMB3,718,661 to be issued by Bloks Technology at an aggregate consideration of RMB599,999,631 (the “**Series A Investment**”). The respective subscription amount and consideration paid by the Series A Investors in the Series A Investment were as follows:

<u>Subscribers</u>	<u>Registered Capital Subscribed for</u>	<u>Consideration Paid</u>
	<i>(RMB)</i>	<i>(RMB)</i>
Hainan Yunfeng Tuoyuan Fund Center (Limited Partnership) (海南雲鋒拓源基金中心(有限合夥)) (“ <b>Yunfeng Tuoyuan</b> ”) .....	2,055,679	331,680,312
Suzhou Yuanming .....	200,359	32,327,584
Suzhou Junjunde.....	200,359	32,327,584
Beijing Junlian Shengyuan Equity Investment Enterprise (Limited Partnership) (北京君聯晟源股權投資合夥企業(有限合夥)) (“ <b>Beijing Junlian</b> ”).....	801,438	129,310,659
Beijing Gaorong .....	136,244	21,982,738
Chengdu Gaorong .....	24,043	3,879,297
Jinyi Chuangpin .....	40,072	6,465,549
Hangzhou Xinshan Investment Management Co., Ltd. (杭州新珊投資管理有限公司) (“ <b>Hangzhou Xinshan</b> ”).....	200,359	32,327,584
Mr. Qi Dahong.....	60,108	9,698,324
<b>Total</b> .....	<b>3,718,661</b>	<b>599,999,631</b>



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## HISTORY, DEVELOPMENT AND REORGANIZATION

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Furthermore, pursuant to the equity transfer agreements entered into among the Series A Investors and the then shareholders of Bloks Technology set out below dated April 24, 2021, certain Series A Investors agreed to acquire registered capital of Bloks Technology in a total amount of RMB1,465,773 from certain of the then shareholders of Bloks Technology at an aggregate consideration of RMB214,999,988, the details of which are set out as follows:

<u>Selling Shareholder</u>	<u>Series A Investor</u>	<b>Registered Capital Subscribed for</b> <i>(RMB)</i>	<b>Consideration Paid</b> <i>(RMB)</i>
Mr. Jin Xudong .....	Beijing Gaorong	81,928	12,017,224
Mr. Jin Xudong .....	Beijing Junlian	481,928	70,689,343
Mr. Jin Xudong .....	Chengdu Gaorong	14,458	2,120,704
Mr. Jin Xudong .....	Hangzhou Xinshan	120,482	17,672,336
Mr. Jin Xudong .....	Jinyi Chuangpin	24,096	3,534,408
Mr. Jin Xudong .....	Mr. Qi Dahong	36,144	5,301,613
Mr. Jin Xudong .....	Suzhou Junjunde	120,482	17,672,336
Mr. Jin Xudong .....	Suzhou Yuanming	120,482	17,672,336
Mr. Chen Libiao .....	Yunfeng Tuoyuan	175,484	25,740,046
Mr. Huang .....	Yunfeng Tuoyuan	27,270	3,999,972
Mr. Sheng .....	Yunfeng Tuoyuan	27,270	3,999,972
Ningbo Shengteng .....	Yunfeng Tuoyuan	235,749	34,579,698
<b>Total .....</b>		<b>1,465,773</b>	<b>214,999,988</b>

## HISTORY, DEVELOPMENT AND REORGANIZATION

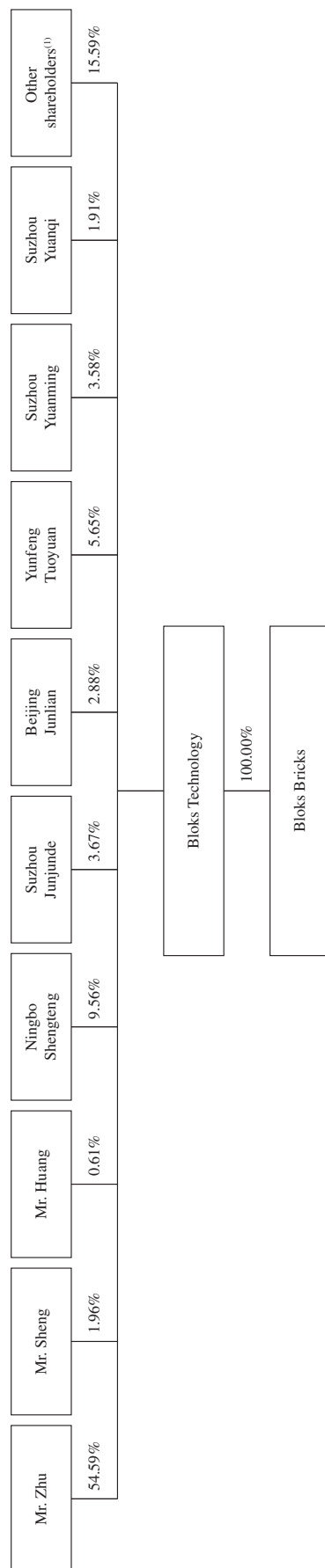
Set forth below is shareholding information of Bloks Technology immediately following the completion of the Series Angel Investment, Series Pre-A Investment and Series A Investment:

<u>Name of Shareholder</u>	<u>Amount of Registered Capital</u>	<u>Shareholding Percentage</u>
	<i>(RMB)</i>	
Mr. Zhu .....	24,359,090	54.59%
Ningbo Shengteng .....	4,264,251	9.56%
Yunfeng Tuoyuan .....	2,521,452	5.65%
Suzhou Junjunde .....	1,636,970	3.67%
Suzhou Yuanming .....	1,599,360	3.58%
Jinyi Chuangpin .....	1,429,330	3.20%
Mr. Chen Weirui .....	1,350,968	3.03%
Beijing Junlian .....	1,283,366	2.88%
SinoMedia Advertising .....	1,070,451	2.40%
Mr. Sheng .....	872,730	1.96%
Suzhou Yuanqi .....	852,347	1.91%
Beijing Gaorong .....	591,075	1.32%
Junjin Investment .....	438,710	0.98%
Mr. Yao .....	438,710	0.98%
Bowen Investment .....	331,613	0.74%
Hangzhou Xinshan .....	320,841	0.72%
Mr. Qi Dahong .....	283,994	0.64%
Mr. Huang .....	272,730	0.61%
Hangzhou Wenqu .....	250,689	0.56%
Mr. Jin Xudong .....	175,484	0.39%
Jinyi Maibang .....	175,484	0.39%
Chengdu Gaorong .....	104,308	0.23%
<b>Total .....</b>	<b>44,623,953</b>	<b>100.00%</b>

**REORGANIZATION**

In order to optimize our corporate structure to further develop the business of our Group and to access the international capital markets more readily, we underwent the Reorganization pursuant to which our Company became the holding company and listing entity of our Group.

The following chart sets forth the corporate structure of our Group with principal operating entities immediately prior to our Reorganization starting from July 28, 2021:



*Note:*

(1) Other shareholders of Bloks Technology include Jinyi Chuangpin (3.20%), Mr. Chen Weirui (3.03%), SinoMedia Advertising (2.40%), Beijing Gaorong (1.32%), Junjin Investment (0.98%), Mr. Yao (0.98%), Bowen Investment (0.74%), Hangzhou Xinshan (0.72%), Mr. Qi Dahong (0.64%), Hangzhou Wenqu (0.56%), Mr. Jin Xudong (0.39%), Jinyi Maibang (0.39%) and Chengdu Gaorong (0.23%).

## HISTORY, DEVELOPMENT AND REORGANIZATION

The Reorganization involved the following steps:

### 1. Incorporation of our Company and offshore holding companies

Our Company was incorporated as an exempted company with limited liability in the Cayman Islands on July 28, 2021. The authorized share capital of our Company was US\$50,000 divided into 500,000,000 Shares with a nominal value of US\$0.0001 each. At the time of incorporation, our Company allotted and issued 100 Ordinary Shares to Next Bloks, 100 Ordinary Shares to Smart Bloks, 1 Ordinary Share to ShawnXF Limited, 1 Ordinary Share to Bloks Is Coming Limited and 1 Ordinary Share to Way Elegance Limited (“**Way Elegance**”), representing 49.26%, 49.26%, 0.49%, 0.49% and 0.49% of the then issued share capital of our Company, respectively.

Bloks Holding was incorporated in the BVI on August 10, 2021 and became a wholly-owned subsidiary of our Company. China Bloks was incorporated in Hong Kong on August 31, 2021 and became a wholly-owned subsidiary of Bloks Holding.

### 2. Capital reduction of Bloks Technology

Pursuant to the resolutions of the shareholders of Bloks Technology dated August 5, 2021 and the capital reduction agreement entered into among Bloks Technology and all of its shareholders dated August 5, 2021, Bloks Technology reduced its registered capital from RMB44,623,953 to RMB30,823,118 (the “**Onshore Capital Reduction**”) and repurchased the registered capital of RMB13,800,835 from the following shareholders (the “**Onshore Withdrawn Investors**”) at the considerations set forth below.

<u>Name of Shareholder</u>	<u>Registered Capital Held before Reduction</u>	<u>Registered Capital Held after Reduction</u>	<u>Consideration<sup>(1)</sup></u>
	<i>(RMB)</i>	<i>(RMB)</i>	<i>(RMB)</i>
Yunfeng Tuoyuan .....	2,521,452	Nil	400,000,000 <sup>(2)</sup>
Suzhou Junjunde .....	1,636,970	Nil	199,999,920
Suzhou Yuanming .....	1,599,360	Nil	169,999,920
Jinyi Chuangpin .....	1,429,330	Nil	159,999,957
Mr. Chen Weirui .....	1,350,968	Nil	140,000,000
Beijing Junlian .....	1,283,366	Nil	200,000,002
SinoMedia Advertising .....	1,070,451	Nil	122,000,000
Suzhou Yuanqi .....	852,347	Nil	80,000,000
Beijing Gaorong .....	591,075	Nil	76,499,962
Junjin Investment .....	438,710	Nil	50,000,000
Hangzhou Xinshan .....	320,841	Nil	49,999,920
Hangzhou Wenqu .....	250,689	Nil	20,000,000
Mr. Jin Xudong .....	175,484	Nil	24,480,000
Jinyi Maibang .....	175,484	Nil	20,000,000
Chengdu Gaorong .....	104,308	Nil	13,500,001
<b>Total .....</b>	<b>13,800,835</b>	<b>Nil</b>	<b>1,726,479,682</b>

## HISTORY, DEVELOPMENT AND REORGANIZATION

*Notes:*

- (1) The consideration for the repurchased registered capital held by each of the Onshore Withdrawn Investors was determined with reference to the initial investment cost of each of them in Bloks Technology.
- (2) Out of the total consideration of RMB400,000,000 which was payable to Yunfeng Tuoyuan for reducing the RMB2,521,452 registered capital of Bloks Technology, (i) RMB217,000,000 were paid by Bloks Technology upon the completion of foreign exchange registration approval by Yunfeng Tuoyuan or its designated affiliates and (ii) RMB183,000,000 were payable upon exercise of Yunfeng Warrant. See “— 4. Allotment and issuance of Shares of our Company and issue of the Yunfeng Warrant to restore the shareholding interests in Bloks Technology” below for further details.

Immediately following the completion of the Onshore Capital Reduction, the shareholding structure of Bloks Technology is as follows:

<u>Name of Shareholder</u>	<u>Amount of Registered Capital</u>	<u>Shareholding Percentage</u>
	<i>(RMB)</i>	
Mr. Zhu .....	24,359,090	79.03%
Ningbo Shengteng .....	4,264,251	13.83%
Mr. Sheng.....	872,730	2.83%
Mr. Yao .....	438,710	1.42%
Bowen Investment.....	331,613	1.08%
Mr. Qi Dahong.....	283,994	0.92%
Mr. Huang .....	272,730	0.88%
<b>Total.....</b>	<b>30,823,118</b>	<b>100.00%</b>

### 3. Capital increase in Bloks Technology

On September 26, 2022, Bloks Technology issued registered capital of RMB311,345 to Gaintex Investment Limited (“**Gaintex**”), which represented 1.00% of its enlarged registered capital, at a consideration of RMB330,000. Such consideration was determined based on the then appraised value of Bloks Technology by an independent professional valuer. Upon completion of the above capital increase, the registered capital of Bloks Technology was increased to RMB31,134,463.

### 4. Allotment and issuance of Shares of our Company and issue of the Yunfeng Warrant to restore the shareholding interests in Bloks Technology

On July 25, 2022, our Company reclassified and re-designated a total of 74,275,760 unissued Shares of US\$0.0001 each as 35,192,300 Series Angel Preferred Shares, 13,161,290 Series Pre-A Preferred Shares and 25,922,170 Series A Preferred Shares, respectively. On the same date, our Company, the then shareholders of Bloks Technology, the Onshore Withdrawn Investors (other than Mr. Chen Weirui) and/or their respective designated affiliates and Gaintex

## HISTORY, DEVELOPMENT AND REORGANIZATION

entered into the share subscription agreement, pursuant to which our Company has agreed to allot and issue, and the then shareholders of Bloks Technology, the Onshore Withdrawn Investors (other than Mr. Chen Weirui) and/or their respective designated affiliates and Gaintex have agreed to subscribe for, the Shares in the Company at the consideration (i) equivalent to the consideration received in the Onshore Capital Reduction for the Onshore Withdrawn Investors; or (ii) at nominal value per Share for the then shareholders of Bloks Technology, to ultimately align their interest in our Company to their previous shareholding interest in Bloks Technology. Mr. Chen Weirui, an Onshore Withdrawn Investor, decided not to take up his entitlement of Shares in our Company due to personal reasons, and Gaintex agreed to subscribe for such Shares at the consideration equal to the consideration received by Mr. Chen Weirui for the capital reduction of Bloks Technology. On the same date, our Company also entered into the warrant agreement with Yunfeng Tuoyuan, pursuant to which our Company has agreed to issue a warrant to Yunfeng Tuoyuan for it or its designated affiliates to subscribe for an aggregate of 5,767,820 Series A Preferred Shares (the “**Yunfeng Warrant**”).

Upon completion of the subscriptions under the share subscription agreement above and assuming the Yunfeng Warrant was exercised in full, the shareholding structure of our Company is set forth as follows:

<u>Name of Shareholder</u>	<u>Ordinary Shares</u>	<u>Series Angel Preferred Shares</u>	<u>Series Pre-A Preferred Shares</u>	<u>Series A Preferred Shares</u>	<u>Total</u>
Next Bloks <sup>(1)</sup> .....	110,639,460	–	–	–	110,639,460
Smart Bloks <sup>(1)</sup> .....	11,155,990	–	–	–	11,155,990
First Prosperity <sup>(2)</sup> .....	21,321,255	–	–	–	21,321,255
ShawnXF Limited <sup>(3)</sup> .....	4,363,650	–	–	–	4,363,650
Bloks Is Coming Limited <sup>(4)</sup> .....	1,363,650	–	–	–	1,363,650
Gaintex <sup>(5)</sup> .....	–	6,754,840	–	–	6,754,840
Way Elegance <sup>(6)</sup> .....	–	2,193,550	–	–	2,193,550
Mr. Qi Daqing <sup>(7)</sup> .....	–	938,710	–	481,260	1,419,970
JYCP Holding Limited <sup>(8)</sup> ...	–	7,703,230	–	320,840	8,024,070
JYMB Holding Limited <sup>(9)</sup> ..	–	877,420	–	–	877,420
Beihai Kmind Management Consulting Limited (“ <b>Beihai Kmind Management Consulting</b> ”) <sup>(10)</sup> .....	–	2,193,550	–	–	2,193,550
NAW Investment Co., Ltd. (“ <b>NAW</b> ”) <sup>(11)</sup> .....	–	1,658,065	–	–	1,658,065

## HISTORY, DEVELOPMENT AND REORGANIZATION

Name of Shareholder	Ordinary Shares	Series Angel Preferred Shares	Series Pre-A Preferred Shares	Series A Preferred Shares	Total
SinoMedia (Asia Pacific) Company Limited ("SinoMedia (Asia Pacific)") <sup>(12)</sup> .....	–	5,352,255	–	–	5,352,255
HFHI investment Limited ("HFHI") <sup>(13)</sup> .....	–	1,253,445	–	–	1,253,445
BlueCo Investment L.P. ("BlueCo") <sup>(14)</sup> .....	–	6,267,235	4,387,095	1,604,205	12,258,535
IDEA GREAT LIMITED ("Idea Great") <sup>(15)</sup> .....	–	–	6,580,645	8,021,035	14,601,680
Gaorong BLK Holding Limited <sup>(16)</sup> .....	–	–	2,193,550	1,283,365	3,476,915
Yunfeng Tuoyuan or its designated affiliates <sup>(17)</sup> ...	–	–	–	5,767,820 <sup>(18)</sup>	5,767,820
Yunfeng Blocks Management Limited ("Yunfeng Blocks") <sup>(17)</sup> ...	–	–	–	6,839,440	6,839,440
Hongshan Limited <sup>(19)</sup> .....	–	–	–	1,604,205	1,604,205
<b>Total</b> .....	<b>148,844,005</b>	<b>35,192,300</b>	<b>13,161,290</b>	<b>25,922,170</b>	<b>223,119,765</b>

*Notes:*

- (1) Smart Bloks is wholly-owned by Mr. Zhu, our chairman and executive Director. Next Bloks is owned as to 99% by Wit Bright Limited and indirectly owned as to 1% by Mr. Zhu. Wit Bright Limited is a holding vehicle of the Wise Global Trust, a discretionary trust established by Mr. Zhu.
- (2) First Prosperity is a platform holding the underlying incentive Shares under the Share Incentive Scheme. A total of 21,321,255 Shares were reserved for the purpose of share incentive scheme pursuant to the share subscription agreement dated July 25, 2022, and such Shares were allotted and issued to First Prosperity on January 13, 2023.
- (3) ShawnXF Limited is wholly-owned by Mr. Sheng.
- (4) Bloks Is Coming Limited is wholly-owned by Mr. Huang.
- (5) Mr. Chen Weirui (as an Onshore Withdrawn Investor) decided not to take up the Shares of the Company due to personal reasons, and the 6,754,840 Series Angel Preferred Shares corresponding to Mr. Chen Weirui's reduced interest of RMB1,350,968 in Bloks Technology was subscribed for by Gaintex.
- (6) Way Elegance is wholly-owned by Mr. Yao.
- (7) Mr. Qi Daqing is a brother of Mr. Qi Dahong. Mr. Qi Dahong acted as nominal shareholder of Bloks Technology and held the beneficiary interests in Bloks Technology on behalf of Mr. Qi Daqing.
- (8) JYCP Holding Limited is wholly-owned by Jinyi Chuangpin, which is in turn owned by Mr. Jin Xudong as to 55.4085%.

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## HISTORY, DEVELOPMENT AND REORGANIZATION

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- (9) JYMB Holding Limited is wholly-owned by Jinyi Maibang.
- (10) Beihai Kmind Management Consulting is an affiliate designated by Junjin Investment to subscribe for the Shares.
- (11) NAW is wholly-owned by Fiona Wei, whose father owned 99% of the equity interest in Bowen Investment.
- (12) SinoMedia (Asia Pacific) is a same group company as SinoMedia Advertising.
- (13) HFHI is a wholly-owned subsidiary of Hangzhou Wenqu.
- (14) BlueCo is owned by Suzhou Yuanming and Suzhou Yuanqi.
- (15) Idea Great is owned by Suzhou Junjunde and Beijing Junlian.
- (16) Gaorong BLK Holding Limited is owned by Beijing Gaorong and Chengdu Gaorong.
- (17) Yunfeng Blocks is a wholly-owned subsidiary of Yunfeng Tuoyuan, which is designated thereby to subscribe for the 6,839,440 Series A Preferred Shares corresponding to the consideration of RMB217,000,000, being part of the total consideration for reducing registered capital of Bloks Technology held by Yunfeng Tuoyuan.
- (18) Representing an aggregate of 5,767,820 Series A Preferred Shares which Yunfeng Tuoyuan or its designated affiliates was entitled to subscribe for assuming the Yunfeng Warrant was exercised in full. On April 3, 2024, our Company and Yunfeng Tuoyuan entered into the warrant termination agreement, pursuant to which Yunfeng Warrant was cancelled upon receipt by Yunfeng Tuoyuan on April 11, 2024 of RMB183,000,000, being the consideration for reducing Yunfeng Tuoyuan's capital contribution in Bloks Technology corresponding to the 5,767,820 Series A Preferred Shares.
- (19) Hongshan Limited is an affiliate designated by Hangzhou Xinshan to subscribe for the Shares.

### **5. Acquisition of all the equity interests of Bloks Technology by China Bloks**

On November 7, 2022, China Bloks acquired all the equity interests in Bloks Technology from the then shareholders of Bloks Technology at a total consideration of RMB33 million. Such considerations were determined based on the then appraised value of Bloks Technology by an independent professional valuer. Upon completion of the transaction above, Bloks Technology was wholly-owned by China Bloks and became an indirectly-wholly-owned subsidiary of the Company.

### **6. Termination of Contractual Arrangements**

Prior to the Reorganization, we engaged in certain business related to our self-developed IP, such as the production of animation. As advised by our PRC Legal Advisor, foreign investors were prohibited from holding legal ownership over such business according to the Special Management Measures (Negative List) for the Access of Foreign Investment (2021 Version) (外商投資准入特別管理措施(負面清單)(2021年版)). Consequently, as part of the Reorganization, we transferred our equity interest in the subsidiaries engaged in such business to Bloks Information on August 5, 2021, and a series of contractual arrangements were entered into on the same date among Bloks Technology and Bloks Information and its then registered



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## HISTORY, DEVELOPMENT AND REORGANIZATION

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shareholders Mr. Zhu and Mr. Sheng (the “**Contractual Arrangements**”), pursuant to which Bloks Technology gained control over the operation of, and enjoyed the economic benefits from, Bloks Information and its subsidiaries.

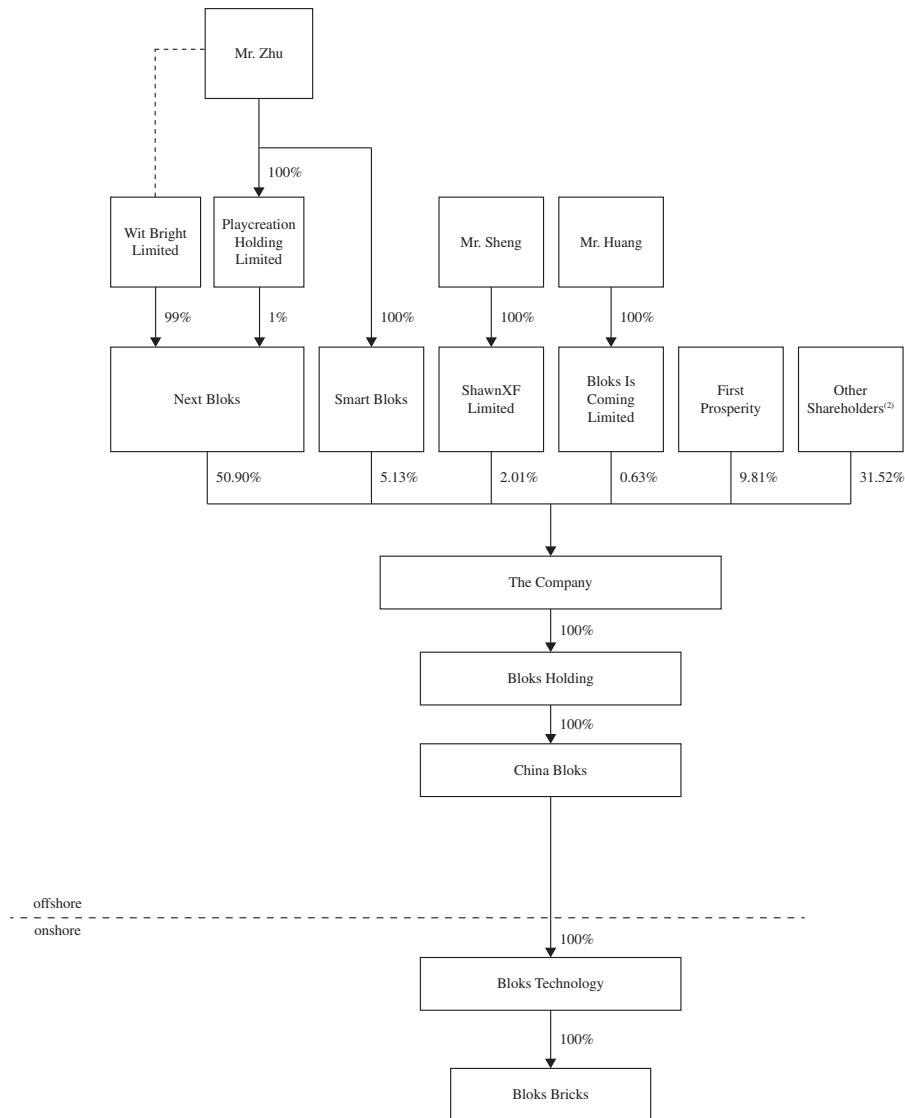
To streamline our business operations and after considering the overall operating environment in China, we terminated the Contractual Arrangements on March 31, 2024 as part of the Reorganization. During the Track Record Period, the revenue contribution by Bloks Information and its subsidiaries was materially insignificant, which accounted for 1.4% of our total revenue recorded during the entire Track Record Period. We are of the view that such termination of the Contractual Arrangements has no material adverse impact on our business operations or overall financial performance of the Group. We further confirm that as of the Latest Practicable Date, we were not aware of any potential or actual litigation, claims or other disputes that would arise from termination of the Contractual Arrangements or any material non-compliance incidents of Bloks Information or its subsidiaries during the Track Record Period prior to the termination of the Contractual Arrangements. As advised by our PRC Legal Advisor, (i) the implementation of the above arrangements does not violate the PRC laws and regulations in any material respect; and (ii) all rights and obligations under the Contractual Arrangements have ceased legally and the parties waived all rights and claims (if any) thereunder.

Bloks Technology also entered into an IP content production cooperation framework agreement with Bloks Culture (a subsidiary of Bloks Information), pursuant to which Bloks Culture agrees to provide to Bloks Technology and/or its subsidiaries, from time to time, certain services in connection with the production of our self-developed IP content including but not limited to Magic Blocks and Hero Infinity. In October 2024, we ceased such cooperation with Bloks Culture, given the animation production industry in China is relatively mature with ample qualified suppliers.

As of the Latest Practicable Date, in order to further enhance the independence of the Group and Bloks Information and its subsidiaries, the Group and Bloks Information and its subsidiaries have adopted the following measures: (i) Bloks Information and its subsidiaries have ceased to use the trade name of “Bloks” or other trade names related to the brands of the Group, and changed the corporation names; (ii) Bloks Information and Bloks Culture have cancelled their previous qualifications and licenses for engaging in foreign investment prohibited/restricted businesses and changed their business scope accordingly; and (iii) the Group has terminated all transactions with Bloks Culture and has undertaken not to carry out any direct or indirect transactions with Bloks Culture in the future.

## HISTORY, DEVELOPMENT AND REORGANIZATION

The following chart sets forth our Group's corporate and shareholding structure with principal operating entities immediately after the Reorganization.



*Notes:*

- (1) The Wise Global Trust is a discretionary trust established by Mr. Zhu as the settlor on June 16, 2022, for the benefit of Mr. Zhu and his family members with Trident Trust Company (HK) Limited as the trustee. Wit Bright Limited is a holding vehicle of the Wise Global Trust incorporated in the BVI, through which Mr. Zhu has control over Next Bloks.
- (2) Other Shareholders include Idea Great (6.72%), BlueCo (5.64%), JYCP Holding Limited (3.69%), Yunfeng Blocks (3.15%), Gaintex (3.11%), SinoMedia (Asia Pacific) (2.46%), Gaorong BLK Holding Limited (1.60%), Way Elegance (1.01%), Beihai Kmind Management Consulting (1.01%), NAW (0.76%), Hongshan Limited (0.74%), Mr. Qi Daqing (0.65%), HFHI (0.58%) and JYMB Holding Limited (0.40%).

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## HISTORY, DEVELOPMENT AND REORGANIZATION

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### ACQUISITIONS, MERGERS AND DISPOSALS

Save as disclosed above and in the paragraph headed “— Reorganization” in this section, we had no other major acquisitions, disposals or mergers during the Track Record Period and up to the Latest Practicable Date.

### PRE-IPO INVESTMENTS

#### Overview

From 2018 to 2024, our Group has completed several rounds of Pre-IPO Investments at the onshore level in Bloks Technology or at the offshore level in our Company.

For the Pre-IPO Investments at the onshore level prior to the Reorganization, see “— Our History and Major Shareholding Change before Reorganization” in this section.

After the Reorganization, at the offshore level, pursuant to the share transfer agreements dated April 11, 2024, Gaintex, Mr. Qi Daqing, Dragon Ridge Limited, LC Fund IX, L.P. (“**LC Fund**”), Lenient Investment L.P. (“**Lenient**”) agreed to acquire a total of 2,350,144 Ordinary Shares of our Company from Smart Bloks at an aggregate consideration of US dollar equivalent to RMB75,838,350; and Gaintex agreed to acquire 895,293 Series A Preferred Shares from Gaorong BLK Holding Limited at a consideration of US dollar equivalent to RMB28,890,800 (collectively, the “**2024 Share Transfers**”), the details of which are set out as follows:

<u>Selling Shareholders</u>	<u>Investors</u>	<u>Type of Shares</u>	<u>No. of Shares</u>	<u>Consideration Paid</u>
				<i>(US dollar equivalent to RMB)</i>
Smart Bloks	Gaintex	Ordinary Shares	447,646	14,445,400
Smart Bloks	Mr. Qi Daqing	Ordinary Shares	335,735	10,834,050
Smart Bloks	Dragon Ridge Limited	Ordinary Shares	223,823	7,222,700
Smart Bloks	LC Fund	Ordinary Shares	671,470	21,668,100
Smart Bloks	Lenient	Ordinary Shares	671,470	21,668,100
<b>Total</b>			<b>2,350,144</b>	<b>75,838,350</b>
Gaorong BLK Holding Limited	Gaintex	Series A Preferred Shares	895,293	28,890,800
<b>Total</b>			<b>895,293</b>	<b>28,890,800</b>

The last installation of the considerations for the 2024 Share Transfers was settled on April 16, 2024.

## HISTORY, DEVELOPMENT AND REORGANIZATION

Details of the Pre-IPO Investments by our Pre-IPO Investors through subscription of new shares and/or acquisition of existing shares of our Group are summarized below.

Pre-IPO Investors	Class of Shares	Number of Shares Subscribed for or Purchased	Date of Settlement <sup>(1)</sup>	Total Consideration Paid <sup>(2)</sup> <i>(RMB)</i>	Cost per Share <i>(RMB)</i>	Discount to the Offer Price <sup>(3)</sup>
<i>Series Angel Investment</i>						
Gaintex	Series Angel Preferred Shares	6,754,840	April 27, 2020	140,000,000	20.73	61.38%
NAW	Series Angel Preferred Shares	1,658,065	November 9, 2018	35,000,000	21.11	60.67%
Mr. Qi Daqing	Series Angel Preferred Shares	938,710	November 9, 2018	20,000,000	21.31	60.30%
JYCP Holding Limited	Series Angel Preferred Shares	7,703,230	May 14, 2021	174,480,000	22.65	57.80%
JYMB Holding Limited	Series Angel Preferred Shares	877,420	September 24, 2019	20,000,000	22.79	57.54%
Way Elegance	Series Angel Preferred Shares	2,193,550	June 10, 2019	50,000,000	22.79	57.54%
Beihai Kmind Management Consulting	Series Angel Preferred Shares	2,193,550	May 21, 2019	50,000,000	22.79	57.54%
SinoMedia (Asia Pacific)	Series Angel Preferred Shares	5,352,255	May 25, 2020	122,000,000	22.79	57.54%
<i>Transfer of existing equity under Series Angel Investment</i>						
HFHI	Series Angel Preferred Shares	1,253,445	March 1, 2021	20,000,000	15.96 <sup>(4)</sup>	70.27%
BlueCo	Series Angel Preferred Shares	6,267,235	March 18, 2021	100,000,000	15.96 <sup>(4)</sup>	70.27%
<i>Series Pre-A Investment</i>						
BlueCo	Series Pre-A Preferred Shares	4,387,095	August 14, 2020	100,000,000	22.79	57.54%
Idea Great	Series Pre-A Preferred Shares	6,580,645	December 3, 2020	150,000,000	22.79	57.54%
Gaorong BLK Holding Limited	Series Pre-A Preferred Shares	2,193,550	December 3, 2020	50,000,000	22.79	57.54%

## HISTORY, DEVELOPMENT AND REORGANIZATION

Pre-IPO Investors	Class of Shares	Number of Shares Subscribed for or Purchased	Date of Settlement <sup>(1)</sup>	Total Consideration Paid <sup>(2)</sup> <i>(RMB)</i>	Cost per Share <i>(RMB)</i>	Discount to the Offer Price <sup>(3)</sup>
<i>Series A Investment</i>						
Gaorong BLK Holding Limited	Series A Preferred Shares	1,283,365	May 8, 2021	39,999,963	31.17	41.93%
Hongshan Limited	Series A Preferred Shares	1,604,205	May 14, 2021	49,999,920	31.17	41.93%
Mr. Qi Daqing	Series A Preferred Shares	481,260	April 29, 2021	14,999,937	31.17	41.93%
JYCP Holding Limited	Series A Preferred Shares	320,840	May 7, 2021	9,999,957	31.17	41.93%
BlueCo	Series A Preferred Shares	1,604,205	May 21, 2021	49,999,920	31.17	41.93%
Idea Great Limited	Series A Preferred Shares	8,021,035	July 26, 2021	249,999,922	31.17	41.93%
Yunfeng Blocks	Series A Preferred Shares	6,839,440	July 23, 2021	217,000,000	31.73	40.89%
<i>2024 Share Transfer</i>						
Gaintex	Ordinary Shares	447,646	April 12, 2024	14,445,400	32.27	39.88%
	Series A Preferred Shares	895,293	April 12, 2024	28,890,800	32.27	39.88%
Mr. Qi Daqing	Ordinary Shares	335,735	April 16, 2024	10,834,050	32.27	39.88%
Dragon Ridge Limited	Ordinary Shares	223,823	April 12, 2024	7,222,700	32.27	39.88%
LC Fund	Ordinary Shares	671,470	April 16, 2024	21,668,100	32.27	39.88%
Lenient	Ordinary Shares	671,470	April 16, 2024	21,668,100	32.27	39.88%

*Notes:*

- (1) This refers to the timing of last installation of payment made by the Pre-IPO Investors (i) to Bloks Technology or the relevant selling shareholders of Bloks Technology in the Series Angel Investment, Series Pre-A Investment and Series A Investment and (ii) to the selling Shareholders in the 2024 Share Transfer.

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## HISTORY, DEVELOPMENT AND REORGANIZATION

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- (2) This refers to (i) the consideration for allocation and issue of the Shares by our Company to the relevant Series Angel Investors, Series Pre-A Investors and Series A Investors to restore their equity interests in Bloks Technology during the Reorganization, which was determined with reference to the initial investment cost of such investors and (ii) the consideration for the sale of the Shares by the selling Shareholders in the 2024 Share Transfer.
- (3) The discount to the Offer Price is calculated (i) based on the mid-point of the indicative Offer Price range of HK\$58.00 per Share; and (ii) assuming the Preferred Shares are converted into Ordinary Shares on a one-to-one basis.
- (4) The cost per share of the Series Angel Preferred Shares paid by HFHI and BlueCo is relatively low compared to the other Series Angel Preferred Shares because their onshore affiliates acquired the equity interests of Bloks Technology corresponding thereto from Mr. Zhu by a sale of equity instead of capital increase of Bloks Technology on March 1, 2021 after commercial negotiation. See “— Our History and Major Shareholding Change before Reorganization” in this section.
- (5) For the date of each investment, see “— Our History and Major Shareholding Change Before Reorganization” and “— Reorganization” in this section.

### Principal terms of the Pre-IPO Investments

The table below sets forth the principal terms of the Pre-IPO Investments:

<b>Basis of consideration</b>	The consideration for the Pre-IPO Investment was determined based on arm’s length negotiations after taking into account the timing of the investment and the status of the Group’s business development at the time of entering into the capital increasing agreement.
<b>Use of proceeds and whether they have been fully utilized</b>	We have raised gross proceeds of RMB1,817.0 million in total from the Pre-IPO Investment. The proceeds from the Pre-IPO Investment shall be used towards business operations of the Group and in accordance with the business plan and budget approved by the Board. As of the Latest Practicable Date, all the proceeds raised by our Group from the Pre-IPO Investment have been utilized.
<b>Lock-up</b>	The Pre-IPO Investors are not subject to lock-up according to the terms of the shareholders’ agreement entered into among the Pre-IPO Investors, the Company and other Shareholders.

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## HISTORY, DEVELOPMENT AND REORGANIZATION

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### **Strategic benefits of the Pre-IPO Investment**

Our Directors were of the view that our Company would benefit from the additional capital provided by the Pre-IPO Investors' investments in our Company, insights for industry, professional advices on our Group's development, corporate governance, financial reporting and internal control that the Pre-IPO Investors may bring to our Company. The investments from the Pre-IPO Investors demonstrate their commitment and confidence in the business performance and operations, strengths and long-term prospects of our Group.

### **Special rights granted to the Pre-IPO Investors**

In connection with the Pre-IPO Investments, certain Pre-IPO Investors had been granted certain special rights, including, among others, information and inspection rights, registration rights, the right to preferred liquidation, pre-emptive rights, right of first refusal and right of co-sale, the right to nominate Directors, anti-dilution rights, repurchase rights, out of which the repurchase rights have been terminated immediately before the submission of the listing application for the Global Offering (the "**Listing Application**") provided that the rights so terminated shall resume in the event that the Listing Application is withdrawn or rejected by the Stock Exchange, and all other special rights will be terminated automatically upon the Listing.

The Pre-IPO Investors are entitled to subscribe for Shares at Offer Price in the Global Offering in order to maintain their shareholding percentage immediately before completion of the Global Offering subject to the waiver from strict compliance with Rule 10.04 of the Listing Rules and a prior consent under paragraph 5(2) of Appendix F1 to the Listing Rules to be granted by the Stock Exchange.

Each of the Preferred Shares will convert automatically on a one-for-one basis into Ordinary Shares upon consummation of the Global Offering, at which time, our share capital will comprise one class of shares. For further information on the rights attached to our Ordinary Shares, see "Share Capital."

### **Information about the Pre-IPO Investors**

To the best knowledge of the Company and the Directors, each of the Pre-IPO Investors is an Independent Third Party. Set out below is a description of our Pre-IPO Investors.

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## HISTORY, DEVELOPMENT AND REORGANIZATION

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### *Legend Capital*

#### *Idea Great*

Idea Great is an investment company incorporated in Hong Kong on April 1, 2021. Idea Great is owned as to 56.05% by Suzhou Junjunde and as to 43.95% by Beijing Junlian. Suzhou Junjunde is owned by a total of 16 limited partners, none of which hold one-third or more of the interest therein. Beijing Junlian is owned as to 35.71% by National Council for Social Security Fund of People's Republic of China (全國社會保障基金理事會) and other 20 limited partners (none of which hold one-third or more of the interest therein). Both Suzhou Junjunde and Beijing Junlian are controlled by their common general partner, which is a wholly-owned subsidiary of Legend Capital Management Co., Ltd. (君聯資本管理股份有限公司) (“**Legend Capital**”).

#### *LC Fund*

LC Fund is an investment holding company incorporated in Cayman Islands on January 27, 2022. LC Fund is managed by its general partner LC Fund IX GP, L.P., which is in turn managed by its general partner LC Fund GP Limited. LC Fund GP Limited is wholly-owned by Legend Capital. LC Fund is owned by 17 limited partners, and none of them holds one-third or more of the interests therein.

Legend Capital is owned as to 80.00% by Beijing Juncheng Hezhong Investment Management Partnership (Limited Partnership) (北京君誠合眾投資管理合夥企業(有限合夥)) (“**Juncheng Hezhong**”), and as to 20% by Legend Holdings Corporation (聯想控股股份有限公司), the shares of which are listed on the Stock Exchange (stock code: 03396). Juncheng Hezhong is controlled by its general partner Beijing Junqi Jiarui Enterprise Management Co., Ltd. (北京君祺嘉睿企業管理有限公司), which is owned by Chen Hao (陳浩), Li Jiaqing (李家慶), Zhu Linan (朱立南) and Wang Nengguang (王能光) as to 40%, 20%, 20% and 20%, respectively. To the best knowledge of the Company, each of Legend Capital, Idea Great, LC Fund and their respective ultimate beneficial owners (other than Mr. Chen Rui who is our non-executive Director and holds 5.98% limited partner interests in one of Juncheng Hezhong's limited partner) is an Independent Third Party.

#### *BlueCo*

BlueCo was incorporated in the Cayman Islands. The general partner of BlueCo is All Direct Holdings Limited, which is indirectly wholly owned by Mr. Charlie Cao. BlueCo is owned as to 100% by its limited partner, Hainan Yuanke Technology Partnership Enterprise (Limited Partnership) (海南源可科技合夥企業(有限合夥), “**Hainan Yuanke**”), which is in turn owned as to 67.97% by Suzhou Yuanming and 31.99% by Suzhou Yuanqi as limited partners. All of Hainan Yuanke, Suzhou Yuanming and Suzhou Yuanqi are under the control of Mr. Charlie Cao.



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## HISTORY, DEVELOPMENT AND REORGANIZATION

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To the best knowledge of the Company, each of BlueCo and its ultimate beneficial owners (other than Mr. Chang Kaisi (常凱斯) who is our non-executive Director and holds 1.73% limited partner interest in an indirect limited partner of Suzhou Yuanming) is an Independent Third Party.

### *Yunfeng Capital*

Yunfeng Blocks is an investment company incorporated under the laws of BVI on July 13, 2021. Yunfeng Blocks is wholly-owned by Yunfeng Tuoyuan, a limited partnership established in the PRC on December 23, 2020. The general partner of Yunfeng Blocks is Hainan Yunfeng Enterprise Management Center (Limited Partnership) (海南雲鋒企業管理中心(有限合夥)) (“**Hainan Yunfeng Center**”). The general partner of Hainan Yunfeng Center is Shanghai Yunfeng Xinchuang Enterprise Management Co., Ltd. (上海雲鋒新創企業管理有限公司), an investment management company ultimately controlled by YU Xuedong (虞學東). Yunfeng Blocks is the investment entity of Yunfeng Capital (雲鋒基金), a leading private equity investment firm in the PRC. Founded in 2010, Yunfeng Capital is committed to fostering forward-thinking enterprises. Yunfeng Capital has developed deep industry expertise and industry insights in various sectors, including technology, business services, green energy, modern agriculture, bio-tech and consumer industry. To the best knowledge of the Company, each of Yunfeng Blocks and its ultimate beneficial owners is an Independent Third Party.

### *Gaintex*

Gaintex is an investment holding company incorporated under the laws of Hong Kong on July 2, 2021, which is owned by Sze-To Kin Sun (司徒建新) as to 50% and So Kai Sing (蘇啟聲) as to 50%. To the best knowledge of the Company, each of Gaintex, Sze-To Kin Sun and So Kai Sing is an Independent Third Party.

### *Way Elegance*

Way Elegance is an investment holding company incorporated under the laws of the BVI on July 2, 2021, and is wholly-owned by Mr. Yao. To the best knowledge of the Company, each of Way Elegance and Mr. Yao is an Independent Third Party.

### *Mr. QI Daqing*

Mr. Qi Daqing is currently a professor of accounting at the Chung Kong Graduate School of Business, and serves as an independent director of several listed companies. To the best knowledge of the Company, Mr. Qi Daqing is an Independent Third Party.

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## HISTORY, DEVELOPMENT AND REORGANIZATION

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### *Jinyi Investment*

#### *JYCP Holding Limited*

JYCP Holding Limited is an investment holding company incorporated under the laws of the BVI on August 20, 2021. JYCP Holding Limited is wholly-owned by Jinyi Chuangpin, which is in return managed by its general partner Hangzhou Jinyi Investment Management Limited (杭州金億投資管理有限公司) (“**Jinyi Investment**”), and is owned by Mr. Jin Xudong as to 55.4085%, Mr. Huang Xin (黃鑫) as to 15.1152% and other eight limited partners none of whom holds one third or more of the interests therein. Mr. Huang Xin was our former Director from July 25, 2022 to April 11, 2024.

#### *JYMB Holding Limited*

JYMB Holding Limited is an investment holding company incorporated under the laws of the BVI on August 20, 2021. JYMB Holding Limited is wholly-owned by Jinyi Maibang, which is in return managed by its general partner Hangzhou Jinyi and is owned by 12 limited partners none of whom holds one third or more of the interests therein.

Jinyi Investment is owned by Mr. Jin Xudong as to 60% and other three other shareholders none of whom holds one-third or more of the interests therein. To the best knowledge of the Company, each of Mr. Jin Xudong, JYCP Holding Limited, JYMB Holding Limited and their respective ultimate beneficial owners (other than Mr. Huang Xin as a former Director) is an Independent Third Party.

### *Beihai Kmind Management Consulting*

Beihai Kmind Management Consulting is a strategy consulting company incorporated in the PRC on October 30, 2019. It is wholly-owned by Shanghai Kmind Enterprise Management Co., Ltd. (上海君智企業管理有限公司) (“**Shanghai Kmind**”), which is ultimately controlled by Xie Weishan (謝衛山). To the best knowledge of the Company, each of Xie Weishan and Baihai Kmind and its ultimate beneficial owners is an Independent Third Party.

### *NAW*

NAW is an investment company incorporated under the laws of the BVI on April 2, 2013. It is indirectly wholly-owned by Fiona Wei. To the best knowledge of the Company, each of NAW and Fiona Wei is an Independent Third Party.

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## HISTORY, DEVELOPMENT AND REORGANIZATION

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### *SinoMedia*

SinoMedia (Asia Pacific) is a company incorporated in Hong Kong on May 31, 2011. SinoMedia (Asia Pacific) is wholly-owned by SinoMedia Holding Limited, whose shares are listed on the Stock Exchange (stock code: 0623). To the best knowledge of the Company, each of SinoMedia Holding Limited and its ultimate beneficial owners is an Independent Third Party.

### *HFHI*

HFHI is an investment company incorporated under the laws of the BVI on July 23, 2021. HFHI is wholly-owned by Hangzhou Wenqu, which is controlled by and owned as to 0.74% by its general partner Zheng Yiwen (鄭一雯) and is held as to 99.26% by Hangzhou Net Xinhuangang Equity Investment Partnership (Limited Partnership) (杭州網新花港股權投資合夥企業(有限合夥)) (“**Hangzhou Net Xinhuangang**”). Hangzhou Net Xinhuangang is controlled by and owned as to 4.4% by its general partner Hangzhou Xinwang Equity Investment Co., Ltd. (杭州鑫網股權投資有限責任公司), and is held by Insigma Technology Co., Ltd. (浙大網新科技股份有限公司) (a listed company on Shanghai Stock Exchange (stock code: 600797)), Zhejiang Wangxin Group Co., Ltd. (浙江網新集團有限公司) and Zhejiang Wangxin Yintong Investment Holding Co., Ltd. (浙江網新銀通投資控股有限公司) as limited partners as to 48%, 32%, and 15.6%, respectively.

To the best knowledge of the Company, each of HFHI and its ultimate beneficial owners is an Independent Third Party.

### *Gaorong Capital*

Gaorong BLK Holding Limited is an investment company incorporated under the laws of the BVI on August 5, 2021. Gaorong BLK Holding Limited is held by Beijing Gaorong and Chengdu Gaorong as to 85% and 15%, respectively.

Beijing Gaorong is controlled by its general partner Beijing Gaorong Capital Management Consulting Co., Ltd. (北京高榕資本管理諮詢有限公司) (“**Gaorong Capital**”) and is owned by 36 limited partners none of whom holds one-third or more of the interests therein. Gaorong Capital is held by Zhang Zhen (張震), Yue Bin (岳斌) and Gao Xiang (高翔), holding 33.34%, 33.33% and 33.33%, respectively.

Chengdu Gaorong is controlled by its general partner Tibet Rongkang Investment Management Co., Ltd. (西藏榕康投資管理有限公司) (a wholly-owned subsidiary of Gaorong Capital), and is owned as to 65.36% by Taikang Life Insurance Co., Ltd. (泰康人壽保險有限責任公司) and other four limited partners, none of which hold one-third or more of the interest therein.

To the best knowledge of the Company, each of Gaorong BLK Holding Limited and its ultimate beneficial owners is an Independent Third Party.

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## HISTORY, DEVELOPMENT AND REORGANIZATION

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### *Hongshan Limited*

Hongshan Limited is an investment holding company incorporated under the laws of the BVI on April 25, 2017, which is wholly-owned by Wu Yongming. To the best knowledge of the Company, Wu Yongming is an Independent Third Party.

### *Dragon Ridge Limited*

Dragon Ridge Limited is an investment holding company incorporated under the laws of the BVI, which is wholly-owned by Lu Xin (陸昕). To the best knowledge of the Company, Lu Xin is an Independent Third Party.

### *Lenient*

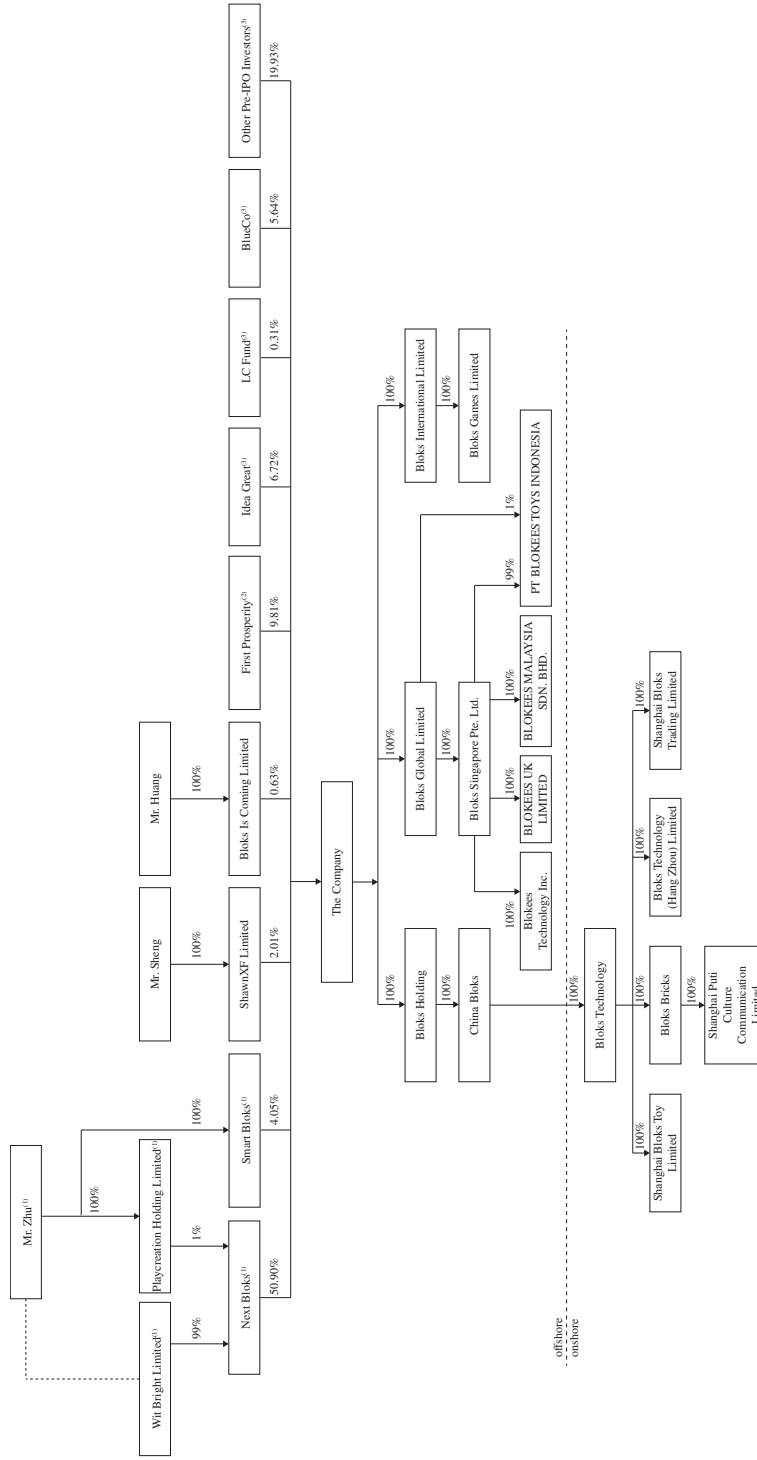
Lenient is an investment holding company incorporated in Cayman Islands. Its general partner is LYCAON Capital Co., which is controlled by Li Chunyong (李春勇). To the best knowledge of the Company, each of Lenient and its ultimate beneficial owners is an Independent Third Party.

## COMPLIANCE WITH PRE-IPO INVESTMENT GUIDANCE

On the basis that (i) the consideration for the Pre-IPO Investments was irrevocably settled no less than 28 clear days before the date of our first submission of the Listing Application to the Stock Exchange in relation to the Listing; and (ii) the special rights granted to the Pre-IPO Investors shall cease to be exercisable upon the Listing (save for the repurchase rights which have been terminated immediately before the submission of the listing application as described above), the Joint Sponsors confirm that the Pre-IPO Investments are in compliance with the Chapter 4.2 under the Guide for New Listing Applicants published by the Stock Exchange effective from January 1, 2024.

**CORPORATE STRUCTURE IMMEDIATELY PRIOR TO THE GLOBAL OFFERING**

The following chart sets forth our Group's corporate and shareholding structure immediately prior to the Global Offering:

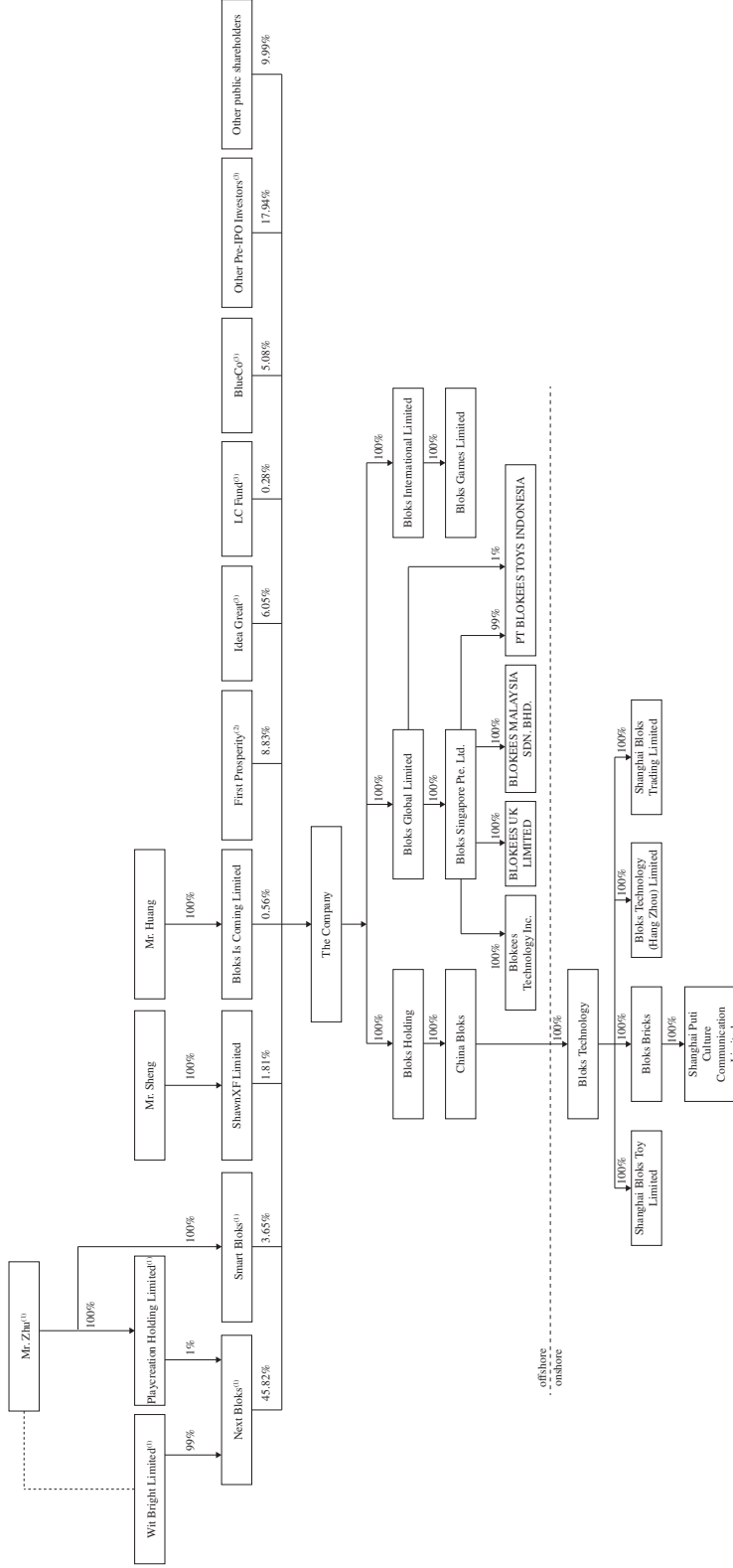


**Notes:**

- (1) Each of Mr. Zhu, Next Bloks, Wit Bright Limited and Playcreation Holding Limited will be a Controlling Shareholder upon completion of the Global Offering. For details, see "Relationship with the Controlling Shareholders."
- (2) First Prosperity is a platform holding underlying Shares under the Share Incentive Scheme, which is wholly-owned by Trident Trust Company (HK) Limited (as trustee of the Bloks First Trust, which was established by the Company for the purposes of the Share Incentive Scheme).
- (3) For details and background information of the Pre-IPO Investors, see "Pre-IPO Investments" in this section.

**CORPORATE STRUCTURE IMMEDIATELY FOLLOWING THE GLOBAL OFFERING**

The following chart sets forth our Group’s corporate and shareholding structure immediately after the Global Offering (assuming that the Offer Size Adjustment Option and the Over-allotment Option are not exercised)



*Notes:*

- (1) Each of Mr. Zhu, Next Bloks, Smart Bloks, Wit Bright Limited and Playcreation Holding Limited will be a Controlling Shareholder upon completion of the Global Offering. For details, see “Relationship with the Controlling Shareholders.”
- (2) First Prosperity is a platform holding underlying Shares under the Share Incentive Scheme, which is wholly-owned by Trident Trust Company (HK) Limited (as trustee of the Bloks First Trust, which was established by the Company for the purposes of the Share Incentive Scheme).
- (3) For details and background information of the Pre-IPO Investors, see “Pre-IPO Investments” in this section.

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## HISTORY, DEVELOPMENT AND REORGANIZATION

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### PUBLIC FLOAT

Upon completion of the Global Offering, a total of 125,172,606 Shares, comprising (i) 119,445,306 Shares controlled by Mr. Zhu through Next Bloks and Smart Bloks, (ii) 4,363,650 Shares controlled by Mr. Sheng through ShawnXF Limited and (iii) 1,363,650 Shares controlled by Mr. Huang (as a director of several subsidiaries of the Company) through Bloks Is Coming Limited, representing 51.84% of the total issued Shares immediately after the Global Offering (assuming the Offer Size Adjustment Option and the Over-allotment Option are not exercised), will not be counted towards the public float of the Company.

Save as disclosed above, as at the date of this prospectus, no other Shareholder will be a core connected person of the Company (as defined in the Listing Rules) upon Listing. Taking into account the above and the Shares to be issued pursuant to the Global Offering (assuming the Offer Size Adjustment Option and the Over-allotment Option are not exercised), 48.16% of the total issued Shares upon Listing will be counted towards the public float of the Company.

### PRC LEGAL COMPLIANCE

Our PRC Legal Advisor confirmed that (i) the establishment of our subsidiaries in China and their subsequent shareholding changes have complied with the relevant PRC laws and regulations in all material respects; and (ii) the Reorganization has complied with relevant applicable PRC laws and regulations in material respects.

### SAFE REGISTRATION

Pursuant to the Circular of the SAFE on Foreign Exchange Administration of Overseas Investment, Financing and Round-trip Investments Conducted by Domestic Residents through Special Purpose Vehicles (國家外匯管理局關於境內居民通過特殊目的公司境外融資及返程投資外匯管理有關問題的通知) (the “**SAFE Circular 37**”), promulgated by SAFE and which became effective on 14 July 2014, which replaced the Notice on Issues Relating to the Administration of Foreign Exchange in Fund-Raising and Round-Trip Investment Activities of Domestic Residents Conducted via Offshore Special Purpose Companies (關於境內居民通過境外特殊目的公司融資及返程投資外匯管理有關問題的通知) (the “**SAFE Circular 75**”), (a) a PRC resident must register with the local SAFE branch before he or she contributes assets or equity interests to an overseas special purpose vehicle (the “**Overseas SPV**”) that is directly established or indirectly controlled by the PRC resident for the purpose of conducting investment or financing; and (b) following the initial registration, the PRC resident is also required to register with the local SAFE branch for any major change, in respect of the Overseas SPV, including, among other things, a change of Overseas SPV’s PRC resident shareholder(s), the name of the Overseas SPV, terms of operation, or any increase or reduction of the Overseas SPV’s capital, share transfer or swap, and merger or division. Pursuant to SAFE Circular 37, failure to comply with these registration procedures may result in penalties.

Pursuant to the Circular of the SAFE on Further Simplification and Improvement in Foreign Exchange Administration on Direct Investment (關於進一步簡化和改進直接投資外匯管理政策的通知) (the “**SAFE Circular 13**”), promulgated by SAFE and which became effective on 1 June 2015, the power to accept SAFE registration was delegated from local SAFE to local banks where the assets or interests in the domestic entity are located.

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## HISTORY, DEVELOPMENT AND REORGANIZATION

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Our PRC Legal Advisor have confirmed that Mr. Zhu and other three individual shareholders of the offshore holding vehicles holding our Shares, being PRC residents, have duly registered in respect of his/her investment in the Group in accordance with SAFE Circular No. 37 and SAFE Circular No. 13 in October 2021.

### M&A RULES

According to Article 2 of the “Provisions on the Mergers and Acquisitions of Domestic Enterprises by Foreign Investors” (關於外國投資者併購境內企業的規定) (the “**M&A Rules**”) jointly issued by six PRC governmental and regulatory agencies, including MOFCOM and CSRC, which became effective on September 8, 2006 and amended on June 22, 2009, foreign investors should comply with the M&A Rules and other applicable PRC laws and regulations when the foreign investors purchase equity interests in a domestic non-foreign-invested enterprise (“**domestic company**”) or subscribes for increased capital of a domestic company, thus changing the nature of the domestic company into a foreign-invested enterprise (“**merger and acquisition of equity interests**”); or when the foreign investors establish a foreign-invested enterprise in the PRC, through which they purchase and operate the assets of a domestic company by agreement; or when foreign investors purchase the assets of a domestic company, establish a foreign-invested enterprise by injecting such assets, and operate the assets. The M&A Rules, among other things, further purport to require that an offshore special vehicle, or a special purpose vehicle, formed for overseas listing purposes and controlled directly or indirectly by PRC companies or individuals, to obtain the approval of the CSRC prior to the listing and trading of such special purpose vehicle’s securities on an overseas stock exchange, in the event that the special purpose vehicle acquires shares of or equity interests in the PRC companies in exchange for the shares of offshore companies.

According to Article 11 of the M&A Rules, the merger and acquisition of a domestic company with or by a domestic company, enterprise or individual, that has related party relationship with the target company, in the name of an overseas company legitimately incorporated or controlled by the domestic company, enterprise or individual, shall be subject to examination and approval by MOFCOM. Pursuant to the Manual of Guidance on Administration for Foreign Investment Access (《外商投資准入管理指引手冊》(2008)) promulgated by Foreign Investment Department of the Ministry of Commerce (商務部外資司), notwithstanding the fact that (i) the domestic shareholder of the domestic company has connected relations with the foreign investor or not, (ii) whether the foreign investor is an existing shareholder or a new investor, the M&A Rules shall not apply to the merger and acquisition of equity interests in an established foreign-invested enterprise.

Therefore, our PRC Legal Advisor has advised that the Reorganization of our Group is not subject to the Article 11 of M&A Rules. However, there is uncertainty as to how the M&A Rules will be interpreted or implemented, and there can be no assurance that the PRC regulatory authorities will not take a view that is contrary to or otherwise different from the above opinions of our PRC Legal Advisor in the future.



**OVERVIEW****Who We Are**

We are a leader of assembly character toys in China. Leveraging our portfolio of more than 500 patents, in-house IP development capability and cooperative relationships with approximately 50 renowned non-exclusive IP franchises, we are dedicated to providing consumers with a wide range of quality-for-money assembly character toys and have achieved rapid growth. Our assembly character toys recreate the essence of IP characters. Through the combination of our product strength and supply chain capabilities, we are able to maintain cost advantages and continuously expand product categories. We have established a multi-channel sales network in China with a comprehensive and extensive consumer reach. We pivoted to offline sales channel with a focus on distributors as we began to offer assembly character toys in 2022. According to Frost & Sullivan, we are China's largest and leading player in the assembly character toy segment with a GMV of approximately RMB1.8 billion in 2023. We are also a fast-growing toy company with a GMV growth of over 170% in 2023. Our market share in China's assembly character toy segment and China's assembly toy market in terms of GMV was 30.3% and 7.4% in 2023, respectively. China had an assembly character toy market size of RMB5.8 billion in terms of GMV, representing 5.5%, 14.3% and 24.4% of China's toy market, characters toy market and assembly toy market in 2023, respectively.

**Our Major Products**

### Evolution of Our Business

We have been dedicated to the design, development and sales of assembly toys since 2016. Starting from brick-based toys, we accumulated a wealth of knowledge in assembly toys which served as a solid foundation for expanding our product offering. We then strategically diversified our product offering to include assembly character toys. We started the research and development of assembly character toys in 2019 and began to offer such products in 2022, as we saw large growth potential driven by strong demand for toys that combine highly engaging assembling process and popular IP characters with strong and loyal fan bases. According to Frost & Sullivan, China's assembly character toy market grew by a CAGR of 49.6% from RMB1.2 billion in 2019 to RMB5.8 billion in 2023, and is expected to grow at a CAGR of 41.3% from RMB5.8 billion in 2023 to RMB32.5 billion in 2028.

Brick-based toys and assembly character toys, both being assembly toys, share many similarities in product design and production. Both brick-based toys and assembly character toys employ the concept of standard components, have components that are compatible across various products, and involve assembling and connecting mechanism. In addition, the raw materials and production process for brick-based toys and assembly toys are similar, which enabled us to leverage our expertise, knowledge and established relationship in production and supply chain management. This can be further corroborated by the fact that three of our partner factories have been working with us to produce brick-based toys since 2017, 2018 and 2021, respectively, and continued to produce assembly character toys for us afterwards.

Due to the abovementioned similarities, we are able to leverage our management and other experiences from brick-based toys in diversifying our assembly toy offering to include assembly character toys. Particularly, we have accumulated knowledge in product design (including connection mechanism and materials) and production (including molding, injection and painting). On the back of our experience in brick-based toys, we developed the Bloks System specifically for our assembly character toys. Our assembly character toys quickly achieved success. We began to offer assembly character toys in January 2022. The revenue from our assembly character toys increased by 553.5% from RMB117.7 million in 2022 to RMB769.0 million in 2023, and increased by 323.8% from RMB241.4 million in the six months ended June 30, 2023 to RMB1,023.1 million in the six months ended June 30, 2024. In 2022, our assembly character toys achieved a gross profit margin of 36.8%, similar to that of brick-based toys. The gross profit margin further increased to 48.4% in 2023 and 53.3% in the six months ended June 30, 2024, exceeding that of brick-based toys at 38.7% and 38.1% for the respective periods.

Prior to the launch of our assembly character toys, we sold our brick-based toys through offline channels such as distributors and consignment sales as well as online channels. In 2021, 45.7% and 51.8% of our revenue were generated through offline channels and online channels, respectively. We pivoted to offline sales channel with a focus on distributors as we began to offer assembly character toys in 2022. This approach leveraged the local resources and market intelligence of distributors, enabling us to effectively penetrate the market. More specifically, offline distributorship allows our target consumers to conveniently experience and purchase our products offline. By utilizing offline distributorship, we were able to expand presence and drive our growth efficiently and effectively. In 2022, 2023 and the six months ended June 30, 2024, our offline distribution sales amounted to 48.2%, 83.6% and 91.6% of our total revenue, respectively.

### **The Bloks System**

Within the global toy market, character toy is the largest segment by form. However, there is significant room for improvement in efficiently meeting consumer demand for quality-for-money character toys. More specifically, while character toys exhibit individuality elements such as the recreation of the IP characters and simulation of their poses, there is a lack of a highly standardized system for industry players to efficiently and consistently launch products that combine assembling experience, consistent quality and great value-for-money. The application of assembling mechanism in character toys is typically done through either construction blocks or a high proportion of customized components to recreate the IP characters and simulate their poses. We combine the advantages of character toys and assembling mechanism and improve thereupon, and offer consumers a new choice in the character toy segment with our patent-protected Bloks System. The Bloks System comprises the standardization of product design, research and development and production, a self-compatible product system and a consumer ecosystem, and enabled us to forge a new assembly character toy category combining standardization and individuality elements.

- *Standardization of product design, research and development and production.* In terms of product design, the majority of components of a single product are standard components. Such standard components are primarily used as the structures and joints of an assembly character toy and can be shared across different models. A same set of structures and joints can be used as the basis of design for different products, thereby realizing design efficiency. By combining standard and customized components with a certain proportion, we are able to design products that can be adapted to a broad array of IPs, and recreate the essence of IP characters with great value-for-money. In terms of research and development, we have a patent portfolio covering component-related patents and production technique-related patents. Component-related patents enable standardized connections between different product components, while production-related patents facilitates standardized production. In terms of production, the production process of standard components can be easily standardized, which enables us and our partner factories to produce products with consistent quality while benefiting from economies of scale.

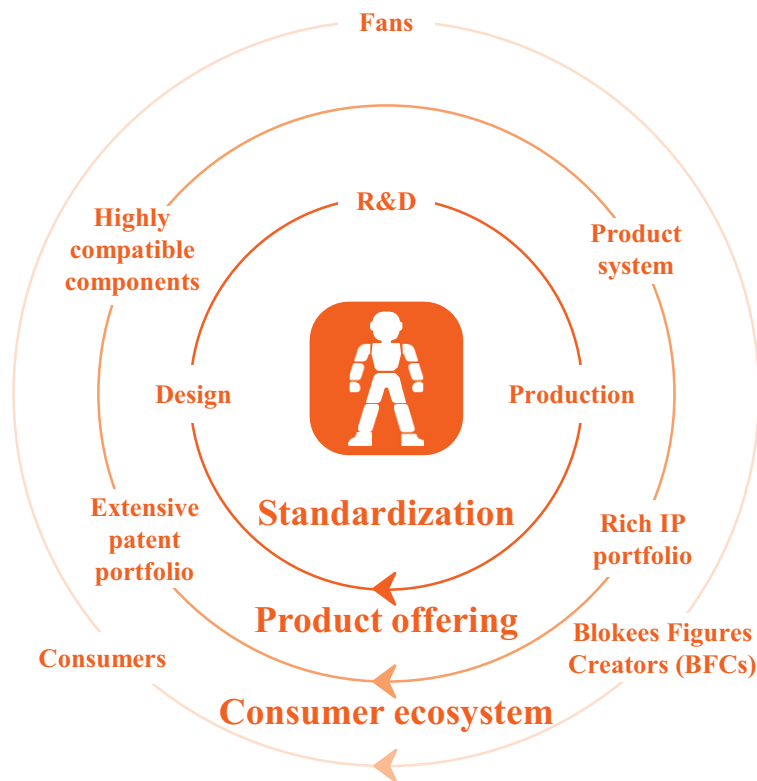
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## BUSINESS

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- *Self-compatible product system.* Our extensive patent portfolio and rich IP portfolio enable us to develop a comprehensive and self-compatible Bloks product system catering to wide demographics and price segments. Standardization patents not only protect the originality of our systemized product offering, but also make a large portion of components in our distinctive product system highly compatible. Our rich IP portfolio not only attracts consumers to continuously purchase new product series, but also enables them to “mix-and-match” the highly compatible components from different products to form unique and individualistic assembly and re-creations based on their creativity and interests, therefore becoming long-term consumers in our product system.
- *Consumer ecosystem.* Due to the consumer connection from the assembling process, and the fact that IP characters are closely associated with rich contents that can be widely disseminated, we execute a content-driven online marketing strategy to effectively reach and maintain a broad base of consumers, fans and Blokees Figures Creators (“BFCs”), thereby nurturing a consumer ecosystem with a closed feedback loop. Our consumer ecosystem not only augments the success rates of new product launches and sales efficiency, but also increases the stickiness and repeat purchases of our consumers and fans.

### The Bloks System



### Market Opportunities

Assembly character toy is the fastest-growing segment in the global toy market and has significant growth potential. Due to the emergence of innovative systems and quality supply, assembly character toys enjoy significant differentiated advantages over traditional character toys, gradually becoming the preferred choices of consumers, with the penetration rate in the global toy market expected to increase in the long run.

According to Frost & Sullivan, the global and China's character toy market reached RMB345.8 billion and RMB40.3 billion in 2023, and is expected to grow at a CAGR of 9.3% and 17.7% to reach RMB540.7 billion and RMB91.1 billion in 2028, respectively. Within the above markets, the global and China's assembly character toy market reached RMB27.8 billion and RMB5.8 billion in 2023, and is expected to grow at a CAGR of 29.0% and 41.3% to reach RMB99.6 billion and RMB32.5 billion in 2028, respectively. The penetration rate of global and China's assembly character toys in the character toy market is expected to increase from 8.0% and 14.3% in 2023 to 18.4% and 35.6% in 2028, respectively. Furthermore, the innovative systems can be applied to multiple categories of toys, including vehicle toys and various scenery toys. In particular, the global and China's vehicle toy market reached RMB96.7 billion and RMB15.1 billion in 2023, and is expected to grow at a CAGR of 2.9% and 6.3% to reach RMB111.6 billion and RMB20.5 billion in 2028, respectively.

### Rich IP Portfolio

Our self-developed IPs and renowned licensed IPs form our rich IP portfolio. We have successfully developed two IPs in-house, including the children-development-oriented Magic Blocks (百變布魯可) and the Chinese culture-themed Hero Infinity (英雄無限). Our assembly character toys efficiently commercialize IP at scale and position us as a preferred partner of various proprietors of renowned IPs. As of the Latest Practicable Date, we had obtained licenses for approximately 50 renowned IPs, including Ultraman, TRANSFORMERS, Naruto, Marvel's Infinity Saga, Marvel's Spidey and His Amazing Friends, Minions, Pokémon, Kamen Rider, Detective Conan, Hatsune Miku, Saint Seiya, EVANGELION, Hello Kitty, Sesame Street, SUPER SENTAI, DC's Superman, DC's Batman, Harry Potter and STAR WARS. Our rich IP portfolio enables us to offer products to reach consumers across different age groups and genders globally.

### Comprehensive Product Offering

We capture the market opportunities and are committed to leveraging our Bloks System that combines standardization and individuality elements to create highly popular and fun assembly character toys, address global consumers' widespread demand for toys that recreate the essence of IP characters, and deliver the joy of assembling. Through a large number of SKUs, a comprehensive price segment coverage and a rich IP portfolio, we have built an expansive matrix-style product offering and continue to serve consumers, fans and BFCs with a wide selection of products. As of June 30, 2024, we had a total of 431 SKUs available for

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## BUSINESS

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sale, including 116 SKUs designed primarily for children under the age of six, 295 SKUs designed primarily for consumers between the ages of six and 16, and 20 SKUs designed primarily for consumers over the age of 16.

Our products offer consumers various quality-for-money propositions, including excellent play experience, exquisite design and high quality.

- *Fun experience.* Our innovative and systemized assembling mechanism ensures our products are easy to play with. Consumers' involvement in the assembling process promote individualistic expression. As such, our products have strong collectability and can provide consumers with long-term companionship.
- *High quality.* Our products are high quality, safe, enduring, and exquisitely-designed with consistent assembling experience.
- *Great value-for-money.* Our product pricing strategy covers a comprehensive price range, and our mainstream products' suggested retail prices primarily range from RMB9.9 to RMB399, with great value-for-money at each price segment. Our best-selling products in the mass-market price segment are priced at RMB39 per unit, while products in the value price segment that can reach a wider consumer group are priced from RMB9.9 to RMB19.9 per unit.

As a result of these features and propositions, our assembly character toy products have attained wide-spread popularity as evidenced by the strong growth since their launches, despite the fact that a number of them are based on licensed IPs that are non-exclusive and therefore compete with products based on the same IP(s) produced by other industry players. To the best of our knowledge, there are no fewer than two other companies that can sell assembly character toys under the Ultraman IP in China and overseas. For the TRANSFORMERS IP, to the best of our knowledge, there are no fewer than three other companies that can sell assembly character toys under the IP in China, with two of these companies also being able to sell overseas.

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# BUSINESS

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## Our Product Offering



## Our Performance

We achieved significant growth during the Track Record Period. We recorded revenue of RMB329.8 million, RMB325.6 million, RMB876.7 million and RMB1,046.2 million in 2021, 2022 and 2023 and the six months ended June 30, 2024, respectively, with a CAGR of 63.0% from 2021 to 2023 and a period-over-period growth of 237.6% in the six months ended June 30, 2024. We recorded gross profit of RMB123.4 million, RMB123.4 million, RMB414.9 million, and RMB553.7 million in 2021, 2022 and 2023 and the six months ended June 30, 2024, respectively, with a CAGR of 83.4% from 2021 to 2023 and a period-over-period growth of 306.5% in the six months ended June 30, 2024. Our gross margin continued to grow during the Track Record Period, from 37.4% in 2021 to 37.9% in 2022 and further to 47.3% in 2023 and 52.9% in the six months ended June 30, 2024. In the six months ended June 30, 2024, we recorded adjusted profit for the period (a non-IFRS measure) of RMB292.2 million, representing an increase of 300.9% from the year ended December 31, 2023.

**COMPETITIVE STRENGTHS****Hard-to-replicate combination of wide ranging patents and rich IP portfolio***Wide ranging patents*

We have an extensive patent portfolio to protect the originality of our self-compatible assembly character toy product system. Through our patent portfolio covering components and production techniques, we not only make the Bloks System hard-to-replicate, but also provide our partner factory network with a solid technology and technique foundation for specialized assembly character toy production.

- *Component-related patents.* Component related patents, including patents related to overall assembly structure and key joint components, are the core of our patent portfolio, and are critical for standardizing our assembly character toys. Component-related patents facilitate highly standardized production, which in turn enables us to better control product quality, improve the consumer experience in fun and ease-to-play-with and lower our costs. In addition, component-related patents enable highly standardized connections between different product components and form an important foundation for our self-compatible product system. Through highly standardized connection mechanisms, our standard components and customized components that represent IP characters' unique features are highly compatible and can be mixed-and-matched for different assembly combinations, not only providing a consistent assembling experience, but also strengthening the individuality elements such as the recreation of the essence of IP characters and the simulation of dynamic poses, thereby enhancing the fun features of our products.
- *Production technique-related patents.* Production technique-related patents, including injection molding and process automation, enable us to curate proprietary production techniques and customized equipment, allowing the specialized, efficient, and scaled production of our assembly character toys while maintaining distinctive cost advantages.

Our extensive patent portfolio includes patents granted in China and major overseas markets. As of the Latest Practicable Date, we had 512 granted patents in China, including 75 invention patents, as well as 24 granted patents in overseas countries and regions, including the United States, Europe and Japan. Our expertise in building a patent portfolio has also earned us numerous honors and awards. We were accredited as “High and New Technology Enterprise” by the Shanghai Science and Technology Commission in 2021, “National Intellectual Property Advantage Enterprise” by the National Intellectual Property Administration in 2022 and “Shanghai Patent Work Demonstration Enterprise” by the Shanghai Intellectual Property Administration in 2023.



### *Rich IP portfolio*

We have built a rich IP portfolio with our self-developed IPs and licensed IPs, and adapted the IPs to products that would address diverse consumer preferences to develop a product offering catering to wide demographics and price segments. We follow a systematic approach for IP development, licensing and management, factoring in the overall popularity of IPs, consumer preferences, product adaptability and product offering expansion potential, to continuously optimize and cultivate our leading IP commercialization and management capabilities.

Through long-term consumer insights and an experienced IP development team, we have successfully incubated and commercialized our self-developed IPs. We have strong IP development capabilities and have widely disseminated our self-developed IP contents. As of the Latest Practicable Date, our animated series based on Magic Blocks and Hero Infinity had cumulative viewing on pop-up basis of over 15.2 billion and over 5.0 million followers in aggregate. Our self-developed IPs also demonstrate strong monetization potential. As of June 30, 2024, we had 50 SKUs available for sale under our Magic Blocks franchise, and 53 SKUs available for sale under our Hero Infinity franchise, with major characters including Monkey King (孫悟空), Nezha (哪吒), Guan Yu (關羽), Zhang Fei (張飛), Zhao Yun (趙雲) and Yang Jian (楊戩).

On the IP licensing front, assembly character toys are considered a high-quality medium for IP proprietors to expand consumer reach and maintain consumer loyalty. More specifically, assembly character toys, due to their connection with consumers and their collectability, have become an ideal medium for the storyline and values of a particular IP franchise. Products under our Bloks System can recreate the essence of IP characters for wide demographics and price segments, and effectively commercialize the IPs, which in turn position us as a preferred partner of various proprietors of renowned IPs. As of the Latest Practicable Date, we had obtained licenses for approximately 50 renowned IPs, including Ultraman, TRANSFORMERS, Naruto, Marvel's Infinity Saga, Marvel's Spidey and His Amazing Friends, Minions, Pokémon, Kamen Rider, Detective Conan, Hatsune Miku, Saint Seiya, EVANGELION, Hello Kitty, Sesame Street, SUPER SENTAI, DC's Superman, DC's Batman, Harry Potter and STAR WARS. We have successfully launched products based on 12 of the licensed IPs. As of June 30, 2024, we had available for sale 134 SKUs of toys under the Ultraman franchise and 64 SKUs of toys under the TRANSFORMERS franchise. Under our IP licensing agreements, we have the right to offer assembly character toys in a large number of countries around the world. For example, we have the right to sell our products under the TRANSFORMERS franchise in major toy markets such as China, the United States, Europe and Southeast Asia.

### *Unique advantages of combining patents and IP*

Through the combination of our wide-ranging patents and rich IP portfolio, we have created core competitive advantages that are hard-to-replicate:

- *Balancing quality and cost.* Through the integration of patents and IP in the entire process of product design, research and development and production, we are able to achieve a balance between product quality and cost control.
- *Matrix-style and compatible product offering.* Utilizing our patents and IPs, we have successfully launched various individual products and product series and built an extensive and hard-to-replicate matrix-style product offering. In addition, our assembly character toys are highly compatible, and substantially all of the components in our products can be used in our other models for mixing-and-matching.
- *Consumer ecosystem system.* Through a matrix-style and compatible product offering, we continue to attract a large number of highly active consumers, fans and BFCs and provide them with the flexibility of re-creations such as re-touch and modification. Due to the popularity of renowned IPs and our own event operations, fans and BFCs actively create and disseminate a rich variety of high-quality UGCs. The participation of fans and BFCs increases the activities of a large number of consumers in our ecosystem, attracts new consumers to join our ecosystem, and converts some consumers into fans and BFCs. The positive feedback from consumers on UGCs created by fans and BFCs has further stimulated the creativity and vitality of the ecosystem, thereby forming a unique Bloks consumer ecosystem with a positive feedback loop.

### **Product strength underpinned by the full integration of R&D and production**

#### *Efficient research and development*

We have a robust and efficient research and development team. As of June 30, 2024, approximately 64% of our employees were engaged in research and development, of which approximately 84% were focused on product-related research and development functions. Our dedication to research and development enables us to build an extensive patent portfolio, which protects the originality of our self-compatible product system and facilitates the establishment of a network of partner factories specializing in the production of assembly character toys.

We follow a consumer-centric research and development philosophy, with a particular focus on consumer feedback and consumer experience, and we apply our consumer insights throughout the entire process, from product design to launch. In the product design phase, we continue to improve the quality and experience of the product through consumer surveys and participation. After product launch, we iterate the product based on consumer feedback to form a closed loop to optimize product experience.

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## BUSINESS

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Through our proprietary research and development system, coupled with our self-developed software and information management systems, such as component editing software and SKU information management system, we have achieved efficient and standardized product design and development processes.

### *A partner factory network specializing in the production of assembly character toys*

Leveraging China's vast, high-quality and cost-effective production resources, we follow a strict standard to select and manage our production partners, and establish long-term category exclusive cooperation with industry-leading third-party partner factories, forming a technically advanced partner factory network specializing in the production of assembly character toys. Our research and development are deeply integrated with our specialized and modularized partner factory network across China. We utilize our know-how in assembly character toy production and various patents to curate proprietary production techniques and customized equipment, making our partner factory network hard-to-replicate.

Through a highly standardized molding process, and an automated process of mold injection, UV printing and painting, component sorting, and box packaging, we have achieved efficient large-scale production and cost advantages. In the six months ended June 30, 2024, we recorded a gross profit margin of 52.9%, which is above industry average, and were able to offer products at the value price segment at RMB19.9 per unit at scale. Meanwhile, we have achieved a molding accuracy of 0.004 mm, significantly higher than the industry average, through an innovative molding technique. Therefore, our different products have consistent quality, and the snapping forces required across different models are similar, which lead to a smooth and consistent assembling experience.

We have formulated strict Bloks toy safety standards for our partner factory network specializing in the production of assembly character toys, and the test indicators under our safety standard meet global industry safety standards, including China's toy safety standard GB6675-2014, the United States toy safety standard ASTM F963 and the European Union toy safety standard EN71.

### *Product strength*

Integrating research and development and production brings about our product strength, mainly including the following elements:

- *Quality-for-money.* Our products feature high quality, safety, durability, exquisite design, consistent assembling experience and recreation of the essence of IP characters, and can be produced at a competitive cost, enabling us to launch quality-for-money products in different price segments. For example, multiple SKUs in the value price segment at RMB19.9 per unit that were launched in December 2023 under the Hero Infinity Galaxy Version Turbo, attained high popularity among a wide base of value-conscious consumers, with a sales volume of over 350,000

units in its first quarter of launch. In November 2024, we launched the TRANSFORMERS Galaxy Version Defender in the value price segment at a suggested retail price of RMB9.9 per unit to further expand the price segment coverage of our products.

- *Efficient new product launch.* Our product launch is characterized by short cycle, high frequency, large quantity and high success rates. In terms of the product launch cycle, it takes approximately six to seven months from conceptualization to mass production, which is lower than the industry average of 10 to 12 months. We launched SKUs at a high frequency of approximately 30 to 90 SKUs per quarter from 2023 to the six months ended June 30, 2024. In 2023, we launched a total of 197 SKUs, and plan to launch approximately 400 and 800 SKUs in 2024 and 2025, respectively. In terms of product launch success rate, the products we launched remain popular in the market and have achieved high success rates. Currently, the vast majority of assembly character toy SKUs newly launched in 2023 remains available for sale.
- *Long IP's product life cycle.* We continue to launch new product versions and series under each individual IP franchise, and extend each IP's product life cycle through continuous iterations. For example, we had launched seven versions and 26 series under the Ultraman franchise, with a total of 134 SKUs available for sale as of June 30, 2024. Currently, all 13 series of Ultraman Galaxy Version we launched remain available for sale, with Series 11 of such version achieving a 86.7% increase in sales in its first quarter of launch as compared to that of Series 10.
- *High consumer stickiness.* As of June 30, 2024, we had approximately 2.0 million registered members in the Weixin mini program, with a large number of repeat purchasers. Members who activated their products on the Weixin mini program in 2023 activated an average of approximately five units of our assembly character toys.

### **Content-driven online marketing strategy facilitating the efficient buildout of multi-channel sales network**

Unlike traditional toys, assembly character toys are naturally suitable for content-driven marketing due to the consumer connection from the assembling process, and the fact that IP characters are closely associated with rich contents that can be widely disseminated. As such, we are able to leverage the popularity and influence of our rich IP portfolio and execute a content-driven online marketing strategy to effectively reach and maintain a broad base of consumers, fans and BFCs, and collect feedback on our products.

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## BUSINESS

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We carry out systematic product content dissemination on social media platforms by using multiple communication channels, including our official accounts and the accounts of KOLs, KOCs, fans and BFCs, combining the IP attributes and channel characteristics, and synchronizing timing with the IP proprietors' promotional activities:

- *Official accounts.* We publish high-quality images and videos that highlight our product design and the essence of IP characters to enhance brand awareness. Additionally, we dynamically adjust the timing of new product launches and marketing content releases based on the relevant IP's content release schedule, effectively supporting our product marketing.
- *Collaborations with KOLs and KOCs.* The KOLs and KOCs we work with publish contents to highlight the advantages of our products, including new product features such as cool appearances and new production techniques, recreations of classical movie scenes, and assembling experience sharing, to stimulate the activities of our consumer ecosystem. We worked with more than 900 KOLs and KOCs from January 2022, when we began to offer assembly character toys, to the Latest Practicable Date across various online platforms. There was no concentration of KOLs and KOCs during the Track Record Period and up to the Latest Practicable Date.
- *UGCs.* Our products that recreate the essence of IP characters stimulate the fans' and BFCs' interests in product re-creations and subsequent content sharing utilizing our diverse product offering. Through official reposting and event operations such as product photo sharing, assembling and re-creation competition and offline exhibitions, we further promote creativity and UGC sharing by consumers, fans and BFCs on social media platforms.

Hashtags related to us and our products have generated more than 11 billion views across various social media platforms, which corroborates the success of our content-driven online marketing strategy. We actively reflect consumer feedback on our products from these social media platforms in product development and iteration processes, forming a positive feedback loop based on consumer insights.

Our content-driven online marketing strategy has enabled us to efficiently establish a multi-channel sales network. Content-driven marketing deepens consumers' awareness of our brand and products, promotes our products effectively, improves the success rates of new product launches, and has a network effect on multi-channel sales promotion. A large number of online and offline channel partners also seek cooperation with us because of our product strength and popularity. As of June 30, 2024, we had established a strong market position in offline sales channels in China, including retail outlets and specialty outlets. Through over 450 distributors, our products can effectively reach all first- and second-tier cities and over 80% of the third-tier cities and below. Our products are also sold in large-scale supermarkets and specialty outlets in China, including Toys“R”Us, Kidswant, Kulechaowan, and Walmart. Our online channels in China cover mainstream e-commerce platforms, including Tmall, JD.com,

Douyin, and Pinduoduo, as well as our own Weixin mini-program. Meanwhile, our products are also sold through online and offline channels including Amazon, Toys“R”Us, 7-Eleven and Walmart in overseas markets including the United States, Southeast Asia and Europe.

Through our content-driven online marketing strategy and multi-channel sales network, we have achieved solid sales and marketing results. As a leader in China’s assembly character toy segment, we are widely recognized by consumers. We had a total of more than 13 million fans on online platforms including JD.com, Weixin, Tmall, Douyin, Pinduoduo, Kuaishou, Weibo, Xiaohongshu and Bilibili as of the Latest Practicable Date, ranking us one of the top two brands in the Chinese toy industry in this regard. Our assembly character toys enjoy fast inventory turnover. In the six months ended June 30, 2024, our assembly character toys stayed in our warehouses for approximately 30 days on average. In the six months ended June 30, 2024, our marketing and promotion expenses accounted for 4.6% of our total revenue, significantly lower than the industry average.

### **Sustainable growth model with matrix-style product offering covering all demographics, all price segments and global consumers**

Leveraging our advantages as a leader in the assembly character toy segment, we have successfully curated a product offering catering to all demographics, all price segments and global consumers:

- *All demographics.* Based on the Bloks System and our rich IP portfolio, we developed a product offering that can meet the long-term needs of diverse consumers and fans of all ages and genders. As of June 30, 2024, we had available for sale 116 SKUs designed primarily for children under the age of six, including products under the Magic Blocks franchise, 295 SKUs designed primarily for consumers between the ages of six and 16, including products under the Hero Infinity, Ultraman, TRANSFORMERS and Naruto franchises, and 20 SKUs designed primarily for consumers over the age of 16, including products under the Ultraman and TRANSFORMERS franchises.
- *All price segments.* Leveraging our efficient research and development and partner factory network with cost advantages and consistent quality, we are able to launch highly popular quality-for-money products covering all price segments. Suggested retail prices of our mainstream products range from RMB9.9 to RMB399, with the majority having a suggested retail price between RMB19.9 and RMB79, and we are also capable of expanding the price range of our products upwards and downwards. Our multi-channel sales network brings our products in the value, mass-market, mid-end and high-end price segments to a large number of consumers. We launched the Ultraman Galaxy Version in the mass-market price segment at a suggested retail price of RMB39 in January 2022, and the Hero Infinity Galaxy Version Turbo in the value price segment at a suggested retail price of RMB19.9 in December 2023, both of which achieved strong sales with positive consumer feedback. In November 2024,

we launched the TRANSFORMERS Galaxy Version Defender in the value price segment at a suggested retail price of RMB9.9 per unit to further expand the price segment coverage of our products.

- *Global consumers.* Assembling mechanism has a universal appeal, thus assembly character toys can naturally meet the widespread demands of consumers and fans around the world for toys that are easy to play with. Leveraging China's high-quality production resources and our partner factory network specializing in the production of assembly character toys, we are able to provide quality-for-money toys to global consumers. We also have the rights to sell assembly character toys under IP franchises popular among global consumers and fans in multiple countries, and we have been building a sales network covering various overseas markets.

Our product offering catering to all demographics, all price segments and global consumers are three distinctive drivers for our continued, sustainable and robust growth. In addition, we plan to expand into new categories, such as vehicle toys, following the same product offering approach.

### **Dedicated founder and management team with a track record of entrepreneurship and innovation capabilities**

We have a team of dedicated founders and senior management with successful experience in innovation. Our management team combines talents from toy, cultural and entertainment and TMT industries. With an average of over 15 years of experience in relevant industries, our founder and the core members of our senior management possess a combination of innovative thinking and expertise from different fields.

Our founder Mr. Zhu is a seasoned serial entrepreneur, who has co-founded a listed company. Mr. Zhu possesses deep industry experience across key areas ranging from product research and development, IP development and management, production to sales and marketing. Mr. Zhu's leadership, profound industry insights and innovative and entrepreneurial spirit spearheaded our rapid growth in the past, and will continue to propel our growth in the future. Our senior management team has strong capabilities in products innovation and development, and we have won multiple prominent awards and honors in the industry.

With the leadership of Mr. Zhu and the assistance of the senior management team, we will continue to uphold the vision of offering fun products globally and deliver the joy of assembling to global consumers and fans.

### STRATEGIES

#### **Solidify our leadership position in assembly character toys by continuously capturing growth opportunities across all demographics, all price segments and global consumers**

We aim to continue to execute our growth strategy of capturing all demographics, all price segments and global consumers to solidify our leadership in the assembly character toy segment. Specifically, we plan to continue to expand our product offering, deepen our IP accumulation, expand our multi-channel sales network and strengthen our consumer ecosystem to meet the diverse demands of a wide range of consumer and fan groups.

- *Product offering.* We plan to continuously expand our product offering to further expand target consumers and price segment coverage, including more SKUs based on renowned IP franchises, including Minions, Pokémon, Detective Conan, EVANGELION and Hello Kitty. We plan to leverage our proven capability to develop assembly character toys with various quality-for-money propositions, including excellent experience, exquisite design and high quality to launch new products based on these non-exclusive IPs that compete favorably with products based on the same IP(s) produced by other industry players.
- *IP accumulation.* We plan to continue to accumulate more IPs to meet the needs of diverse consumers and fans by strengthening our efforts in in-house IP developments and expanding cooperation with proprietors of renowned IPs. As of the Latest Practicable Date, we were negotiating IP licensing arrangements for more than 25 renowned IPs.
- *Multi-channel sales network.* We plan to continue to expand our offline channels in China to cover more retail outlets, especially in lower-tier cities. In addition, we plan to develop online and offline DTC channels to have more direct and timely consumer feedback in order to better connect with our consumer and fan base. In particular, we plan to open flagship stores in selected major cities in the near future. These stores can serve as physical touchpoints where customers can experience our products firsthand and provide immediate reactions and opinions. Additionally, flagship stores create a space for building stronger relationships with loyal customers, fostering a deeper sense of community. Meanwhile, leveraging our leading position in China and an expanding overseas coverage of the licensed IPs, we plan to cooperate with more overseas channel partners to effectively increase the number of retail outlets and expand geographical coverage, so as to realize rapid growth in the sales of our diverse, quality-for-money, and fun products in the overseas markets.



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## BUSINESS

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In order to implement our growth strategy of capturing all demographics, all price segments and global consumers, on the production front, we plan to invest in core production resources such as molds and our own scaled factories specializing in the production of assembly character toys to expand and optimize our production resources. We seek to achieve economies of scale efficiently by considering a range of factors related to the potential self-operated factory, including cost, quality control, production capacity, production delivery and logistics, and aiming to realize the best business and financial returns with the optimal balance between the self-operated production capacity and partner factories' production capacity.

### **Expand product categories**

Leveraging the strong expandability of the Bloks System, we plan to replicate our success in the assembly character toy category across a wider range of toy categories, including vehicle toys and various scenery toys. Our current brick-based toy offering contains vehicles and therefore we already possess relevant experience in developing vehicle toys. Moreover, we believe that the conceptualization and mechanical design of assembly toys based on vehicles to be much less complicated than those of assembly toys based on IP characters due to factors such as possibility and amount of details. The Bloks System allows us to incorporate our innovative and systemized assembling mechanism and standardized connection mechanism in the design of assembly vehicle toys to reduce development costs. We are also able to leverage our network of partner factories to produce these assembly vehicle toys at a competitive cost. According to Frost & Sullivan, the vehicle toy segment is the second largest toy segment by form in the global and China's toy market, with a GMV of RMB96.7 billion and RMB15.1 billion and a penetration rate of 12.5% and 14.4% in the global and China's toy market in 2023, respectively. Our rich experience in commercializing a wide range of IPs serve as a solid foundation for us to make assembly vehicle toys an important new category for development. We plan to launch vehicle toys in 2026 and scenery toys further down the road. A product offering covering diverse assembly toy categories and the combination of different assembly toy categories will significantly expand the playing themes of our toys and bring significant mid- to long-term growth potential.

### **Build a team of high quality global talents**

We uphold a people-oriented corporate culture and regard employees as the cornerstone of sustainable corporate development, and we plan to continue to attract, train, retain and motivate high-quality global talents to support our global growth strategy. Specifically, we plan to continue to recruit and cultivate talents for innovation in key aspects of our business, including product design and development, in-house development and licensing of IPs, procurement and production, and sales and marketing, so as to effectively cover major markets in China and overseas to offer quality-for-money products to global consumers. We believe that a high quality, dedicated and experienced team is the key to our success. Furthermore, we plan to strengthen our talent incentive programs to support our employees in achieving career development while driving our business success.

### **Strategically pursue investment and acquisition opportunities**

To execute our growth strategy, we aim to pursue further strategic cooperation with a wide range of partners in the global assembly character toy industry value chain, including IP proprietors, partner factories and sales channel partners, to build a strategic partner network. In particular, we plan to jointly invest in IP contents and deepen cooperation with proprietors of renowned IPs. We also aim to strategically explore potential acquisition opportunities to further strengthen our IP portfolio, product offering, research and development capabilities and sales channels. As of the Latest Practicable Date, we had not identified any targets for any significant investments or acquisitions in the near future.

### **Commitment to sustainability and social impact**

We are committed to fulfilling our social responsibilities, and believe that ESG-related strategy is critical to the sustainable development and success of our business. In the product design process, we plan to adhere to environment friendly and compatibility design concepts: (i) Environment-friendly: We plan to increase the use of degradable, environmentally friendly raw materials for product production and packaging without compromising consumer experience; (ii) Compatibility: We focus on product compatibility and durability, providing consumers and fans with various ways to play with our toys and reuse the parts and components, thereby reducing the waste of raw materials in the industry. We also plan to continuously optimize production techniques and upgrade automation technologies to further reduce production waste, energy use and carbon emissions.

We will continue to support and participate in charitable events that are in line with our values, and we are in the process of establishing the Bloks Foundation. We plan to focus our charitable events on causes such as green and environmentally friendly technologies in the field of toy production, the cultivation of innovative talents, original content creation and funding for children's development.

### **OUR PRODUCT APPROACH**

We adopt a product approach that offers consumers a new choice in the highly popular character toys market. Through our product approach that employs an optimal combination of standard and customized components, we produce character toys that recreate the essence of the IP characters, and are fun to assemble and play with, and more accessible in terms of pricing.

Surrounding our product approach, we have built the Bloks System that comprises standardization of product design, research and development and production, a self-compatible product system and a consumer ecosystem. The use of standard components across different models brings design and production efficiency, which in turn enables us to offer quality-for-money toys. To entrench the distinctive advantages of our product approach, we have developed and accumulated a hard-to-replicate combination of wide-ranging patents that

protects the originality of our self-compatible product system. Our product approach also enables us to effectively commercialize our self-developed and licensed IPs to strengthen and rapidly broaden our product offering.

### **The Architecture of Our Assembly Character Toys**

The architecture of our assembly character toys draws inspiration from human physique to assimilate stability, mobility and appearance. Under this approach, we recreate characters that can be assembled, posed and customized with details through the combination of standard and customized components.

Standard components are primarily used as the structures and joints of an assembly character toy which can be shared across different models. The use of standard components enables consumers to mix and match different parts of different models for their own unique creations. Separately, production process of these components can be more easily standardized, which enables us and our partner factories to produce products with consistent quality while benefiting from economies of scale, thereby offer quality-for-money toys. Customized components are primarily the external appearance layer which allows us to recreate the unique visual and narrative elements of popular characters from the IPs in miniature form.

With standardized design, particularly the connecting mechanism, substantially all of the standard and customized components among different models can be interchangeable for re-creation. Separately, the majority of components of a single product are standard components.

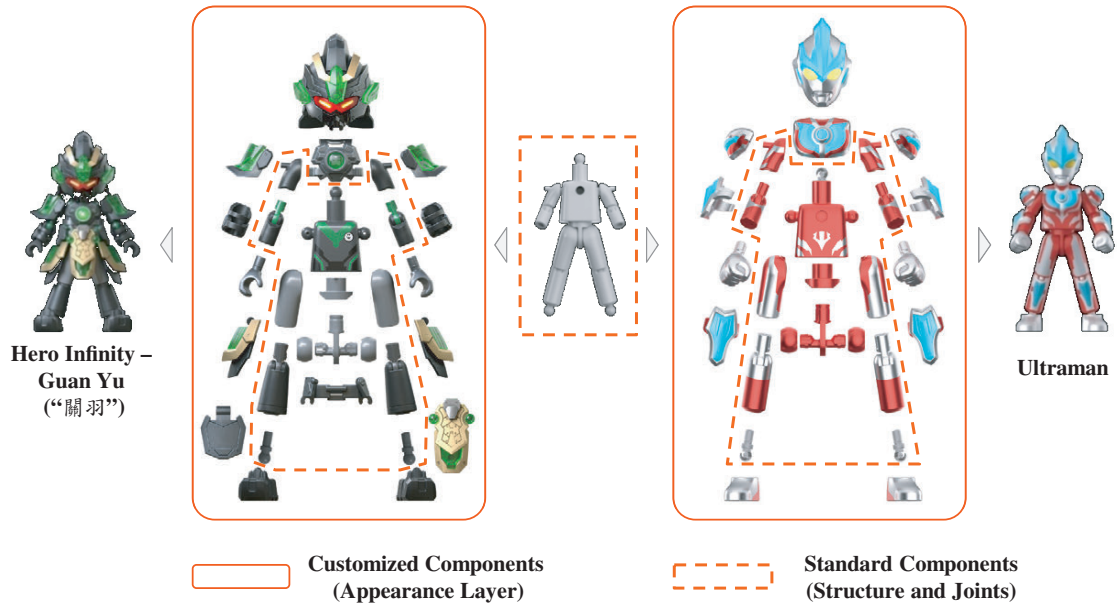
- *Standard Components — “Structures” and “Joints”*

The “structures” used in our products are designed to mimic the skeletal structure of human beings to support the weight and maintain the shape of our assembly character toys. The “joints” used in our products are designed to mimic the joints of human beings which connect different toy parts together. We integrate the ratchet mechanisms into the joints to provide support for complex and dynamic poses, allowing for flexible and precise control over the positioning and movement of the figure’s limbs. Such design improves the stability of different customized poses that can be maintained over time. In addition, snapping forces required to assemble the standardized joints across our SKUs are similar, which improves the experience in the consumers’ assembling process. A same set of structures and joints can be used as the basis of design for different products.

- *Customized Components — Appearance Layers*

The appearance layers such as the unique armor or clothing for the IP characters are used to recreate their design and narrative elements. These components are designed with patterns, colors and texture that enhance the appearances and closely mimic the characters’ original appearances.

### The Architecture of Our Assembly Character Toys



### Our Patent Portfolio

We have a patent portfolio covering components and production techniques, which protects the originality of our self-compatible product system, and provides our partner factories with the technology and technique foundation for the production of our assembly character toys.

Component-related patents include overall assembly structure, joints, appearance design, connecting mechanism and posing mechanism. These patents enable us to better control product quality, improve the consumer experience in terms of fun and ease of assembly while achieving economies of scale, as well as accurately convey the unique design and narrative elements and simulate dynamic poses of popular IPs in our assembly character toys. Production technique-related patents, including mold injection and production process automation, enable us and our partner factories to achieve efficiency and ensure quality in scaled production, both of which facilitate cost reduction.

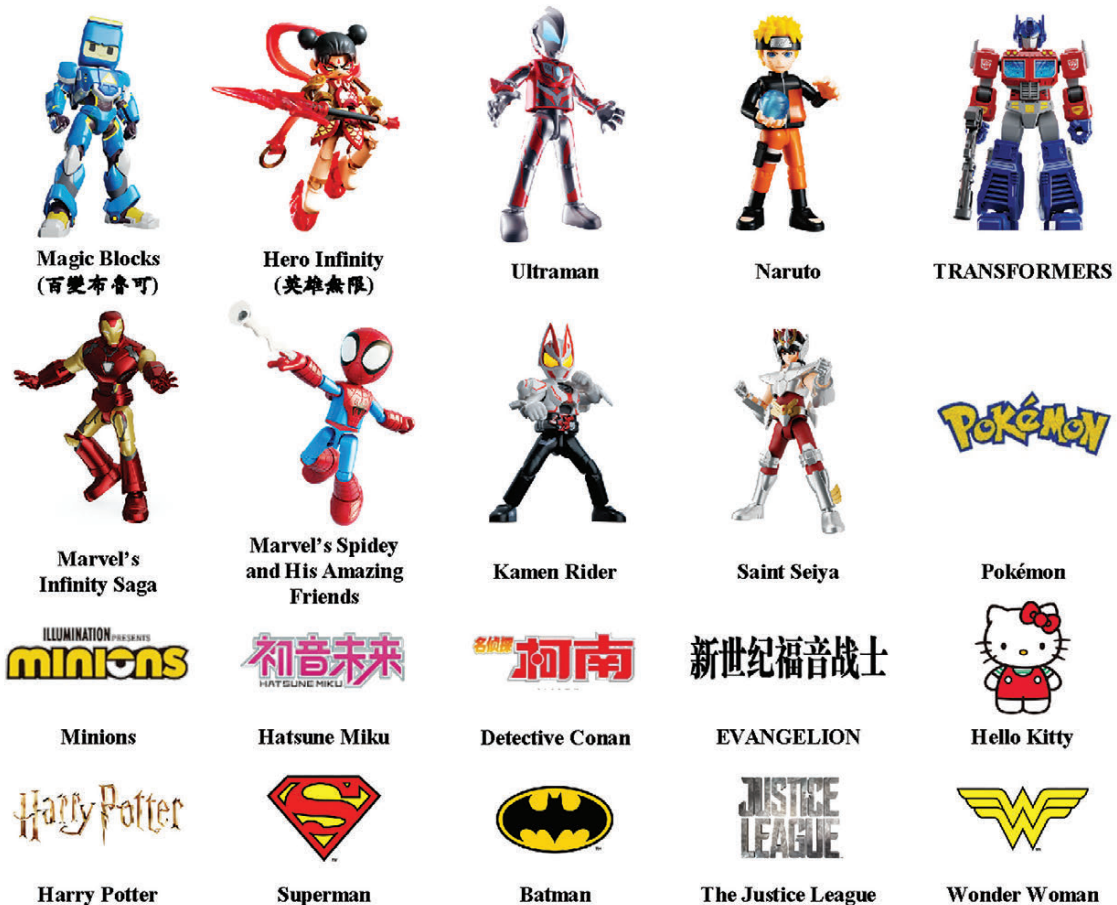
For example, we have a patent relating to the overall assembly structure of our assembly character toys which standardizes the design of such products using modularized components, allowing for efficient conversion of IPs into assembly character toys. Our patent relating to joints of our assembly character toys improves the durability of the product's rotation structure through special mechanical design. In addition, our different standard and customized components can be connected through our patented connecting mechanisms, making the parts and components from different models mutually compatible and interchangeable. Furthermore, our patented injection technique reduces the injection pressure and shortens the time needed for stabilizing the injected plastics, which effectively improves the production efficiency. We utilize these patents for our proprietary production techniques and customized equipment to be used by our specialized partner factories.

### Our IP Portfolio

We follow a systematic approach for IP development, sourcing and management to build a rich portfolio of IPs. When developing or selecting the IPs to be licensed, we consider key factors including overall popularity of IPs, consumer preferences, product adaptability and product offering expansion potential. We have a dedicated team to oversee IP operations, focusing on IP portfolio expansion, extending IPs' product life cycle and maximizing the value of IPs through commercialization.

Since our inception, we have accumulated a diverse portfolio of IPs through self-development and licensing. In addition to our success in incubating self-developed IPs, our successful track record in commercializing self-developed and licensed IPs positions us as a preferred partner for IP proprietors. The number of IPs in our portfolio increased from nine as of December 31, 2021, to approximately 50 as of the Latest Practicable Date. We are able to develop multiple versions of assembly character toys and brick-based toys with different sizes, pricing and levels of details under each IP.

### Our Selected IPs



### *Self-developed IPs*

We currently have two self-developed IPs: Magic Blocks (百變布魯可) and Hero Infinity (英雄無限). We have the full right to these self-developed IPs, including the development of various products such as assembly character toys and brick-based toys and the right to produce animated series, among others. Through original stories and products, our self-developed IPs enable us to further unlock our brand value and strengthen brand awareness. As of the Latest Practicable Date, our Magic Blocks and Hero Infinity animated series had a cumulative viewing of over 15.2 billion on a pop-up basis and over 5.0 million followers in aggregate. As of June 30, 2024, we had 103 SKUs of toys available for sale.

- *Magic Blocks*. Launched in 2017, the Magic Blocks story revolves around the adventure of three main characters, Bobo, Lulu and Coco and their friends. Magic Blocks is developed primarily for children under the age of six. As of the Latest Practicable Date, we had launched 214 episodes of Magic Blocks animated series. As of June 30, 2024, we had 50 SKUs of Magic Blocks toys available for sale.



**Magic Blocks (百變布魯可)**

- *Hero Infinity*. Hero Infinity was launched in 2022. We combine the mecha elements with the iconic fictional figures from classical Chinese literatures, such as the Monkey King (孫悟空), Nezha (哪吒) and the Bull Demon King (牛魔王), and historic figures, such as Guan Yu (關羽), Zhang Fei (張飛) and Zhao Yun (趙雲), to create hero stories with modern elements. Hero Infinity is developed for a broad consumer base. As of the Latest Practicable Date, we had launched 62 episodes of Hero Infinity short videos. As of June 30, 2024, we had 53 SKUs of Hero Infinity toys available for sale.



**Hero Infinity (英雄無限)**

### Case Study — Hero Infinity

Through a combination of innovative design, captivating storytelling, high-quality assembly character toys and our consumer engagement, Hero Infinity has the potential to capture the imagination of a global audience.

#### *IP and Character Design*

Our characters are carefully chosen from classical Chinese literatures based on the characters' cultural significance, enduring popularity, unique personalities and potential for reinterpretation within a mecha universe. We combine iconic imagery with innovative designs that convey the personality and cultural narratives of each selected character through details.

### *Animation Production*

Following character design and story development, animation is created to bring the heroes to life. This stage involves detailed scriptwriting and storyboarding, character animation, scene creation and special effects, ensuring a visually captivating experience. During the Track Record Period, we engaged Bloks Culture, which was a subsidiary of the Group prior to the termination of the Contractual Arrangement, for animation production. In October 2024, we ceased such cooperation with Bloks Culture, given the animation production industry in China is relatively mature with ample qualified suppliers.

### *Product Commercialization*

The transition from concept art to a tangible assembly character toy involves a comprehensive process. We first conduct mechanical design to curate a set of standard and customized components for toy assembling. During this process, we apply DFM principles to determine the optimal combination of standard and customized components in toys. Colors, materials and finishes are carefully chosen to match the character designs.

Once the designs are completed, we design high-quality molds to replicate the components. Because we use a significant portion of standard components in our designs, we can use the molds for such standard components for many different models and only need to create molds for customized components for each new model.

We work with specialized partner factories that are dedicated to the production of our products. We integrate our know-how in assembly character toy production and various patents to curate proprietary production techniques that can ensure the delivery of quality finished products.

### *Consumer Engagement*

The assembly character toys under Hero Infinity were highly popular among consumers. Enthusiasts of our assembly character toys created and published videos and posts sharing their experience and passion for our products and received millions of views on social media platforms. One of the most popular UGC videos received more than 25 million views across various social media platforms within one year of its publication. Such UGCs further promote the Hero Infinity IP.





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## BUSINESS

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### *Licensed IPs*

We are able to successfully develop products that resonate with fans and effectively commercialize IPs. As such, we have become a preferred partner among proprietors of renowned IPs. We enter into non-exclusive license agreements to secure the rights to develop and sell toys in China and overseas. As of December 31, 2021, 2022 and 2023 and June 30, 2024, we had seven, 10, 13 and 18 IP licensing agreements in effect with seven, 10, 11 and 12 IP proprietors or licensors. As of the Latest Practicable date, we had 23 IP licensing agreements in effect with 10 IP proprietors and three licensors. See “— Intellectual Properties — IP Licensing Arrangements.” Generally, our licensing agreements do not provide predetermined conditions for renewal, and they can be renewed or extended upon mutual agreement. We strive to maintain positive relationship with our IP proprietors and licensors. As a result, we have been successful in renewing or extending our licenses without a significant increase in the fee rates. We typically start the renewal or extension negotiation three to six months prior to the expiration of our licenses. For certain IPs with good product sales and high potential, we may seek to start such negotiation at an earlier stage. Our licensed IP portfolio includes a wide range of IPs that are popular across wide demographics including age groups and genders. As of June 30, 2024, we had more than 30 licensed IPs and 263 SKUs available for sale based on our licensed IPs. The table below sets forth certain information on our selected licensed IPs under the 23 IP licensing agreements in effect as of the Latest Practicable Date.

<u>IP Name</u>	<u>Counter- parties of the licensing agreements</u>	<u>Licensed Territories</u>	<u>Licensing Expiration Year</u>
Ultraman	IP licensor	China <sup>(1)</sup> North America, Europe and certain regions in Asia	2027 2025
TRANSFORMERS	IP proprietor	Over 50 countries globally	2028
Naruto	IP licensor	China	2025
Marvel: Infinity Saga and Spidey and His Amazing Friends	IP proprietor	Nine countries in Asia	2025
Minions	IP proprietor	Over 150 countries globally	2027
Pokémon	IP licensor and IP proprietor	China	2025

*Note:*

(1) Including Hong Kong, Macau and Taiwan.

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## BUSINESS

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IP Name	Counter- parties of the licensing agreements	Licensed Territories	Licensing Expiration Year
Sanrio: Hello Kitty, My Melody, Cinnamoroll, Pom Pom Purin, Kuromi, Pochacco, Hangyodon and Tinychum	IP licensor	China	2027
Sesame Street	IP proprietor	40 countries in Asia, Oceania, North America and Europe	2026
Yeloli	IP proprietor	Globally other than the United States, Mexico and Canada	2026
Three-Body	IP proprietor	China	2027
THE LAND OF WARRIORS	IP proprietor	China <sup>(1)</sup>	2026
Saint Seiya	IP licensor	China	2026
Hatsune Miku	IP licensor	China	2026
Detective Conan	IP licensor	China	2026
Kamen Rider	IP licensor	China	2025
EVANGELION	IP licensor	China	2026
Shin Kamen Rider	IP licensor	China	2025
Honor of Kings	IP proprietor	China	2026
SUPER SENTAI	IP licensor	China	2025
Anime ULTRAMAN Series	IP licensor	China	2026
Harry Potter and DC: Superman, Batman, The Justice League, Aquaman, The Flash and Wonder Woman	IP proprietor	China	2027
STAR WARS	IP proprietor	China	2028
Yu Yu Hakusho	IP licensor	China <sup>(1)</sup> and certain other countries in Asia	2026

### Case Study — Ultraman

Ultraman is a highly popular Japanese science fiction franchise that began in 1966. The franchise has since spawned many TV series, films, comic books, animes and other media publications.

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*Note:*

(1) Including Hong Kong, Macau and Taiwan.

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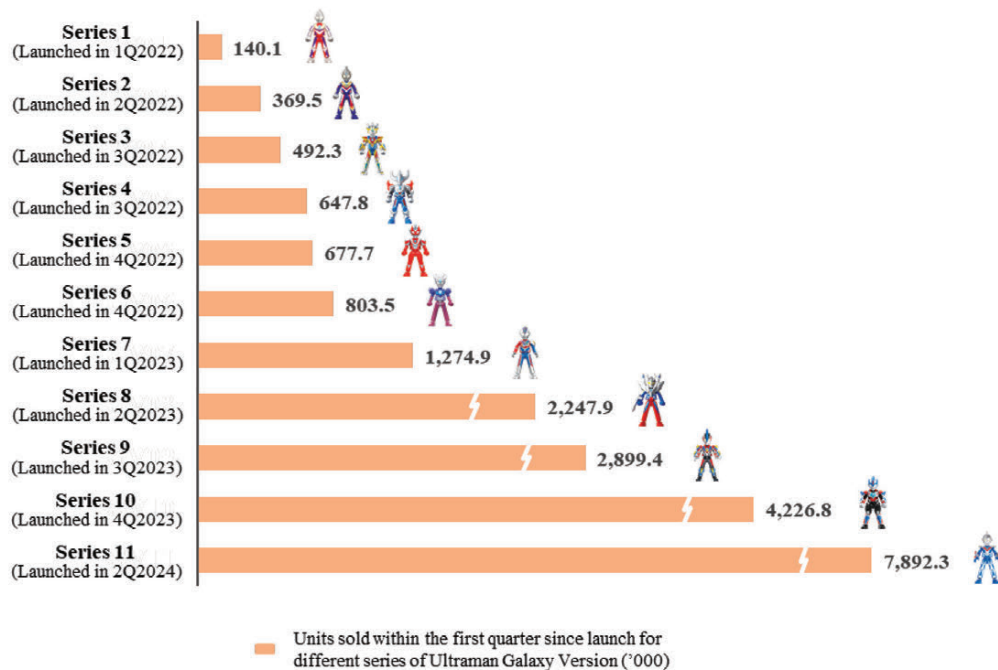
## BUSINESS

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We entered into license agreement with the IP licensor of Ultraman in 2021 and obtained the rights to design, develop, produce and sell Ultraman assembly character toys in China.

Our success with Ultraman can be attributed to a number of factors, including:

- Continuous product innovation: We continuously rolled out new products. We launched Ultraman Galaxy Version in 2022. Since then, we have developed and introduced 13 series of assembly character toys under this version. As of the Latest Practicable Date, all series under the Ultraman Galaxy Version remained available for sale. The Series 11 achieving a 86.7% increase in sales volume in the first quarter of its launch in April 2024 compared to that of Series 10.



- Effective content-driven marketing strategy: Our Ultraman assembly character toys were promoted leveraging our content-driven online marketing strategy through various channels, including official accounts and the accounts of KOLs and KOCs on social media platforms. BFCs also posted UGCs showcasing their own creative combination and modification of the assembly character toys using parts from different products of ours.

### *Selection of IPs*

We actively look for IPs that are widely popular and can potentially complement our current product offering and further expand our target consumer groups. In the IP selection process, we conduct extensive market research and rely on our deep insights on market trends. The key personnel responsible for our IP selection have extensive experience with a deep understanding in the animation industry.

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## BUSINESS

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Generally, we will take into account of below factors when selecting IPs:

- *Popularity:* Popularity of a candidate IP can determine its potential for sales and product feasibility to gain access to the market. Reputation of a candidate IP is also important as our brand image will be closely associated with the selected IP after we launch new products under it.
- *Consumer preference:* We assess whether the fans of a candidate IP align with the target consumer groups of our potential product offering. Fans base, location and willingness to purchase IP merchandises are important factors to be taken into account during such assessment.
- *Product adaptability:* We carefully evaluate the feasibility and associated cost to develop assembly character toys from the candidate IPs. For example, we prioritize obtaining IPs of selected heroes, robots and cuddly animal monsters, which can be more conveniently converted into assembly character toys and better complement our existing product offering.
- *Product offering expansion potential:* We consider the worldview and storylines associated with the IPs and the variety of characters within the IP franchise to make sure we are able to expand our product offering under each individual IP.

### ***IP Protection***

We employ stringent measures to protect our rights under self-developed IPs and licensed IPs. In addition, we have a special task force to comprehensively monitor and handle IP infringements.

#### *Self-developed IPs*

In safeguarding our self-developed IPs, we implement rigorous internal protocols to ensure comprehensive protection. This involves thorough documentation of the creation of the IP and prompt registration of the relevant intellectual property rights. We also implement robust confidentiality procedures and protocols. In addition, we proactively monitor public IP registration platforms and appearances of our self-developed IPs and actively seek remedies for any potential or identified infringements.

#### *Licensed IPs*

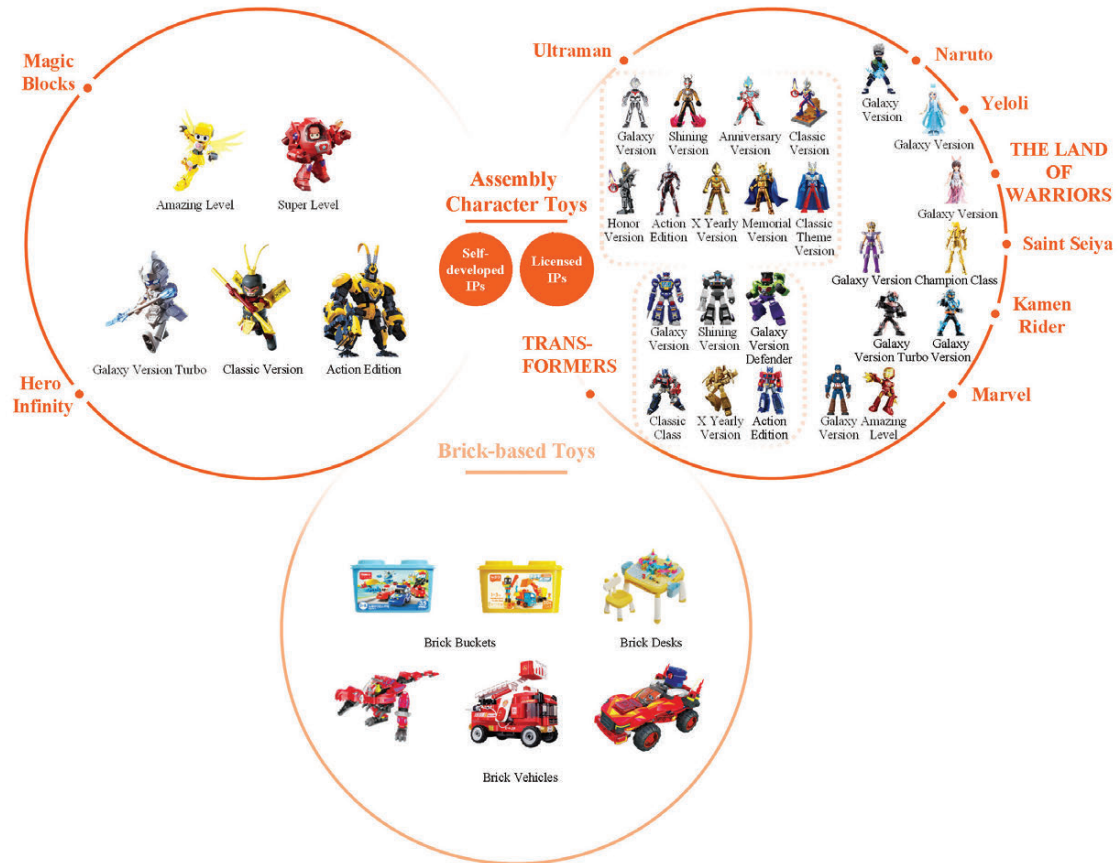
To safeguard our rights under the licensed IPs, we conduct thorough checks to ensure the validity of the rights held by IP proprietors or licensors. This involves reviewing their licenses and researching to confirm no conflicts or infringements exist. We also have contractual protection under the licensing agreements. We require that IP proprietors or licensors to represent that they have the relevant intellectual property rights or full authorization in relation

to the IPs. If we incur losses as a result of defects in the IP proprietor's or licensor's intellectual property rights, the IP proprietor or licensor shall be held liable for breach of contract. In addition, similar to self-developed IPs, we implement robust confidentiality procedures and protocols.

### OUR PRODUCT OFFERING

We primarily offer assembly character toys, and to a lesser extent, brick-based toys. Driven by a passion for fun and creativity, we combine our outstanding product design capabilities with our rich IP portfolio, and develop products catering to wide demographics, price segments and global consumers. As of June 30, 2024, we had 431 SKUs of products available for sale.

Set forth below illustrates our product offering.



## BUSINESS

The table below sets forth the breakdown of our total revenue by product type and IP category for the periods indicated.

	Year Ended December 31,						Six Months Ended June 30,			
	2021		2022		2023		2023		2024	
<i>(in RMB thousands, except for percentages)</i>										
<i>(unaudited)</i>										
<b>Assembly character toys</b>										
Self-developed IP . . . . .	-	-	1,865	0.6%	64,203	7.3%	18,494	6.0%	173,073	16.5%
<i>Hero Infinity</i> . . . . .	-	-	1,865	0.6%	64,203	7.3%	18,494	6.0%	169,713	16.2%
<i>Others</i> . . . . .	-	-	-	-	-	-	-	-	3,360	0.3%
Licensed IP . . . . .	-	-	115,808	35.5%	704,835	80.4%	222,935	71.9%	850,009	81.3%
<i>Ultraman</i> . . . . .	-	-	111,483	34.2%	556,720	63.5%	203,880	65.8%	600,681	57.4%
<i>TRANSFORMERS</i> . . . . .	-	-	-	-	124,977	14.3%	4,553	1.5%	195,444	18.7%
<i>Others</i> . . . . .	-	-	4,325	1.3%	23,138	2.6%	14,502	4.6%	53,884	5.2%
<b>Subtotal</b> . . . . .	-	-	<b>117,673</b>	<b>36.1%</b>	<b>769,038</b>	<b>87.7%</b>	<b>241,429</b>	<b>77.9%</b>	<b>1,023,082</b>	<b>97.8%</b>
<b>Brick-based toys</b>										
Self-developed IP and other										
self-developed products . . .	301,286	91.4%	176,952	54.4%	91,711	10.5%	58,099	18.8%	22,434	2.1%
<i>Magic Blocks</i> . . . . .	142,228	43.1%	83,321	25.6%	51,195	5.8%	35,033	11.3%	9,574	0.9%
<i>Others</i> . . . . .	159,058	48.3%	93,631	28.8%	40,516	4.7%	23,066	7.5%	12,860	1.2%
Licensed IP . . . . .	20,377	6.1%	29,699	9.1%	14,571	1.6%	9,976	3.2%	531	0.1%
<b>Subtotal</b> . . . . .	<b>321,663</b>	<b>97.5%</b>	<b>206,651</b>	<b>63.5%</b>	<b>106,282</b>	<b>12.1%</b>	<b>68,075</b>	<b>22.0%</b>	<b>22,965</b>	<b>2.2%</b>
<b>Others<sup>(1)</sup></b> . . . . .	<b>8,109</b>	<b>2.5%</b>	<b>1,250</b>	<b>0.4%</b>	<b>1,366</b>	<b>0.2%</b>	<b>435</b>	<b>0.1%</b>	<b>156</b>	<b>0.0%</b>
<b>Total</b> . . . . .	<b>329,772</b>	<b>100.0%</b>	<b>325,574</b>	<b>100.0%</b>	<b>876,686</b>	<b>100.0%</b>	<b>309,939</b>	<b>100.0%</b>	<b>1,046,203</b>	<b>100.0%</b>

*Note:*

(1) Others primarily include other non-toy revenue, such as certain revenue generated from advertisements shown before, during or after the play of our animations on online platforms.

## BUSINESS

Our revenue increased by 169.3% from RMB325.6 million in 2022 to RMB876.7 million in 2023, and by 237.6% from RMB309.9 million in the six months ended June 30, 2023 to RMB1,046.2 million in the six months ended June 30, 2024. Such increase was primarily due to an increase in revenue from assembly character toys. We began to offer assembly character toys in January 2022 on the back of the Bloks System. Our successful commercialization of an expanding and diversifying portfolio of self-developed and licensed IPs and the rapid expansion of our sales network resulted in a significant increase in the sales volume and revenue of assembly character toys from 2022 to 2023 and the six months ended June 30, 2023 to the six months ended June 30, 2024.

The table below sets forth the sales volume and average selling prices of our toy products for the periods indicated.

	Year Ended December 31,						Six Months Ended June 30,			
	2021		2022		2023		2023		2024	
	Average Sales volume	Average Selling Price <sup>(1)</sup>	Average Sales volume	Average Selling Price	Average Sales volume	Average Selling Price	Average Sales volume	Average Selling Price	Average Sales volume	Average Selling Price
	(Unit '000)	(RMB)	(Unit '000)	(RMB)	(Unit '000)	(RMB)	(Unit '000)	(RMB)	(Unit '000)	(RMB)
<b>Assembly character toys</b> .....	-	-	<b>6,291</b>	<b>19</b>	<b>36,474</b>	<b>21</b>	<b>11,004</b>	<b>22</b>	<b>56,225</b>	<b>18</b>
<i>Ultraman</i> .....	-	-	5,932	19	26,629	21	9,342	22	29,470	20
<i>TRANSFORMERS</i> ...	-	-	-	-	5,387	23	254	18	8,845	22
<i>Hero Infinity</i> .....	-	-	89	21	3,240	20	712	26	14,500	12
<b>Brick-based toys</b> .....	<b>3,594</b>	<b>89</b>	<b>2,154</b>	<b>96</b>	<b>926</b>	<b>115</b>	<b>531</b>	<b>128</b>	<b>236</b>	<b>97</b>
<i>Magic Blocks</i> .....	1,501	95	718	116	390	131	265	132	86	112
<b>Total/Overall</b> .....	<b>3,594</b>	<b>89</b>	<b>8,445</b>	<b>38</b>	<b>37,400</b>	<b>23</b>	<b>11,535</b>	<b>27</b>	<b>56,461</b>	<b>19</b>

Note:

- (1) Average selling price is calculated through dividing revenue by the relevant sales volume during the same year/period, representing the average price at which we sold to our customers.

## BUSINESS

The table below sets forth the breakdown of our gross profit and gross profit margin by product type and IP category for the periods indicated.

	Year Ended December 31,						Six Months Ended June 30,			
	2021		2022		2023		2023		2024	
	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin
<i>(in RMB thousands, except for percentages)</i>										
<i>(unaudited)</i>										
<b>Assembly character toys</b>										
Self-developed IP . . . . .	-	-	768	41.2%	35,742	55.7%	8,985	48.6%	107,208	61.9%
<i>Hero Infinity</i> . . . . .	-	-	768	41.2%	35,742	55.7%	8,985	48.6%	105,254	62.0%
<i>Others</i> . . . . .	-	-	-	-	-	-	-	-	1,954	58.2%
Licensed IP . . . . .	-	-	42,522	36.7%	336,647	47.8%	97,889	43.9%	437,624	51.5%
<i>Ultraman</i> . . . . .	-	-	41,825	37.5%	262,118	47.1%	90,371	44.3%	302,695	50.4%
<i>TRANSFORMERS</i> . . . . .	-	-	-	-	67,927	54.4%	2,309	50.7%	110,670	56.6%
<i>Others</i> . . . . .	-	-	697	16.1%	6,602	28.5%	5,209	35.9%	24,259	45.0%
<b>Subtotal/Overall</b> . . . . .	-	-	<b>43,290</b>	<b>36.8%</b>	<b>372,389</b>	<b>48.4%</b>	<b>106,874</b>	<b>44.3%</b>	<b>544,832</b>	<b>53.3%</b>
<b>Brick-based toys</b> . . . . .										
Self-developed IP and other self-										
developed products . . . . .	112,413	37.3%	69,637	39.4%	38,048	41.5%	25,347	43.6%	8,541	38.1%
<i>Magic Blocks</i> . . . . .	59,116	41.6%	37,660	45.2%	23,687	46.3%	16,554	47.3%	4,329	45.2%
<i>Others</i> . . . . .	53,297	33.5%	31,977	34.2%	14,361	35.4%	8,793	38.1%	4,212	32.8%
Licensed IP . . . . .	6,105	30.0%	9,242	31.1%	3,119	21.4%	3,552	35.6%	207	39.0%
<b>Subtotal/Overall</b> . . . . .	<b>118,518</b>	<b>36.8%</b>	<b>78,879</b>	<b>38.2%</b>	<b>41,167</b>	<b>38.7%</b>	<b>28,899</b>	<b>42.5%</b>	<b>8,748</b>	<b>38.1%</b>
<b>Others<sup>(1)</sup></b> . . . . .	<b>4,883</b>	<b>60.2%</b>	<b>1,250</b>	<b>100.0%</b>	<b>1,366</b>	<b>100.0%</b>	<b>435</b>	<b>100.0%</b>	<b>156</b>	<b>100.0%</b>
<b>Total/Overall</b> . . . . .	<b>123,401</b>	<b>37.4%</b>	<b>123,419</b>	<b>37.9%</b>	<b>414,922</b>	<b>47.3%</b>	<b>136,208</b>	<b>43.9%</b>	<b>553,736</b>	<b>52.9%</b>

*Note:*

- (1) Others primarily include other non-toy gross profit, such as certain gross profit generated from advertisements shown before, during or after the play of our animations on online platforms, which is generally not directly associated with any cost of sales.



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## BUSINESS

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Our gross profit increased by 236.2% from RMB123.4 million in 2022 to RMB414.9 million in 2023, and by 306.5% from RMB136.2 million in the six months ended June 30, 2023 to RMB553.7 million in the six months ended June 30, 2024. Such increases were primarily due to an increase in gross profit from assembly character toy sales, which was mainly attributable to an increase in sales volume of our assembly character toys. Our gross profit margin increased from 37.9% in 2022 to 47.3% in 2023, and from 43.9% in the six months ended June 30, 2023 to 52.9% in the six months ended June 30, 2024. Such increases were primarily due to strong increases in revenue contribution and gross profit margin from assembly character toy sales as we enjoyed stronger economies of scale along with our business growth.

Our assembly character toys under self-developed IPs have higher gross profit margin than those under licensed IPs because no licensing fee is required for using our own IPs.

### **Assembly Character Toys**

Our assembly character toys are welcomed by fans for their creativity, fun and aesthetics. Our assembly character toys are all designed based on IPs. We develop different versions of products under our IPs with various sizes, component details and suggested retail prices. Under one version of products, we may launch multiple series with different SKUs covering different characters.

Our assembly character toys incorporate visual and narrative elements of IP characters, and are highly enjoyable through assembling and mix-and-match of components across our products. We offer a vast number of SKUs catering to wide demographics, price segments and global consumers. As of June 30, 2024, we had 321 SKUs available for sale among which 11 SKUs were designated primarily for consumers below the age of six, 290 SKUs were designed primarily for consumers between the ages of six to 16 and 20 SKUs were designed primarily for consumers over the age of 16. Ultraman, TRANSFORMERS and Hero Infinity are our top three IPs in 2023. The IP proprietor or licensor of Ultraman and TRANSFORMERS are among our top five suppliers for the six months ended June 30, 2024. The table below sets out key information relating to our top three IPs in 2023 and the six months ended June 30, 2024.

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**BUSINESS**

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<u>IPs</u>	<u>SKU</u>	<u>Suggested retail price range</u> <i>(RMB)</i>	<u>Source of IP</u>	<u>Identity and background of IP proprietor or licensor</u>
Ultraman .....	134	39-399	Non-exclusively licensed from IP licensor	Tsubaraya Productions Co., Ltd. is the proprietor of the Ultraman IP, who granted SCLA an exclusive license of certain Ultraman characters in China with several additional distribution territories
TRANSFORMERS ....	64	39-299	Non-exclusively licensed from IP proprietor	Hasbro, a leading US-based NASDAQ listed toy and game company, owner of the TRANSFORMERS IP with global operations
Hero Infinity .....	53	19.9-249	Self-developed	–
Others .....	70	39-69	–	–
<b>Total .....</b>	<b>321</b>			

In 2021, 2022 and 2023 and the six months ended June 30, 2023 and 2024, we had nil, 95, 188, 142 and 134 SKUs under the Ultraman IP. In 2021, 2022 and 2023 and the six months ended June 30, 2023 and 2024, we had nil, nil, 36, 10 and 64 SKUs under the TRANSFORMERS IP. In 2021, 2022 and 2023 and the six months ended June 30, 2023 and 2024, we had nil, six, 30, 12 and 53 SKUs under the Hero Infinity IP.

All our revenue from the Ultraman IP were generated from the sales of products under such IP licensed by SCLA. All our revenue from the TRANSFORMERS IP were generated from the sales of products under such IP licensed by Hasbro. In 2022, 2023 and the six months ended June 30, 2024, despite the strong growth in the sales of our Ultraman assembly character toys, its revenue contribution continued to decrease as a result of a stronger increase in the sales of our Hero Infinity products and the success of our TRANSFORMERS products.

During the Track Record Period, some of our products were in the form of blind boxes, which is a popular form in the toy industry according to Frost & Sullivan and is allowed according to the relevant laws and regulations, including the Blind Boxes Guidelines. In 2021, 2022, 2023 and the six months ended June 30, 2024, we had nil, 121, 230 and 255 blind box-related SKUs, respectively, accounting for nil, 43.1%, 48.1% and 59.2% of our total SKUs, respectively. In 2021, 2022, 2023 and the six months ended June 30, 2024, the sales volume of products in the form of blind boxes were nil, 6,168 thousand units, 31,683 thousand units, 49,855 thousand units, accounting for nil, 73.0%, 84.7% and 88.3% of our total sales volume, respectively, which accounted for nil, 34.8%, 63.3% and 73.9% of our revenue, respectively. See “Regulatory Overview — Regulations On Assembly Character Toys — Regulation on Blind Boxes.”

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## BUSINESS

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We have adopted various measures and internal policies for blind boxes to ensure compliance with the relevant laws and regulations. Particularly, we set out key information relating to the product (such as the range of models that may be selected from a chosen box and the probabilities of each model being selected) and include appropriate language regarding age limits and other information disclosure in accordance with the relevant laws and regulations on our online sales channels as well as on the packaging of the relevant products.

With regard to age limits, our internal policy specifically prohibits the sales of blind boxes to anyone under the age of eight, and sets out the requirement for the guardians to agree to purchase of blind boxes by any minor aged eight or above. For direct sales of blind boxes to end consumers through our online channels, we prominently notify the consumers that anyone under the age of eight are prohibited from buying blind boxes and any minor aged eight or above shall be agreed by his or her guardian, and we reiterate such age limits in our live streaming sessions. As an additional safeguard, we ask the consumers to confirm that they are adults, or minors aged eight or above whose guardians have agreed the purchases, before placing orders to purchase blind boxes, where the systems support such mechanism, such as our flagship stores on Tmall or our Weixin mini-program. Retail sales of blind boxes to end consumers through retail outlets are not made by us. Nevertheless, we remind our distributors and retailers to strictly comply with Blind Boxes Guidelines. As a practical guidance, we recommend our retailers to inquire and identify the consumer's real age before the sales. If the retailers determine or suspect that the consumer is under the age of eight, they shall not sell the blind boxes to him or her. For any minor aged eight or above, the retailers shall ensure the purchase has been agreed by the guardians through physical presence, phone call, messaging or other available means. We actively conduct frequent site visits at retail outlets, and continuously reiterate and emphasize the compliance of the Blind Boxes Guidelines and our practical guidance. If we detect any violation from the Blind Boxes Guidelines and our practical guidance, we shall communicate with the relevant party for compliance with the Blind Boxes Guidelines and our practical guidance. We then continue to monitor the situations. Should the violation persist, we may decide to reduce the shipments, or terminate our cooperation with the relevant distributors.

Furthermore, we have protocols for the design, packaging and delivery of our products to ensure the selection outcomes cannot be arbitrarily altered. We have pre-programmed automated production lines which ensure our products are packaged according to our blind box selection rules and probabilities, and we also have subsequent sampling inspection mechanism to monitor and verify such selection outcomes. When setting the prices for our products, we make sure that we set fair prices for blind boxes, taking into consideration of product costs, prevailing market prices for similar products and the pricing of our similar products sold in non-blind box forms. We do not engage in hoarding, hyping, or entering the secondary market with regard to our products. In addition, we maintain appropriate sales record of products in the form of blind boxes in accordance with the relevant laws and regulations.

According to Frost & Sullivan, our measures and internal policies for blind boxes are in line with the industry norm. During the Track Record Period and up to the Latest Practicable Date, we had not been subject to any administrative penalties relating to the sales of products in the form of blind boxes. Our PRC Legal Advisor is of the view and our Directors confirm that, during the Track Record Period and as of the Latest Practicable Date, we comply with the Blind Boxes Guidelines in all material respects. Furthermore, our sales and results of operations during the Track Record Period were not materially and adversely impacted by the Blind Boxes Guidelines.

### Brick-based Toys

We also offer brick-based toys such as large blocks designed for children under the age of six. These toys have relatively simple structure, offer a better assembly experience for children and are safer for children to play with. As of June 30, 2024, we had 110 SKUs of brick-based toys available for sale, which included 43 SKUs under the Magic Blocks IP. Set below are examples of our brick-based toys.

#### Brick-Based Toys



**Brick Buckets**



**Brick Desks**



**Brick Vehicles**

- *Brick Buckets:* Brick Buckets are buckets of bricks with various themes. With the bricks in it, children can create their objects of choice, including vehicles, buildings and figures. Suggested retail prices of our Brick Buckets range between RMB99 and RMB459.
- *Brick Desks:* Brick Desks are sets of bricks that come with chairs and multifunctional tables. In addition to serving as the base over which the bricks can be assembled, the multifunctional tables can be used for studying and dining. Suggested retail prices of our Brick Desks range between RMB99 and RMB599.
- *Brick Vehicles:* Brick Vehicles are based on our self-developed Magic Blocks IP. It is a set of bricks that can be assembled into different kinds of vehicles and can spark the creativity of children. Suggested retail prices of our Brick Vehicles range between RMB149 to RMB729.

### Pricing Policy

The prices of our products are determined based on various factors, including design, materials, sizes, licensing fees, production costs and the prevailing market prices for similar products. We offer different tiers of products at different price segments to cater diverse consumer preferences. The suggested retail prices of our assembly character toys range from RMB9.9 to RMB399. Utilizing the Bloks System, we are able to expand our price ranges by introducing higher-priced products with more features, or lower-priced products to appeal to more value-conscious consumers.

### Others

During the Track Record Period, we engaged in other non-toy businesses associated with our self-developed IPs such as animation, which generates passive advertisement-related income for advertisements shown before, during or after the play of animations on online platforms. Such businesses accounted for an insignificant portion of our total revenue. In 2021, 2022, 2023 and the six months ended June 30, 2023 and 2024, we had revenue from others of RMB8.1 million, RMB1.3 million, RMB1.4 million, RMB0.4 million and RMB0.2 million, respectively, accounting for 2.5%, 0.4%, 0.2%, 0.1% and 0.0% of our total revenue, respectively.

### RESEARCH AND DEVELOPMENT

Research and development is a key component of the Bloks System and is crucial to our success. We have established a dedicated research and development team consisting of 331 employees as of June 30, 2024. Our research and development team members possess deep experience and understanding of toys, consumer goods and popular culture. Our research and development team is responsible for two functions (i) product development and (ii) IP development. We actively seek patent protection for our R&D efforts. See “— Intellectual Properties.” We have also developed proprietary software and management systems, such as component editing system and SKU information management system, to further facilitate an efficient and standardized product development process.

We follow a consumer-oriented research and development approach. Throughout the product design and development process, we leverage our consumer insights from the collection of feedback and consumer participation. We also constantly upgrade our products after the launch based on consumer feedback.

### Product Design and Development Process

Our overall product design and development process is divided into three phases: (i) conceptualization phase, (ii) mechanical design phase and (iii) prototype and DFM phase.



- *Conceptualization Phase*

At the conceptualization phase, we brainstorm product ideas and concepts based on the selected IP. Specifically, we first delve into the original work of the selected IP to gain a thorough understanding of the characters, worldview and stories behind it. Then we conduct analysis on the market of the selected IP to learn about its fans, including their age, locations and preference. After that, we leverage our deep

understanding of the IP and the competitive landscape to focus on designing our products. At this stage, we design the two-dimensional sketches and preliminary three-dimensional models, and determine, among others, the forms, target pricing, costs, and serial planning of the planned products.

For our self-developed IPs, we typically spend less time at the conceptualization phase as our self-developed IPs are designed with our products in mind at the outset. For our licensed IPs, we send our product proposals formed at the conceptualization phase to the IP proprietors or licensors as required. The IP proprietors and licensors may send their feedback and suggestions back to us, based on which we may update our proposals.

- *Mechanical Design Phase*

At the mechanical design phase, we translate the conceptual ideas into detailed three-dimensional designs and specifications based on the preliminary three-dimensional models developed at the conceptualization phase. We design and determine the colors, materials and finishes of the planned products, with an aim to convey the theme of the original IPs, ensure the quality of our products and add unique visual appeal to our products. Separately, we determine the number and shapes of the standard and customized components and the connection mechanisms, with an aim to find a feasible and most cost-effective way to realize our conceptual design.

- *Prototype and DFM*

We design the prototypes based on the detailed three dimensional model to verify the conceptualization and assembling results. Meanwhile, we initiate discussion with our partner factories for DFM in details, which is followed by molding. After molding, we initiate mass production of our products with our specialized partner factories.

### **IP Development Process**

Our IP development process includes story creation, character design and content creation. We focus on matching the storylines and IP characters to create captivating storytelling that resonate with the audiences. Once the characters and story take shape, we typically produce various media content for wide dissemination, including animation. Our IPs are combined with products and can attain connection and recognition from the audiences, thereby forming an IP-product commercial close loop.

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## BUSINESS

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### PRODUCTION

We collaborate with specialized third-party partner factories to produce our products. We integrate our know-how in assembly character toy production and various patents to curate proprietary production techniques and customized equipment to be applied in a network of toy factories dedicated to the production of our products.

#### Our Partner Factories



Working with our network of specialized partner factories enables us to focus our resources on key stages of the product launch cycle, such as product design, research and development, brand development and management, and sales and distribution. This strategy also enables us to rationalize capital investment and facilitates us in focusing our resources to effectively adjust our product offering in response to evolving market trends. As of June 30, 2024, we had six specialized partner factories in our network dedicated to the production of our products. We have been collaborating with three of these factories for brick-based toys, and began our collaboration with them for assembly character toys in 2021 and 2022, respectively. We started our collaboration for assembly character toys with one additional partner factory in 2023 and two additional partner factories in 2024. These partner factories were selected through strict processes based on factors such as qualification, product quality, production capacity, pricing, automation capability, mold and injection equipment, reputation and compliance with applicable laws and regulations. China has a vast supply of high-quality production resources, and we have identified two qualified factories that we may cooperate with to increase the outputs to meet the growing demand of our products. As we possess the

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## BUSINESS

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key know-how and patents, we can work with new factories and set up the production lines within approximately three months. Furthermore, we have staff stationed at the partner factories to oversee the entire production process in order to make sure that our products are produced according to our standards. See “— Quality Control.”

Generally, the specialized partner factories produce our products through the following process:



We typically enter into framework production agreements with our specialized partner factories. Under these agreements, we place production orders with our partner factories specifying the SKU, quantity, price and delivery time. The key terms of our collaboration with partner factories are set out below:

- *Production:* We engage the partner factories to produce our designed products according to the specifications and requirements in the agreements and specific orders.
- *Raw materials:* Our partner factories are responsible for the procurement of key raw materials from qualified suppliers designated or approved by us.
- *Product quality:* The products delivered by the partner factories shall meet the quality standards of applicable laws and regulations, as well as the industry standards. The partner factories are required to strictly comply with the product standards specified in the agreement, including the design, shape, color, key raw materials, quality control standards, production qualifications and testing equipment, among others. Upon receiving the products, we will inspect the products and reserve the right to ask for product returns.
- *Supervision:* We reserve the right to take necessary measures to supervise the overall production process at the partner factories, including designation or approval of raw material procurement, production, quality control and logistics.
- *Duration:* Typically, the duration of our production agreement with the partner factories is three years.
- *Fees and pricing:* We pay for the finished goods produced by the suppliers. Generally, the prices for the final products delivered are specified in the individual orders under the agreement.



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## BUSINESS

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- *Payment:* We are typically required to pay our partner factories within five to seven months upon receipt of invoice.
- *Intellectual property rights:* The partner factories have no intellectual property rights in relation to any products, packaging or molds under the agreements and specific orders thereof.
- *Non-competing terms:* The partner factories are required not to compete with us directly or indirectly, including through cooperation with third parties.
- *Confidentiality:* We enter into separate confidentiality agreement with the partner factories which require them to keep strictly confidential of all know-how, operating information, marketing plans, product drafts, pictures, product specifications and other confidential information as specified in the confidentiality agreement, until such information is rendered public by us.
- *Liability:* The specialized partner factories are responsible for all product liabilities and claims resulted from product defects caused by the partner factories, and shall indemnify us of any loss resulted therefrom.
- *Termination:* We reserve the right to unilaterally terminate the agreement in the event of material breaches of certain terms.

During the Track Record Period and up to the Latest Practicable Date, we had not experienced any major product claim from the consumers, and we have not experienced any difficulty to claim indemnity from our partner factories.

### **Plan for Self-operated Factories**

In order to implement our growth strategies, we plan to invest in our own scaled factories specializing in the production of assembly character toys to expand and optimize our production resources. We expect to complete the self-operated factory by or around the end of 2026 with a designed capacity of approximately nine million units per month.

We seek to achieve economies of scale efficiently by considering a range of factors related to the potential self-operated factory, including cost, quality control, production capacity, production delivery and logistics, and aiming to realize the best business and financial returns with the optimal balance between the self-operated production capacity and partner factories' production capacity.

More specifically, with a self-operated factory, we will acquire additional production capacity to meet the growing demand for our products and complement the capacity of partner factory network. The planned self-operated factory is also expected to facilitate us in accumulating knowledge in the research and development and production of assembly character toys. We also expect a self-operated factory can improve the time-to-market for our new products. In the long run, as we ramp up the utilization rate of the planned self-operated factory, we expect to further improve our gross profit margin.

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## BUSINESS

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Historically, all our products were produced by our partner factories. However, we acquired production know-how and patents through active involvement in the production process. We apply DFM principles and our research and development team engage in conversations with production partners across all production stages, addressing specific issues and tackling technical bottlenecks, which often lead to the development of know-how and patents. We applied these know-how in assembly character toy production and various patents to curate proprietary production techniques and customized equipment, which can serve as the cornerstone for building self-operated factories. In addition, we have dedicated personnel stationed at our partner factories to supervise the production of our products. As such, we have also accumulated rich hands-on experience in the production of assembly character toys, which we believe will facilitate in the success of our self-operated factories. Through extensive collaboration with partner factories over the years, we also developed a team of production experts as well as our own methodology covering the following areas:

- *Factory planning:* We are able to produce a factory layout which optimizes the physical placement of key production processes such as molding, injection, printing/painting, sorting and packaging to ensure production efficiency.
- *Materials:* We have developed detailed standards for ABS used in our products and established connection with quality suppliers, ensuring product quality and cost-efficiency.
- *Equipment selection:* We have identified the most suitable equipment for various production stages of our products and can apply customized equipment in self-operated factories.
- *Production methods:* We have refined various key production processes from molding to packaging. Such processes have been validated in partner factories and can be used by us to achieve production efficiency.
- *Quality control:* We have formed our own product quality assessment system that covers the key production processes, which is effective in identifying issues promptly during production, thereby safeguarding our product quality.

We believe that the experience and knowledge listed above will be instrumental in establishing our self-operated factories. Nevertheless, we may face challenges with respect to self-operated factories. See “Risk Factors — Our investment and future operations in self-operated factories may not be successful.”

## **MARKETING AND CONSUMER ENGAGEMENT**

### **Our Content-Driven Online Marketing Strategy**

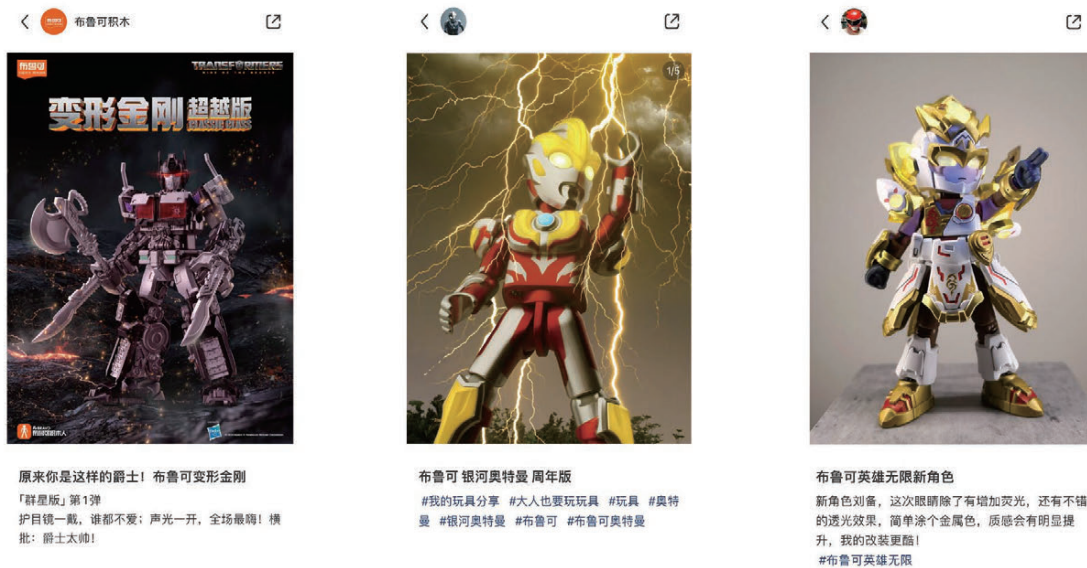
Assembly character toys are naturally suitable for content-driven marketing due to the consumer connection from the assembling process, and the fact that IP characters are closely associated with rich contents that can be widely disseminated. Leveraging such unique characteristics of IP-based assembly character toys, we adopt a content-driven online marketing strategy that enables us to effectively reach and maintain a broad base of consumers, fans and BFCs, and collect feedback on our products. We use multiple communication channels, including our official accounts and the accounts of KOLs, KOCs, fans and BFCs on social media platforms.

- *Official Accounts:* We utilize social media platforms to demonstrate the potential of our assembly character toys. We publish high-quality images and videos that highlight our product design and the IP character elements to promote our products and their assembling experience, thereby strengthening brand awareness. The comment sections beneath these posts provide space where fans can share their comments about the products, ask questions about specific models, and offer helpful tips to other consumers. By closely monitoring metrics such as fan growth, video views and the number of comments on our posts, we gain valuable insights into consumer preferences which allow us to identify popular products and address any feedback raised in the comments. Separately, we dynamically adjust the timing of new product launches and marketing content releases based on the relevant content release schedule of the IP proprietor, effectively supporting our product marketing. We have official accounts on different social media platforms, including Weixin, Douyin, Kuaishou, Xiaohongshu, Weibo and Bilibili, covering a wide range of audience.
  
- *Collaborations with KOLs and KOCs:* KOLs and KOCs we collaborate with play a crucial role in our content-driven online marketing strategy. These KOLs and KOCs publish a wide range of content in different forms including videos and posts, demonstrating the features of our products. For example, there are posts to show (i) the design and features of our new products in detail, including the cool appearances and new production techniques, to promote the sales of new products; (ii) re-touch and modification of our products, encouraging consumers to personalize their own creations; (iii) imaginative modifications that go beyond existing IP characters; (iv) recreations of classical movie scenes using our products, mobilizing the fans of the IP; and (v) assembling experience that demonstrates the consistent quality and play experience of our products. Our collaboration with KOLs and KOCs is an effective way for us to reach our target consumers and further establish our brand awareness among them. We worked with more than 900 KOLs and KOCs from January 2022, when we began to offer assembly character toys, to the Latest Practicable Date across various online platforms.

## BUSINESS

- **UGCs:** We foster deep connection with consumers and fans, encouraging them to become BFCs and create UGCs on social media platforms. Through official reposting and event operations such as finished-products sharing, assembling and re-creation competition and offline exhibitions, we further promote the creation and sharing of UGCs by consumers, fans and BFCs. These events also provide a platform for fans to connect with each other, share ideas and inspire a broader community. Our video sharing event held between September 2023 and January 2024 attracted over 15,000 video submissions, with the most popular single video accumulating over 640,000 views. As of the Latest Practicable Date, hashtags related to us and our products have generated more than 11 billion views across various social media platforms.

### Content-driven Marketing Strategy



#### Official Accounts

#### Collaborations with KOLs and KOCs

#### UGCs

The animated series based on our self-developed IPs, namely Magic Blocks and Hero Infinity, also served a unique marketing purpose and have attracted a large group of fans who are our potential consumers. See “— Our Product Approach — Our IP Portfolio — Self-developed IPs — Case Study.” We place our animated series across different channels to maximize their reach, including TV channels, social media and online video platforms.

To better market our products and brand, we have established a dedicated marketing team that is responsible for formulating and coordinating marketing activities and promotion campaigns with deep consumer insight and extensive industry experience. Our content-driven online marketing strategy proves highly effective. In the six months ended June 30, 2024, our marketing and promotion expenses amounted to RMB48.0 million, accounting for 4.6% of our total revenue, significantly lower than the industry average according to Frost & Sullivan.

### Consumer Engagement

We have established a multi-channel membership program, including membership of our Weixin mini program Bloks Club (布鲁可积木人Club) and our flagship stores on e-commerce platforms, to build our consumer community, enhance their stickiness and drive repeat purchases.

Our Weixin mini program Bloks Club is a platform where consumers can engage with us and others. For example, registered members can post pictures and text to share their collections and re-creations. In addition, consumers can gain access to our product releases and events. Furthermore, we host voting campaigns to encourage consumer participation in the development of our new products through our Co-creation Base (共创基地) feature within the Bloks Club. The product proposal with the highest number of votes may be transformed into real products. Our consumers can register their products at Bloks Club by scanning the QR code on the packaging of our products and character identity card enclosed within the products. We build a triumph system on Bloks Club that allows registered members to activate their purchases to earn credits and obtain achievement trophies. The credits can then be used to offset product purchases made at the Bloks Club. As of June 30, 2024, we had approximately 2.0 million registered members on Bloks Club, and approximately 80% of our Bloks Club members activated at least one product. Bloks Club members who activated their products in 2023 activated an average of approximately five units of our assembly character toys.

### Bloks Club



Co-creation Base



Triumph System

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## BUSINESS

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Our consumers can follow us on flagship stores of various e-commerce platforms such as Tmall, JD.com, Douyin and Pinduoduo. We have a tiered membership program offering different tiers of benefits on e-commerce platforms, including membership discounts, coupons and points redemption. As of June 30, 2024, we have over 8.8 million fans across our e-commerce flagship stores.

We collect certain personal data, including phone numbers and addresses for the purpose of online account registration, including membership program, and sales through e-commerce platforms. For personal data protection measures, see “— User Privacy and Data Security.”

### **Consumer Support and Product Return**

We are committed to offering high-quality consumer support which reflects the high level of consumer satisfaction we strive to achieve. Our consumer care team responds to consumers’ queries, requests and feedback. We regularly seek consumer input and address their queries through a variety of channels, including offline stores, consumer care hotlines, online e-commerce platforms and our Weixin mini program. Product defects can also be reported through these channels. Our consumer care staff keeps track of all inquiries, feedback and complaints, as well as the outcomes of any potential follow-ups or solutions in these areas. Our product return policy stipulates that we generally do not accept product returns unless there are defective products. Subject to our terms and conditions, consumers who purchase from our authorized retail outlets can enjoy a one-time product component replacement service of up to three components within 15 days of the purchase. If there is any product defect, we will deal with the claims from consumers and bear the relevant product liabilities. To the extent the defect is caused by our partner factories, we would seek indemnity from them. See “— Production.” We have not experienced any consumer complaint or product returns that materially and adversely affected our business during the Track Record Period and up to the Latest Practicable Date.

### **SALES NETWORK**

We sell our products through a multi-channel sales network, which consists of (i) offline sales channels, including distributors and consignment sales, and (ii) online sales channels, including various e-commerce platforms. All our products are available for sale in each of our sales channels. We have suggested retail prices for our products and such prices are the same across all sales channels in China. The revenue from others represents non-toy revenue associated with our self-developed IPs for advertisements shown before, during or after the play of animations on online platforms, which does not fall under offline or online sales channels. During the Track Record Period and up to the Latest Practicable Date, we did not experience any material disagreements with our distributors, consignment sales partners and e-commerce platform operators or breach of contractual terms by them.

## BUSINESS

The table below set forth the breakdown of our revenue by sales channel for the periods indicated.

	Year Ended December 31,						Six Months Ended June 30,			
	2021		2022		2023		2023		2024	
	<i>(in RMB thousands, except for percentages)</i>									
	<i>(unaudited)</i>									
Offline channels										
Distribution sales . . .	112,837	34.2%	157,004	48.2%	732,700	83.6%	238,111	76.8%	957,859	91.6%
Consignment sales . . .	37,869	11.5%	32,908	10.1%	36,371	4.1%	19,447	6.3%	13,572	1.3%
<b>Sub-total. . . . .</b>	<b>150,706</b>	<b>45.7%</b>	<b>189,912</b>	<b>58.3%</b>	<b>769,071</b>	<b>87.7%</b>	<b>257,558</b>	<b>83.1%</b>	<b>971,431</b>	<b>92.9%</b>
Online channels. . . . .	170,957	51.8%	134,412	41.3%	106,249	12.1%	51,946	16.8%	74,616	7.1%
Others <sup>(1)</sup> . . . . .	8,109	2.5%	1,250	0.4%	1,366	0.2%	435	0.1%	156	0.0%
<b>Total. . . . .</b>	<b>329,772</b>	<b>100.0%</b>	<b>325,574</b>	<b>100.0%</b>	<b>876,686</b>	<b>100.0%</b>	<b>309,939</b>	<b>100.0%</b>	<b>1,046,203</b>	<b>100.0%</b>

*Note:*

- (1) Others primarily include other non-toy revenue associated with our self-developed IPs, including certain passive advertisement-related revenue for advertisements shown before, during or after the play of animations on online platforms, which do not fall under offline or online sales channel.

Apart from China, we also sell our products in overseas markets. Our revenue from overseas sales increased by 66.8% from RMB5.0 million in 2021 to RMB8.3 million in 2022, and further by 25.5% to RMB10.4 million in 2023. Our revenue from overseas sales increased by 135.5% from RMB4.7 million in the six months ended June 30, 2023 to RMB11.2 million in the six months ended June 30, 2024.

We target to maintain consistent pricing for our products across all sales channels. We provide suggested retail prices to all the distributors and consignment sales partners and e-commerce platforms. However, other than the consignment sales partners, we have no direct control as to the price at which the distributors or online platforms sell our products. Instead, we actively monitor retail prices through various measures, including regular online and offline price checks. The purpose of these checks is to ensure that our pricing remains largely consistent, minimizing major discrepancies that could undermine our market strategy. If we detect any significant price deviations, we actively engage and communicate with the relevant party to identify the causes of such actions, reach mutually acceptable solutions such as adherence to our suggested retail price. We then continue to monitor the implementations thereof. Should the deviation persist, we may decide to terminate our cooperation with the relevant party, including the distributors. During the Track Record Period and up to the Latest Practicable Date, no cooperation with distributors or consignment sales partners was terminated due to the deviation of the suggested retail prices.

## **Offline Sales Channels**

### *Distributors*

The background of our distributors typically includes distributors of toys and cultural and creative products with specific regional coverage and established local sales network. We also work with large-scale distributors with national coverage. Our offline distribution sales amounted to RMB112.8 million, RMB157.0 million, RMB732.7 million, RMB238.1 million and RMB957.9 million, accounting for 34.2%, 48.2%, 83.6%, 76.8% and 91.6% of our total revenue in 2021, 2022, 2023 and the six months ended June 30, 2023 and 2024, respectively. We have a seller-buyer relationship with our distributors. Revenue is recognized when control of the products has been transferred, being the point at which products are delivered to and accepted by our distributors.

Distributorship business model enables us to rapidly expand our presence and drive our sales growth. According to Frost & Sullivan, our existing distribution model is consistent with the industry practice and serves to ensure the extensive coverage of our sales network while controlling our costs of distribution.

### *Selection and Management of Our Distributors*

We select our distributors based on a number of factors, including their qualifications, scope of operations, business scale, experience in toy industry, locations, distribution network, retail outlets coverage and customer service capabilities. For our assembly character toys, we prefer distributors that have extensive retail or distribution network covering retail outlets and specialty outlets at desirable locations, which typically have high consumer traffic.

We regularly assess the performance of our distributors and leverage the assessment as a basis to determine whether to renew our agreement with a given distributor. More specifically, we consider various factors for renewing agreements with distributors, including their historical sales of our products, payment record, compliance with the distribution agreement and sales and marketing capabilities. We typically set a minimal purchase amount in our distribution agreements, non-achievement of which enables us to terminate the agreement unilaterally. However, such minimal purchase amount is far less than the average sales volume of our distributors during the Track Record Period, and thus it primarily serves as a mechanism to eliminate distributors with unsatisfactory performance. We typically do not set minimum sales targets for distributors.

Our distributors are generally only allowed to sell our products in designated channels and areas. We generally reserve the right to impose penalty, forfeit deposits (if any) and terminate the distribution agreement in the event that the distributors breach such requirements on distribution channels and areas. Any new retail outlets or sales through online channels should be approved by us. Our distributors also need to consult with us when developing any sub-distributors. Some of our distributors may engage sub-distributors. They typically further enter into agreements with the sub-distributors, and we generally do not enter into agreements



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## BUSINESS

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or directly establish relationships with the sub-distributors. Consequently, we have no control over the sub-distributors. Any violation of our policy by the retail outlets and sub-distributors would be deemed as a violation by the distributor. We typically have QR codes printed on the package of each unit of our products, which contain information as to the designated distributor, channels and areas. We perform regular onsite spot checks at retail outlets by scanning the QR codes, as well as random checks on e-commerce platforms, thereby identifying whether the product is sold within the authorized channels or areas. Our sales team makes at least 10,000 visits at our retail outlets each month to conduct spot checks. Through such measures, we could effectively minimize the competition among different channels.

We implement a series of measures to manage the inventory level of distributors. Typically, the amount of products that a distributor can purchase during a certain period is determined by us taking into account the sales capabilities and historical performance of such distributor. Separately, we typically require our distributors to make full or partial payment before delivery of our products. We also have a designated team that visits most of our distributors monthly to monitor their inventory and we require them to report the sales information and inventory balances to us every month. To ensure that we have accurate information relating to distributors' inventory levels, we conduct stock-taking on our visit to distributors, cross-checking the stock-take results against the sales and inventory balances reported and the actual orders placed by distributors. This detailed verification process enables us to identify discrepancies and swiftly address potential issues, ensuring that we have a thorough understanding of the inventory level of distributors. In addition, if we identify unusually large purchase orders, we may seek to verify the business reasons before accepting such orders. We maintain close oversight and engage in frequent communication with distributors to monitor their inventory levels continuously. Furthermore, once the products are delivered to and accepted by our distributors, they cannot be returned except for product defects, which is in line with the market practice according to Frost & Sullivan.

We proactively monitor the retail price of our products to ensure consistency of pricing across different channels through measures including online and offline price checks. To the extent that any major inconsistency in product price is identified, we may choose to discontinue cooperation with the relevant party.

To the best knowledge of our Directors, as of the Latest Practicable Date, all our distributors were independent third parties and none of our distributors were controlled by any of our former or present employees during the Track Record Period and up to the Latest Practicable Date. During the Track Record Period, none of our distributors had any business, employment, family or financing relationships with any of our Directors, Shareholders, senior management and employees. During the Track Record Period, none of our distributors were our suppliers, and we did not provide financing to any of our distributors other than the credit terms to certain distributors as described below.

See "Risk Factors — Risks Relating to Our Business and Industry — We may be unable to expand, manage, monitor and coordinate our multi-channel sales network effectively" for details of risk in relation to distributorship.

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## BUSINESS

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The salient terms of our typical distribution agreements are set out below:

- *Duration:* Typically one year, renewable upon mutual agreements.
- *Retail price:* We set suggested retail prices for our products.
- *Access to information:* Distributors are required to cooperate with us to periodically provide sales information in relation to our products.
- *Minimum purchase amount:* Typically, failure to reach RMB0.3 million in the first six months of the term of the distribution agreements or failure to place any purchase order with us for two consecutive months will grant us the unilateral right to terminate the agreement.
- *Sales rebate:* We typically rebate a prescribed percentage ranging from 1% to 2% of our distributors' annual sales, determined by annual sales amount of our distributors, to the sales rebate pools. Balance of the sales rebate pool can only be used to offset the price for procurement of our distributors from us. As a precondition to enjoy such sales rebate, the distributor needs to achieve a prescribed sales target in given periods. We generally reserve the right to cancel any sales rebate in events of delayed procurement payments, or material non-compliance of restrictions on sales channels and areas. Any unutilized sales rebate will be cancelled upon the termination or expiration of the agreement. According to Frost & Sullivan, such practices in relation to rebates are in line with industry practices. For 2021, 2022, 2023 and the six months ended June 30, 2024, we offered rebates to distributors of RMB2.2 million, RMB3.0 million, RMB28.4 million and RMB52.1 million, respectively.
- *Credit terms:* We typically do not provide credit terms to our distributors, and will require them to make the payment before the shipment of the products ordered. However, for certain credit-worthy distributors, we may grant them a credit term typically between one to three months. Such credit policy is in line with the industry norm, according to Frost & Sullivan. Approximately 25.3%, 25.1%, 24.6% and 22.5% of our distributors as of December 31, 2021, 2022 and 2023 and June 30, 2024 were granted credit terms by us.
- *Product return policy:* We do not accept product returns after delivery and acceptance, except for product defects. According to Frost & Sullivan, such practices in relation to product returns are in line with industry practices.
- *Logistics:* Generally, we arrange delivery services with a third-party logistics company and the relevant costs are borne by us.
- *Termination rights:* We reserve the rights to terminate the agreement in the event that the distributor breaches any material terms of the agreement.

### *Consignment Sales*

We make consignment sales at retail outlets operated by our consignment sales partners. Ownership of the goods remain with us until sales to consumers occur. We recognize revenue upon sales to end-consumers are made through consignment sales partners. Consignment sales partners are considered as our customers under IFRS15 because (i) title of goods are passed back-to-back from us to consignment sales partners and further to end-customers when sales take place, (ii) we have contractual arrangements with the consignment sales partners, (iii) operating retail outlets and sell toys products are the ordinary activities of consignment sales partners, and (iv) consignment sales partners pay for the goods they obtain from us. Consumers may return product with quality defect(s) to our consignment sales partners, who will then pass the returned goods to us. The return of unsold goods from our consignment sales partners does not have any financial impact on us, particularly on our revenue and inventory, because the title of the goods does not leave us until they are sold to end-customers. In each of 2021, 2022 and 2023 and the six months ended June 30, 2024, we had three consignment sales partners. Such consignment sales partners primarily operate retail outlets for toys, children's goods and gifts.

The salient terms of typical consignment agreements are set forth below:

- *Duration:* The term of the agreement is typically one year.
- *Sales and pricing policy:* We generally provide pricing guidelines, and consignment sales partners shall sell with reference to the suggested retail prices. We are entitled to adjust the pricing guidelines.
- *Payment and credit terms:* The credit period typically ranges from one to three months.
- *Ownership of the stock:* Products stocked up at the consignment sales partners' retail outlets remain our properties and we carry the risk of any incidental loss or damages to such products until they are sold, except for certain limited circumstances.
- *Return of unsold inventory:* Upon request from the consignment sales partners, we are responsible for collecting unsold relevant products within a period specified in the agreement. If we fail to collect the relevant products within such period, the consignment sales partners may dispose the unsold products and retain the proceeds generated therefrom.
- *Termination rights:* Consignment sales partners generally reserve the right to terminate the agreement upon the occurrence of certain specified events specified in the agreement, including the default in payment and supply cut-off by us.

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## BUSINESS

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### Online Sales Channels

We have established our online channels, primarily through (i) the opening of flagship stores on Tmall, JD.com, Douyin, Pinduoduo and other e-commerce platforms in China, and (ii) our Weixin mini program Bloks Club. To a much lesser extent, we also sell our products to certain e-commerce platforms on arrangements either similar to those for offline consignment sales partners, or those for offline distributors. In 2021, 2022, 2023 and the six months ended June 30, 2023 and 2024, revenue from our online channels was RMB171.0 million, RMB134.4 million, RMB106.2 million, RMB51.9 million and RMB74.6 million, accounting for 51.8%, 41.3%, 12.1%, 16.8% and 7.1% of our total revenue, respectively.

### Movement of Distributors

The table below sets forth the number of our distributors and their movements for the periods indicated.

	Year Ended December 31,			Six Months Ended June 30,	
	2021	2022	2023	2023	2024
Number of distributors at the beginning of the period .....	40	225	354	354	415
Number of new distributors during the period .....	252	257	184	105	121
Number of terminated distributors during the period .....	67	128	123	53	25
<b>Number of distributors at the end of the period .....</b>	<b>225</b>	<b>354</b>	<b>415</b>	<b>406</b>	<b>511</b>

In 2021, 2022, 2023 and the six months ended June 30, 2023 and 2024, we terminated the relationship with 67, 128, 123, 53 and 25 distributors. The reasons for such terminations primarily include (i) termination with certain brick-based toy distributors as we focused on the growth of assembly character toys which we began to offer in January 2022 and (ii) certain distributors who no longer meet our cooperation criteria such as our minimum purchase requirement or stopped being toy distributors due to their own business reasons.

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## BUSINESS

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The table below sets forth the number of distributors by geographical location of the distributors for the periods indicated.

	As of December 31,			As of June 30,
	2021	2022	2023	2024
First-tier cities .....	42	67	78	93
Second-tier cities .....	107	177	207	254
Third-tier cities and below....	55	96	111	128
Others <sup>(1)</sup> .....	21	14	19	36
<b>Total</b> .....	<b>225</b>	<b>354</b>	<b>415</b>	<b>511</b>

*Note:*

(1) Others are overseas distributors.

### OUR CUSTOMERS

Our direct customers primarily include the distributors, consignment sales partners, e-commerce platforms and online consumers. All our five largest customers in each year or period during the Track Record Period are our distributors, consignment sales partners and an e-commerce platform. In 2021, 2022, 2023 and the six months ended June 30, 2024, revenue from our five largest customers in each year or period during the Track Record Period accounted for 26.6%, 22.5%, 15.3% and 12.1% of our total revenue for such year or period during the Track Record Period. In 2021, 2022, 2023 and the six months ended June 30, 2024, revenue from our largest customer in each year or period during the Track Record Period accounted for 12.2%, 9.0%, 4.2% and 3.3% of our total revenue for such year or period during the Track Record Period. During the Track Record Period, we were not subject to any material customer concentration risk. During the Track Record Period and up to the Latest Practicable Date, none of our Directors, their associates or any of our current Shareholders (who, to the knowledge of our Directors, own more than 5% of our share capital) had any interest in any of our five largest customers in each year of period during the Track Record Period that are required to be disclosed under the Listing Rules.

## BUSINESS

The table below sets forth the details of our five largest customers in each year or period during the Track Record Period.

### For the Year Ended December 31, 2021

Rank	Customer	Nature of Business	Year of Commencement of Business Relationship	Registered Capital	Location	Sales	Percentage of Our
						Amount	Total Sales
						<i>(RMB'000)</i>	<i>(%)</i>
1.....	Customer A <sup>(1)</sup>	E-commerce platform	2018	USD1.4 billion	Beijing, China	40,195	12.2
2.....	Customer B	Sales of toys	2016	USD19.9 million	Shanghai, China	30,253	9.2
3.....	Customer C <sup>(2)</sup>	Sales of children's products and value-added services	2019	RMB1.1 billion	Jiangsu, China	8,217	2.5
4.....	Customer D	Sales and distribution of toys	2021	RMB1.1 million	Shandong, China	4,576	1.4
5.....	Customer E	Sales and distribution of toys	2021	RMB1.0 million	Beijing, China	4,224	1.3
<b>Total..</b>						<b>87,465</b>	<b>26.6</b>

*Notes:*

- (1) Customer A is a subsidiary of a leading e-commerce company listed on NASDAQ and the Hong Kong Stock Exchange and headquartered in China.
- (2) Customer C is a subsidiary of a company listed on Shenzhen Stock Exchange and headquartered in China that primarily engages in sale of a wide range of children's apparel, footwear, accessories, toys, and other related products through its network of retail stores and online platforms.

## BUSINESS

### For the Year Ended December 31, 2022

Rank	Customer	Nature of Business	Year of Commencement of Business Relationship	Registered Capital	Location	Sales Amount	Percentage of Our Total Sales
						<i>(RMB'000)</i>	<i>(%)</i>
1.....	Customer A <sup>(1)</sup>	E-commerce platform	2018	USD1.4 billion	Beijing, China	29,254	9.0
2.....	Customer B	Sales of toys	2016	USD19.9 million	Shanghai, China	25,893	8.0
3.....	Customer C <sup>(2)</sup>	Sales of children's products and value-added services	2019	RMB1.1 billion	Jiangsu, China	7,750	2.4
4.....	Customer F <sup>(3)</sup>	Sales of toys, animation and amusement related products	2022	RMB1.2 billion	Fujian, China	5,699	1.8
5.....	Customer E	Sales and distribution of toys	2021	RMB1.0 million	Beijing, China	4,083	1.3
<b>Total..</b>						<b><u>72,679</u></b>	<b><u>22.5</u></b>

*Notes:*

- (1) Customer A is a subsidiary of a leading e-commerce company listed on NASDAQ and the Hong Kong Stock Exchange and headquartered in China.
- (2) Customer C is a subsidiary of a company listed on Shenzhen Stock Exchange and headquartered in China that primarily engages in sale of a wide range of children's apparel, footwear, accessories, toys, and other related products through its network of retail stores and online platforms.
- (3) This includes transactions with certain subsidiaries of Customer F.

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## BUSINESS

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### For the Year Ended December 31, 2023

Rank	Customer	Nature of Business	Year of Commencement of Business Relationship	Registered Capital	Location	Sales Amount	Percentage of Our Total Sales
						<i>(RMB'000)</i>	<i>(%)</i>
1.....	Customer B	Sales of toys	2016	USD19.9 million	Shanghai, China	36,409	4.2
2.....	Customer G	Sales and distribution of toys	2022	RMB1.0 million	Henan, China	26,777	3.1
3.....	Customer A <sup>(1)</sup>	E-commerce platform	2018	USD1.4 billion	Beijing, China	26,133	3.0
4.....	Customer H	Sales and distribution of toys	2022	RMB10.0 million	Zhejiang, China	24,725	2.8
5.....	Customer F <sup>(2)</sup>	Sales of toys, animation and amusement related products	2022	RMB1.2 billion	Fujian, China	19,455	2.2
<b>Total....</b>						<b>133,499</b>	<b>15.3</b>

*Notes:*

- (1) Customer A is a subsidiary of a leading e-commerce company listed on NASDAQ and the Hong Kong Stock Exchange and headquartered in China.
- (2) This includes transactions with certain subsidiaries of Customer F.



## BUSINESS

### For the Six Months Ended June 30, 2024

Rank	Customer	Nature of Business	Year of Commencement of Business Relationship	Registered Capital	Location	Sales Amount	Percentage of Our Total Sales
						(RMB'000)	(%)
1 .....	Customer G	Sales and distribution of toys	2022	RMB1.0 million	Henan, China	34,995	3.3
2 .....	Customer I and its related entity <sup>(1)</sup>	Sales and distribution of toys	2023	RMB10.0 million	Zhejiang, China	24,576	2.3
3 .....	Customer J and its related entities <sup>(2)</sup>	Sales and distribution of toys	2023	RMB3.0 million	Anhui, China	23,633	2.3
4 .....	Customer B	Sales of toys	2016	USD19.9 million	Shanghai, China	23,131	2.2
5 .....	Customer K and its related entity <sup>(3)</sup>	Sales and distribution of toys	2022	RMB0.5 million	Hunan, China	21,324	2.0
<b>Total....</b>						<b>127,659</b>	<b>12.1</b>

*Notes:*

- (1) The related entity is under the same control as Customer I.
- (2) The related entities are under the same control as Customer J.
- (3) The related entity is under the same control as Customer K.

## RAW MATERIALS AND SUPPLY CHAIN

### Key Raw Materials Procurement

The key raw materials for our products are ABS and paper materials. Raw materials are of vital importance as they can directly affect the quality, appearance and texture of finished toys. Our partner factories are responsible for the procurement of key raw materials from qualified suppliers designated or approved by us. During the Track Record Period, we or our partner factories did not experience any material incidents of supply interruption or failure to secure sufficient quantities of raw materials. See “— Quality Control.”

**Logistics and Inventory Management**

To support our extensive sales network in China and overseas, we have established our storage and logistics capabilities.

***Warehouse***

As of June 30, 2024, we leased and operated two central warehouses with a total GFA of approximately 14,163 sq.m. in China. We also engage with three third-party warehouse service providers for the storage of our products overseas. We typically enter into agreements with our warehouse service providers for a term of three years. Our warehouse service providers bear the risks associated with the storage of our products.

We have a dedicated team responsible for the management of the storage of our products. See “— Quality Control.”

***Logistics***

To transport our products within our extensive sales network efficiently, we engage third-party logistics services providers to deliver our products.

We usually enter into agreements with our logistics service providers on an annual basis. Our logistics service providers bear the risks associated with the delivery of our products and are required to have necessary insurance coverage. For any ad hoc product transport needs, we may use other temporary logistics service providers. During the Track Record Period and up to the Latest Practicable Date, we had not experienced any material disruption in the delivery of our products or suffered any material loss due to late delivery or mishandling of products by our logistics service providers. See “— Quality Control.”

***Inventory Management***

During the Track Record Period, most of our inventories were finished goods. We initiate production order based on internal sales forecast, so as to optimize inventory turnover. We have implemented stringent inventory management measures to maintain an optimal level of inventory. We also set inventory turnover rate management indicators that we monitor and optimize, to assess the efficiency of our inventory management. As of December 31, 2021, 2022 and 2023 and June 30, 2024, we had inventories of RMB69.8 million, RMB61.2 million, RMB76.3 million and RMB151.3 million, respectively. In 2021, 2022, 2023 and the six months ended June 30, 2024, our inventory turnover days were 137 days, 130 days, 62 days and 46 days, respectively.

## BUSINESS

### OUR SUPPLIERS

Our suppliers primarily include specialized partner factories and IP proprietors and licensors. Purchases from our partner factories accounted for the majority of our purchases during the Track Record Period. See “Risk Factors — Risks Relating to Our Business and Industry — The use of third-party partner factories to produce products presents risks to our business” for the associated risks. In 2021, 2022 and 2023 and the six months ended June 30, 2024, purchases from our five largest suppliers in each year or period during the Track Record Period accounted for 82.3%, 82.2%, 90.5% and 71.6% of our total purchases for such year or period during the Track Record Period. In 2021, 2022, 2023 and the six months ended June 30, 2024, purchases from our largest supplier in each year or period during the Track Record Period accounted for 46.4%, 40.6%, 34.4% and 30.4% of our total purchases for such year or period during the Track Record Period. During the Track Record Period and up to the Latest Practicable Date, to the best knowledge of our Directors, none of our Directors, their associates or any of our current Shareholders (who, to the knowledge of our Directors, own more than 5% of our share capital) had any interest in our five largest suppliers in each year or period during the Track Record Period that are required to be disclosed under the Listing Rules. The table below sets forth the details of our five largest suppliers in each year or period during the Track Record Period.

#### For the Year Ended December 31, 2021

Rank	Supplier	Nature of Business	Year of Commencement of Business Relationship	Registered Capital	Location	Purchase Amount  (RMB'000)	Percentage of Our Total Purchases  (%)
1.....	Supplier A and its related entities <sup>(1)</sup>	Manufacturing and sales of molds and plastic products	2017	RMB76.1 million	Jiangsu, China	95,704	46.4
2.....	Supplier B	Manufacturing and sales of molds and plastic products	2017	USD42.5 million	Guangdong, China	27,403	13.3
3.....	Supplier C	Manufacturing and sales of molds and plastic products	2018	RMB10.0 million	Jiangsu, China	19,218	9.3
4.....	Supplier D	Manufacturing and sales of plastic products	2020	RMB100.0 million	Zhejiang, China	14,509	7.0
5.....	Supplier E	Manufacturing and sales of molds and plastic products	2021	RMB28.0 million	Guangdong, China	12,959	6.3
<b>Total..</b>						<b>169,793</b>	<b>82.3</b>

*Note:*

(1) The related entities are under the same control as Supplier A.

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## BUSINESS

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### For the Year Ended December 31, 2022

Rank	Supplier	Nature of Business	Year of Commencement of Business Relationship	Registered Capital	Location	Purchase Amount	Percentage of Our Total Purchases
						<i>(RMB'000)</i>	<i>(%)</i>
1.....	Supplier A and its related entities <sup>(1)</sup>	Manufacturing and sales of molds and plastic products	2017	RMB76.1 million	Jiangsu, China	82,061	40.6
2.....	Supplier E	Manufacturing and sales of molds and plastic products	2021	RMB28.0 million	Guangdong, China	39,739	19.7
3.....	Supplier C	Manufacturing and sales of molds and plastic products	2018	RMB10.0 million	Jiangsu, China	17,046	8.4
4.....	Supplier B	Manufacturing and sales of molds and plastic products	2017	USD42.5 million	Guangdong, China	16,997	8.4
5.....	Supplier F	IP licensing	2021	RMB5.0 million	Shanghai, China	10,387	5.1
<b>Total..</b>						<b>166,230</b>	<b>82.2</b>

*Note:*

(1) The related entities are under the same control as Supplier A.

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## BUSINESS

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### For the Year Ended December 31, 2023

Rank	Supplier	Nature of Business	Year of Commencement of Business Relationship	Registered Capital	Location	Purchase Amount	Percentage of Our Total Purchases
						<i>(RMB'000)</i>	<i>(%)</i>
1.....	Supplier A and its related entities <sup>(1)</sup>	Manufacturing and sales of molds and plastic products	2017	RMB76.1 million	Jiangsu, China	158,821	34.4
2.....	Supplier E	Manufacturing and sales of molds and plastic products	2021	RMB28.0 million	Guangdong, China	149,065	32.3
3.....	Supplier F	IP licensing	2021	RMB5.0 million	Shanghai, China	53,104	11.5
4.....	Supplier C	Manufacturing and sales of molds and plastic products	2018	RMB10.0 million	Jiangsu, China	41,621	9.0
5.....	Supplier G <sup>(2)</sup>	IP licensing	2021	USD7.0 million <sup>(3)</sup>	United Kingdom	15,426	3.3
<b>Total..</b>						<b>418,037</b>	<b>90.5</b>

*Notes:*

- (1) The related entities are under the same control as Supplier A.
- (2) Supplier G is a subsidiary of a leading US-based NASDAQ listed toy and game company.
- (3) Being the registered capital of supplier G's PRC subsidiary.

## BUSINESS

### For the Six Months Ended June 30, 2024

Rank	Supplier	Nature of Business	Year of Commencement of Business Relationship	Registered Capital	Location	Purchase Amount	Percentage of Our Total Purchases
						(RMB'000)	(%)
1.....	Supplier E	Manufacturing and sales of molds and plastic products	2021	RMB28.0 million	Guangdong, China	149,684	30.4
2.....	Supplier A and its related entities <sup>(1)</sup>	Manufacturing and sales of molds and plastic products	2017	RMB76.1 million	Jiangsu, China	101,632	20.6
3.....	Supplier F	IP licensing	2021	RMB5.0 million	Shanghai, China	63,105	12.8
4.....	Supplier G <sup>(2)</sup>	IP licensing	2021	USD7.0 million <sup>(3)</sup>	United Kingdom	19,642	4.0
5.....	Supplier C	Manufacturing and sales of molds and plastic products	2018	RMB10.0 million	Jiangsu, China	18,901	3.8
<b>Total..</b>						<b>352,964</b>	<b>71.6</b>

*Notes:*

- (1) The related entities are under the same control as Supplier A.
- (2) Supplier G is a subsidiary of a leading US-based NASDAQ listed toy and game company.
- (3) Being the registered capital of supplier G's PRC subsidiary.

## INTELLECTUAL PROPERTIES

We operate our business under the brand of *Blokees* (布魯可). As of the Latest Practicable Date, we had 590 patents granted or under application (including 75 granted invention patents), 1,913 trademarks, 1,418 copyrights and 120 domain names in China. As of the same date, we had 26 patents granted or under application and 158 trademarks overseas. See “Appendix IV — Statutory and General Information — B. Further Information about the Business — Intellectual Property.”

During the Track Record Period and up to the Latest Practicable Date, we did not experience any material infringement of patents, trademarks, copyrights, trade secret, know-how and proprietary rights of third parties.

### IP Licensing Arrangements

We entered into license agreement with the IP proprietors or licensors. As of December 31, 2021, 2022 and 2023 and June 30, 2024, we had seven, 10, 13 and 18 IP licensing agreements in effect with seven, 10, 11 and 12 IP proprietors or licensors. As of the Latest Practicable date, we had 23 IP licensing agreements in effect with 10 IP proprietors and three licensors. Below set forth the key terms of the license agreements:

- *Licensing rights:* The IP proprietors or licensors grant us the non-exclusive rights to design, develop, produce and sell products as specified in the agreements in specific regions based on their IPs as specified under the agreements during the term of the agreements.
- *Product type:* Generally we have the rights to design, develop, produce and sell our assembly character toys and, to a lesser extent, our brick-based toys. Under certain agreements, we can also sell collectibles such as collectible coins, cards, posters and key chains with our assembly character toys.
- *Use of logo and trademark:* We are authorized to use the official logo and trademark of the licensed IPs on the packaging of our products.
- *Sub-license:* We are generally not allowed to sub-license the IPs under the license agreement.
- *Duration:* The initial term of our license agreements is generally from one year to three years. The agreements are generally not automatically renewable, do not provide predetermined conditions for renewal, and can be renewed or extended upon mutual agreement. Depending on the terms and conditions of the agreement, we may have priority in renewing the license under the same conditions when the agreement is about to expire. During the Track Record Period, we did not encounter any difficulties in renewing licensing agreements with IP proprietors or licensors.
- *Fee agreements:* For each year, we generally pay IP proprietors or licensors the higher of a minimum guarantee and an amount predetermined by formulas based on sales performance or production volume of the products developed under the IPs. According to Frost & Sullivan, our fee arrangements with IP proprietors or licensors are in line with industry standards.
- *Sell-off period:* We are typically allowed to sell the unsold products developed under the IPs within three to six months after the termination of the license agreement.
- *Validity of IP rights and Infringement:* The IP proprietors or licensors represent that they have the relevant intellectual property rights or full authorization in relation to the IPs. If we incur losses as a result of defects in the IP proprietor's or licensor's intellectual property rights, the IP proprietor or licensor shall be held liable for

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## BUSINESS

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breach of contract. Typically, the IP proprietors or licensors provided us with indemnity or agreed to pay liquidated damages in the event of infringement of third-party IP rights relating to the licensed IPs. Separately, we conduct thorough checks to ensure the legitimacy of the rights held by IP proprietors or licensors. See “— Our Product Approach — Our IP Portfolio — IP Protection.”

- *Liability:* We are responsible for all product liabilities, after-sale customer service, claims, complaints, product returns and exchanges.

To mitigate our reliance on any single IP, we have been actively expanding our IP portfolio. As of the Latest Practicable Date, we had approximately 50 licensed IPs in our portfolio. As of the same date, we were negotiating IP licensing arrangements for more than 25 IPs. In addition, we have been dedicated to offering products under our self-developed IPs. As of the Latest Practicable Date, we had two self-developed IPs. As we continue to roll out new products under our expanding IP portfolio, we will be able to reduce reliance on any single IP.

- *Termination:* Either we or the IP proprietors or licensors are entitled to terminate the agreement upon the occurrence of certain specified events, such as a material breach, bankruptcy, revocation of business license or insolvency of the counterparty. We and the IP proprietors or licensors can also terminate the agreement in writing upon mutual agreement.

## QUALITY CONTROL

We place strong emphasis on product quality and have a dedicated quality control team. We adopt a comprehensive quality control system that covers product design and development, raw material suppliers, production, warehousing and logistics.

We take into account product quality at design and development stage. We apply DFM design method to prevent potential issues in molding and production processes to ensure product quality. Through the extensive use of standard components, we reduce the risk of defects arising from complex production processes. We also take into account product quality when designing the prototype and molds for our products, ensuring consistency of quality across all our product offering.

To ensure stable supply and consistent quality of key raw materials, we require our partner factories to procure only from qualified suppliers designated or approved by us. We adopted strict criteria for evaluating the qualifications of our raw material suppliers. We prioritize industry leaders with production capacity at scale and automation capabilities, to ensure we obtain raw materials with exceptional quality and competitive pricing. To guarantee the long-term stable supply of our key raw materials, we maintain a list of competent raw material suppliers and sufficient back-up suppliers.



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## BUSINESS

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For production, we select our partner factories with strict processes based on factors such as qualification, product quality, production capacity, pricing, automation capability, mold and injection equipment, reputation and compliance with applicable laws and regulations. We require our suppliers to have comprehensive quality control systems and quality control experience in large-scale production. We have formulated stringent toy safety standards for our specialized partner factory network to safeguard the quality of our products. We assess the toys produced with strict domestic and global quality standards including GB6675-2014, ASTM F963 and EN71. The specifications of our products, including the size of the blocks and components, are in line with the aforementioned applicable domestic and global quality standards, according to Frost & Sullivan. In addition, we have staff stationed at the partner factories to oversee the entire production process in order to make sure that our products are produced according to our quality standards. We require our partner factories to strictly follow applicable laws and regulations.

For product storage, we have a dedicated team that manages our central warehouses with an ERP system to ensure proper storage. For logistics, strict criteria are used to select third-party logistics services providers, with ongoing performance evaluation to avoid physical damage of our products during transportation.

During the Track Record Period and up to the Latest Practicable Date, we did not experience any major customer complaints on product quality or any product liability claims, product recalls or legal consequences, which, individually or taken together, resulted in a material and adverse effect on us.

## COMPETITION

The global and China's assembly character toy markets are highly concentrated, with the top three players having 81.7% and 65.1% of the market share in terms of GMV in 2023. The top two industry players in the global assembly character toy market are multinational companies that are well-known in the toy industry, the combined market share of which was approximately 75.4% in 2023, according to Frost & Sullivan. We ranked third and first in the global and China's assembly character toy market in 2023 in terms of GMV, respectively. To prevail in the competitive assembly character toy market, we must continue to innovate and launch products that are popular among consumers and meet their needs, which in turn depends on our ability to execute various aspects of our business including product innovations, IP-related capabilities such as selection, development, operation and commercialization, product craftsmanship and quality, production capacity of our partner factories, and the effectiveness of our sales and marketing efforts. Some of our competitors may have greater financial resources or stronger capability than us in one or many of these areas. See "Risk Factors — Risks Relating to Our Business and Industry — Demand for our products is affected by changing social and economic circumstances and evolving consumer preferences, as well as our ability to design and develop products to meet these preferences" and "Industry Overview" for more information about the market where we operate and the competition we face.

### USER PRIVACY AND DATA SECURITY

In the ordinary course of business, we from time to time collect, store and use certain personal information, including phone numbers and addresses for the purpose of online account registration and sales through e-commerce platforms.

There are various laws and regulations, such as the Cybersecurity Law of the PRC and the Personal Information Protection Law of the PRC, which govern the collection, use, retention, sharing and security of the personal data. See “Regulatory Overview — Regulations on Cybersecurity and Data Privacy and Protection.” Given that legislation and law enforcement in the PRC on cybersecurity, data privacy and protection are still evolving, we closely monitor further regulatory developments and take appropriate measures in a timely manner. During the Track Record Period and as of the Latest Practicable Date, we had complied with applicable laws and regulations relating to cybersecurity, data privacy and protection in all material aspects.

To safeguard user privacy and data security, we have a cyber and data security compliance committee for user privacy led by our IT department and supported by our legal department. Such committee is overseen by the Board. The cyber and data security compliance committee is responsible for establishing overall network compliance strategies, implementing data security compliance requirements, supporting the daily business processes of our business departments and conducting data compliance assessments. The IT experts in the committee focus on cyber and data security, while the legal experts help ensure compliance with relevant laws and regulations.

We have formulated and implemented a set of institutional policies, including the Employee Information Security Code of Conduct (《員工信息安全行為準則》), Cybersecurity Management Regulations (《網絡安全管理規程》), Data Compliance Guidelines (《數據合規指引》), Personal Information Protection Policy (《個人信息保護制度》), Data Classification and Management Regulations (《數據分類分級管理規定》) and Emergency Response Plan for Network and Data Security Incidents (《網數安全事件應急預案》). These policies serve as a framework to govern and guide our employees’ actions in safeguarding data protection and security. These policies are enforced by our cyber and data security compliance committee.

We have also employed a range of technical measures to strengthen the security of our information systems. This includes using virtual environments to host our systems, distributing workloads to optimize performance, and keeping different system components separate. In addition, we implemented a robust backup system, stringent identity authentication and access control protocols to ensure data security. All data operations are equipped with data desensitization technology and are subject to rigorous compliance auditing, ensuring strict adherence to regulatory standards.

### ENVIRONMENTAL, SOCIAL AND GOVERNANCE

We are committed to ESG alongside our pursuit of a sustainable growth. We have implemented a set of ESG policies that align with applicable laws, regulations and policies. These policies set out our internal practices for corporate governance, environmental protection, social responsibilities, labor protection and business integrity, among other things.

We have established a comprehensive ESG management framework that assigns specific ESG responsibilities at various organizational level throughout our business operations, thereby improving our management and execution capabilities in these areas. The ultimate responsibility for setting ESG strategies, objectives, and managing related risks resides with our senior management. This encompasses the identification, assessment and management of ESG initiatives and the evaluation of our progress in achieving the defined ESG goals. We have established an ESG Committee responsible for reviewing and evaluating the implementation of our ESG strategies, systems, work plans and risk management approaches. Chaired by Mr. Zhu, our founder, chairman of the Board and chief executive officer, the ESG Committee regularly reports to the Board, ensuring effective oversight of ESG issues. In addition, we have formed an ESG task force to further implement our ESG strategy. Our ESG task force comprises senior management from various business departments and oversees the execution of our ESG-related work plans, as well as monitors and evaluates the effectiveness of the implementation.

We strive to maintain active communication with various stakeholders, including employees, partner factories, suppliers, customers and regulators and continuously improve our ESG practices to address stakeholders' ESG-related considerations. During the Track Record Period and up to the Latest Practicable Date, we were not exposed to any significant risks or issues related to ESG. Looking forward, we will dedicate more internal resources and management supervision to further strengthen our ESG practices and strategies, enhance our risk identification and management procedures, and ensure transparent and regular ESG reporting.

#### **Environment**

We proactively monitor changes in laws, regulations and policies, continuously assess compliance risks and promptly adjust our practices to ensure alignment with evolving environmental focus areas. We promptly adjust to changes in laws, regulations and policies to ensure our compliance with environmental focus topics. We have an environmental management framework in place with a focus on reducing environmental impact, improving resource efficiency and reduction of overall carbon emissions. Considering the potential impact of our business on the climate and the environment, we take various measures in our business operations to minimize the impact of our operations on the environment, including the following:

- *Our Bloks System.* We believe that our Bloks System makes our products and our business operations more friendly to the environment. For example, our patents for standard components such as the overall assembling structure and key joints

facilitate more efficient use of resources through standardized production which reduces waste and promotes production efficiency to save energy during production processes. More specifically, the use of standard components in our product design enables us to reduce the variety and quantity of molds, thereby saving production resources. Also, our proprietary automated production techniques lead to waste reduction and energy saving by optimizing material use, reducing defects and minimizing rework. We use ABS, a non-renewable and non-biodegradable material, in our products. The production and disposal of ABS contribute to plastic waste, pollution and resource depletion. To mitigate the environmental impact of ABS, we continuously improve production efficiency through our Bloks System to reduce the usage and the waste resulting from using of such material. For example, we upgraded molds with hot runner systems to allow reuse of leftover ABS material in the hot runners, thereby improving the utilization efficiency of ABS. We also optimized product structure to reduce the thickness of certain components, which reduces the usage of ABS in our products while ensuring our product strength, durability or assembling experience are not compromised. We also plan to increase the use of degradable, environmentally friendly raw materials for product production. Moreover, we primarily use recyclable and degradable packaging materials.

- *Partner factory management.* We work with our partner factories to minimize the environmental impact of the production process. We require our partner factories to obtain ISO14000 certification which encompasses a range of standards addressing various aspects of environmental management, such as environmental management systems, environmental auditing and environmental performance evaluation. Furthermore, we (i) require our partner factories to adhere to the requirements set out in the standards across various production stages such as injection, printing and packaging; and (ii) have staff stationed at the partner factories to oversee the entire production process in order to make sure that production process is in accordance with the environmental management standards. Moreover, we require our partner factories to prioritize the use of UV printing for product printing purposes, provided that quality and craftsmanship requirements can be met. UV printing requires less ink for complex application of colors as compared with traditional printing methods, thereby reducing resource consumption. Additionally, UV printing reduces pollutants discharged to the environment during the production process and therefore reduce our carbon footprint.
- *Energy conservation and green office.* We focus on energy and resource conservation in our daily operating activities. Our energy and resource usage remained relatively stable despite our rapid growth during the Track Record Period. In 2021, 2022, 2023 and the six months ended June 30, 2024, (i) our electricity consumption was approximately 0.51GWh, 0.51GWh, 0.56GWh and 0.29GWh, respectively; and (ii) our water consumption was approximately 0.67 thousand, 0.50 thousand, 0.54 thousand and 0.27 thousand tonnes, respectively. We have established an office administration policy designed to implement the low-carbon office concept, which requires the implementation of the office energy-saving and safety measures. For example, we require our employees to promptly turn off lights and air conditioners in unoccupied office areas.

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## BUSINESS

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The classification of our greenhouse gas emission was determined based on our understanding of Greenhouse Gas Protocol published by the World Resources Institute and the World Business Council for Sustainable Development and the 2006 IPCC Guidelines for National Greenhouse Gas Inventories issued by IPCC.

The table below sets forth our greenhouse gas emission for the periods indicated.

Greenhouse Gas Emission <sup>(1)</sup>	Unit	Year Ended December 31,			Six Months Ended June 30,
		2021	2022	2023	2024
		2021	2022	2023	2024
Scope 2 .....	tCO <sub>2</sub>	— <sup>(2)</sup>	369.0	387.1	237.5

*Notes:*

- (1) We do not engage in Scope 1 greenhouse gas emission because we do not carry out any production activities and have no direct emission from our business operations. We intend to initiate the assessment of our Scope 3 greenhouse gas emission after the Listing.
- (2) The Scope 2 emission data for 2021 for our leased warehouse was not available, and therefore we are not able to calculate our total Scope 2 emission for 2021.

Our Scope 2 greenhouse gas emission remained relatively stable in 2022 and 2023. In the six months ended June 30, 2024, the Scope 2 greenhouse gas emission increased due to the increase in usage of electricity in our central warehouses.

While we are committed to achieving sustainable growth in the long run, we expect our energy consumption to increase as a result of our business expansion in the near term, which involves establishing our self-operated factory, purchasing more office equipment and potentially expanding our office space. To minimize the environmental impact of our growth, we have implemented a series of environmentally-friendly initiatives in our office area, including adopting shared office space models and collaborating with specialized agencies for recycling. We have also established a paperless office system, utilizing online working software to reduce the use of paper and enhance efficiency. Additionally, we promote low-carbon commuting and business travel, provide internal training on carbon neutrality, and post posters in office spaces to raise awareness of our low-carbon initiatives. For our planned self-operated factory, we aim to use environmentally-friendly construction materials and implement green production protocols in the future. We are at a preliminary stage of studying the environmental impact of our operations and planned production and establishing ESG targets. We intend to implement achievable ESG targets upon Listing that align with our expansion while minimizing environmental impact and risks.

**Social Responsibilities and Corporate Governance**

We are committed to promoting corporate social responsibility and sustainable development. Corporate social responsibility is viewed as part of our core corporate philosophy that will be crucial to our ability to create sustainable value for our stakeholders by embracing diversity and addressing public interests.

***Consumer Protection***

We place strong emphasis on consumer protection and product safety. Our consumer protection efforts primarily include that (i) we use comprehensible and accurate language on the packaging of our products to mitigate the risks of misrepresentation and misunderstanding; and (ii) we include clear warning labels and safety instructions on our packaging to inform consumers about appropriate age ranges and any potential hazards. In particular, we prioritize the safety and well-being of children by adhering to rigorous standards from product design and development to production, so as to ensure our products are safe and meet global safety regulations, including China's toy safety standard GB6675-2014, the United States toy safety standard ASTM F963, and the European Union toy safety standard EN71. For product design and development, we take product quality and safety into account when designing the prototype and molds, ensuring that product safety is addressed across all our product offerings from the beginning. Moreover, we use safe materials and undergo comprehensive testing for potential hazards, such as choking risks, sharp edges, chemicals and durability to ensure our products meet the aforementioned toy safety standards. For production, we have formulated strict Bloks toy safety standards for our partner factory network, and we have staff stationed at the partner factories to oversee the entire production process in order to make sure that our products are produced according to such standards.

***Employee Caring Initiatives***

We have designed employee caring initiatives including employee welfare systems, workplace safety guidance, diversity policies and self-development opportunities which our human resource department is responsible for implementing and supervising. We set a series of internal guidelines regarding the remuneration and incentive mechanism. We promote comprehensive employee welfare systems to look after employees' health and well-being, such as general health benefits, and holiday and birthday benefits.

We proactively carry out trainings for workplace injury prevention despite that our premises are mostly offices and warehouses with lower work safety risk. During the Track Record Period and up to the Latest Practicable Date, we had not experienced any major accidents involving personal injury or property damage.

We are committed to creating an equal, diverse and non-discriminatory workplace. We provide equal career opportunities for employees of different background, ages and genders. As of June 30, 2024, we had 184 female employees, accounting for 35.5% of our total employees. We design and offer various training programs for employees of different departments and positions, covering subjects from operations, research and development, branding and marketing, career advancement, as well as general management, in order to enhance their professional skill sets and understanding of our company and the industry. See “— Our Employees.”

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## BUSINESS

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### *Charitable Efforts*

We are committed to charity and have actively contributed to various causes since our inception. On February 20, 2020, we donated approximately 50,000 units of toys to frontline healthcare professionals and their children. On August 30, 2022, we donated goods valued at RMB11.6 million to provide support to frontline healthcare professionals and their families.

### *Business Integrity*

We have implemented a series of strict internal rules regarding business integrity to prevent corruption, bribery, extortion, fraud and money laundering. In addition, we make known our internal integrity policies to our suppliers and partner factories. We require our suppliers and partner factories to sign integrity agreements in which they make written commitment to comply with our anti-corruption and anti-bribery requirements. We also carry out anti-corruption training activities for employees to strengthen employees' awareness. We encourage our employees to report on non-compliance and have formulated a whistleblower policy. Employees can report through various channels such as Weixin, hotlines and e-mail addresses. Our legal team and internal control team are responsible for handling the reports of fraud or bribery incidents. We maintain strict confidentiality of all whistleblowers.

During the Track Record Period and up to the Latest Practicable Date, we had not experienced any instances of corruption and malpractice that had a material adverse effect on our business or were likely to have a material adverse effect on our business.

## INSURANCE

We have purchased property insurance and product liability insurance policies which comprehensively covered major business interruptions and accidental loss, such as fire, water and malicious damage. See "Risk Factors — Risks Relating to Our Business and Industry — We are subject to the risks associated with force majeure events, natural disasters, public health incidents, acts of war, terrorism or other factors beyond our control." Our Directors believe that our insurance coverage is in line with industry practice. During the Track Record Period and up to the Latest Practicable Date, we had not received any material insurance claims against us.

## PROPERTIES

As of the Latest Practicable Date, we did not own any real property. As of June 30, 2024, we had no single property with a carrying amount of 15% or more of our total assets, and on this basis, we are not required by Rule 5.01A of the Listing Rules to include in this prospectus any valuation report. Pursuant to section 6(2) of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice, this prospectus is exempted from compliance with the requirements of section 342(1)(b) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance in relation to paragraph 34(2) of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, which requires a valuation report with respect to all of our interests in land or buildings.

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## BUSINESS

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### Leased Properties

As of the Latest Practicable Date, we entered into agreements to lease nine properties with a GFA of 60,240 sq.m. from third parties in the PRC, mainly as our offices and warehouses. The leases generally have a term ranging from one to three years. We will consider renewing the leases upon their expiry.

As of the Latest Practicable Date, two out of the nine leased properties used as our warehouses with a GFA of 16,806 sq.m. had not been registered and filed with relevant land and real estate administration bureaus in the PRC. As advised by our PRC Legal Advisor, failure to complete the registration and filing of lease agreements will not affect the validity of such lease agreements nor the lawful and effective use of leased properties pursuant to the lease agreements. However, the relevant authorities may require us to rectify such non-compliance within a prescribed period and we may be subject to a fine ranging from RMB1,000 to RMB10,000 for each of such properties if we fail to rectify such non-compliance within the prescribed period. During the Track Record Period, we have not been subject to any administrative penalties imposed by the competent authorities for failing to complete the registration and filing of the lease agreements. Based on the above, our PRC Legal Advisor and we believe that the failure to register and file the leased properties will not have any material adverse effect on our operation and financial condition.

### OUR EMPLOYEES

As of June 30, 2024, we had a total number of 519 full-time employees. Most of our employees were located in China. The following table sets forth our full-time employees by functions as of June 30, 2024.

<b>Function</b>	<b>Number of employees</b>
Sales .....	99
Marketing .....	31
Research and development .....	331
Management and administration .....	58
<b>Total</b> .....	<b>519</b>

Our success, to a considerable extent, depends upon our ability to attract, motivate and retain a sufficient number of qualified employees. We use various methods for our recruitment, including online recruitment, internal recommendation and recruitment through headhunter firms or agents, to satisfy our demand for different types of talents. We believe we offer our employees competitive compensation packages and an environment that encourages self-development and creativity. In addition, we design and offer various training programs for employees of different departments and positions, covering subjects from operation, research



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## BUSINESS

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and development, branding and marketing, career advancement, as well as general management, in order to enhance their professional skill sets and understanding of our company and the industry. We place special emphasis on legal knowledge and awareness. We provide specific training sessions on legal topics such as intellectual property rights and trade secrets regularly.

For key positions and critical personnel, we provide specialized training programs each year, aligning them with the company's strategic development with both in-house and external trainers. We run a Product Manager Training Camp (產品經理訓練營), which combines insights from both in-house and external experts, covering topics such as project management, project review and business and strategic development. We also conduct specialized offline training sessions for regional sales management personnel to strengthen their understanding of our management philosophies and corporate culture and improve their management skills.

We enter into employment contracts and confidentiality agreements with all of our employees. We have developed an evaluation system to assess the performance of our employees annually, which forms the basis for determining their compensation. We believe that we have complied with the relevant national and local labor and social welfare laws and regulations in all material respects. We believe we have maintained a positive relationship with our employees. We had not experienced any significant labor disputes during the Track Record Period and up to the Latest Practicable Date which have adversely affected or are likely to have adverse effects on our business operations.

### **LICENSES, PERMITS AND APPROVALS**

During the Track Record Period and up to the Latest Practicable Date, we had obtained all requisite licenses, permits, approvals and certificates from the relevant government authorities that are material for our business operations.

We had not experienced any material difficulties in renewing material licenses, permits or certificates during the Track Record Period and up to the Latest Practicable Date and do not expect there to be any material difficulties in renewing them upon their expiry, if applicable, as long as we comply with the relevant legal requirements and all necessary steps to submit the relevant applications in accordance with the requirements and schedule prescribed by the applicable laws and regulations.

During the Track Record Period and up to the Latest Practicable Date, we had not been penalized by any government authorities for non-compliance relating to material licenses, permits or certificates.

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## BUSINESS

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### LEGAL PROCEEDINGS AND NON-COMPLIANCE

We may from time to time be subject to various legal or administrative claims and proceedings arising in the ordinary course of business involving employment, copyrights, contract disputes and other matters. See “Risk Factors — Risks Relating to Our Business and Industry — We may from time to time become a party to litigation, other legal and contractual disputes, claims and administrative proceedings that may materially and adversely affect our business and reputation.” Our Directors, as advised by our PRC Legal Advisor, confirm that during the Track Record Period and up to the Latest Practicable Date, we had not been and were not a party to any material legal, arbitral, administrative proceedings or non-compliance incidents that led to fines, enforcement actions or other penalties, which could, individually or in the aggregate, have a material adverse effect on our business, financial condition and results of operations. Particularly, during the Track Record Period and up to the Latest Practicable Date, we had not experienced any material (i) infringements, counterfeit products or knockoffs, or (ii) failure to make adequate contributions for employees’ benefits. Our Directors are of the view that, we had complied, in all material respects, with all relevant laws and regulations in the PRC during the Track Record Period and up to the Latest Practicable Date.

### RISK MANAGEMENT AND INTERNAL CONTROL

We have developed and implemented risk management policies and internal control measures in relation to our business operations, financial reporting and general compliance.

- For our risk management, we design a comprehensive set of policies to identify, analyze, categorize, mitigate and monitor various risks. We periodically assess and update our risk management policies. Our risk management policies also set forth the reporting hierarchy of risks identified in our operations. Our Board is responsible for overseeing the overall risk management.
- For our internal control system, we carry out regular internal evaluation and training to ensure that our employees are equipped with sufficient knowledge on our internal control measures and relevant laws and regulations.

In January 2024, we engaged an independent consulting firm to perform a review over our internal control. The key areas of inspection include financial reporting and disclosure, research and development management, management policies over sales, supply chain controls, distributor management, trade receivables and payables management, product safety control, inventory management, intangible assets management, human resource and remuneration management, capital management, tax management, insurance management, contract control and information system control.

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## BUSINESS

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To monitor the ongoing implementation of our risk management policies and corporate governance measures after the Global Offering, we have adopted or will continue to adopt, among other things, the following internal control measures:

- establish an Audit Committee to review and supervise our financial reporting process and internal control system. For the qualifications and experience of the committee members, see “Directors and Senior Management”;
- adopt various policies to ensure compliance with the Listing Rules, including but not limited to aspects related to risk management, connected transactions and information disclosure;
- provide anti-corruption and anti-bribery compliance training periodically to our senior management and employees to enhance their knowledge and compliance with applicable laws and regulations, and include relevant policies against non-compliance in employee handbooks;
- organize training session for our Directors and senior management in respect of the relevant requirements of the Listing Rules and duties of directors of companies listed in Hong Kong;
- enhance our reporting and record system, including records in relation to procurement and sales;
- establish a set of emergency procedures in the event of major quality-related issues; and
- provide enhanced training programs for responsible staff on quality assurance and product safety procedures.

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## DIRECTORS AND SENIOR MANAGEMENT

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### OVERVIEW

The Board currently consists of seven Directors, including two executive Directors, two non-executive Directors and three independent non-executive Directors. The Board is responsible for and has the general power over the management and operation of the Group's business, including determining the business strategies and investment plans, implementing resolutions passed at the shareholders' general meetings, and exercising other powers, functions and duties as conferred by the Memorandum and Articles of Association. The Board also assumes the responsibilities for developing and reviewing the policies and practices of the Company on corporate governance, risk management and internal control and compliance with legal and regulatory requirements.

The senior management is currently comprised of six members who are responsible for the day-to-day management and operation of the Group.

### DIRECTORS

The following table sets forth the key information about the Directors as at the Latest Practicable Date.

<u>Name</u>	<u>Age</u>	<u>Position</u>	<u>Responsibilities</u>	<u>Date of Appointment as a Director</u>	<u>Date of Joining the Group</u>
Mr. Zhu Weisong (朱偉松)	42	Chairman, executive Director and chief executive officer	Responsible for the overall strategy, business development, operation and management of the Group	July 28, 2021	December 24, 2014
Mr. Sheng Xiaofeng (盛曉峰)	46	Executive Director and president	Responsible for the operation and management and overseas markets of the toy business of the Group	July 25, 2022	June 1, 2015
Mr. Chang Kaisi (常凱斯)	43	Non-executive Director	Providing advice on the business operations and major decisions of the Group	July 25, 2022	July 30, 2020

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## DIRECTORS AND SENIOR MANAGEMENT

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Name	Age	Position	Responsibilities	Date of Appointment as a Director	Date of Joining the Group
Mr. Chen Rui (陳瑞)	51	Non-executive Director	Providing advice on the business operations and major decisions of the Group	December 27, 2023	December 27, 2023
Mr. Gao Pingyang (高平陽)	45	Independent non-executive Director	Supervising and providing independent judgement to the Board	May 9, 2024	December 31, 2024
Ms. Huang Rong (黃蓉)	46	Independent non-executive Director	Supervising and providing independent judgement to the Board	May 9, 2024	December 31, 2024
Mr. Shang Jian (尚健)	57	Independent non-executive Director	Supervising and providing independent judgement to the Board	May 9, 2024	December 31, 2024

### Executive Directors

**Mr. Zhu Weisong (朱偉松)**, aged 42, our founder, is the Chairman, an executive Director, chief executive officer of the Company. Mr. Zhu is primarily responsible for the overall strategy, business development, operation and management of the Group. Mr. Zhu has served as an executive director and the chairman of the board of directors of Bloks Technology since December 2014.

Mr. Zhu has extensive experience in business management by founding our Group in December 2014. Prior to this, Mr. Zhu co-founded Shanghai Yoozoo Information Technology Limited (上海遊族信息技術有限公司) in May 2009, where he acted as chief technology officer since its establishment until February 2015, primarily responsible for the management of research and development; in May 2014, the business of Shanghai Yoozoo Information Technology Limited was listed on the Shenzhen Stock Exchange by way of a major asset restructuring of Yoozoo Interactive Co., Ltd. (遊族網絡股份有限公司) (stock code: 002174), where Mr. Zhu served as the chairman of the board of supervisors from June 2014 to April 2016. Mr. Zhu keeps attaching great importance to product research and development and has deep insights in industry trends, products innovation, business development and cooperation.

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## DIRECTORS AND SENIOR MANAGEMENT

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Mr. Zhu received a doctorate degree in business administration from Shanghai Advanced Institute of Finance of Shanghai Jiao Tong University (上海交通大學上海高級金融學院) (PRC) — Arizona State University (the United States) in June 2023 and a master's degree in business administration from Cheung Kong Graduate School of Business (長江商學院) in the PRC in September 2019, and graduated from Shanghai Jiao Tong University (上海交通大學) in the PRC in January 2013 after completion of online courses majoring in business administration.

**Mr. Sheng Xiaofeng (盛曉峰)**, aged 46, is our executive Director and president. Mr. Sheng is responsible for the operation and management and overseas markets of the toy business of the Group. Mr. Sheng has served as the president of Bloks Technology since September 2015.

Mr. Sheng has over 20 years of profound experience in consumer insights, product innovation and commercialization. Prior to joining the Group, Mr. Sheng worked at Intel Technology Development (Shanghai) Co., Ltd. (英特爾技術開發(上海)有限公司) and Intel Asia Pacific Research and Development Ltd. (英特爾亞太研發有限公司) under the Intel Group from April 2005 to May 2015, where he was responsible for the design and development of educational products, and received the Intel Achievement Award twice for his outstanding contributions to the research and development of educational products.

Mr. Sheng obtained a master's degree in industrial design engineering from Shanghai Jiao Tong University (上海交通大學) in the PRC in March 2009 and a bachelor's degree in industrial design from Tongji University (同濟大學) in the PRC in July 2001.

### Non-executive Directors

**Mr. Chang Kaisi (常凱斯)**, aged 43, is our non-executive Director, and is responsible for providing advice on the business operations and major decisions of the Group. Mr. Chang also served as a director of Bloks Technology from July 2020 to July 2022.

Mr. Chang joined Beijing Source Code Capital Co., Ltd. (北京源碼資本投資有限公司) at September 2016 and has served as a partner since October 2021, and is mainly responsible for venture capital investment.

Mr. Chang received a doctorate degree in engineering from the University of Cambridge in the U.K. in June 2008 and a bachelor's degree in automation from Tsinghua University (清華大學) in the PRC in July 2003.

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## DIRECTORS AND SENIOR MANAGEMENT

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**Mr. Chen Rui (陳瑞)**, aged 51, is our non-executive Director and is responsible for providing advice on the business operations and major decisions of the Group.

Mr. Chen has more than 23 years of experience in investment and management. Since February 2005, he has held multiple positions at Legend Capital Management Co., Ltd. (君聯資本管理股份有限公司), including co-chief investment officer since April 2021, managing director from April 2015 to March 2021, executive director from October 2013 to March 2015, director from October 2010 to September 2013, vice president of the investment team from April 2008 to September 2010 and associate from February 2005 to March 2008. From June 1999 to November 2002, he successively worked as an engineer, manager of the engineering technology department and then deputy general manager at Shenzhen Linker Industrial Co., Ltd (深圳市菱科實業有限公司).

Mr. Chen has served as a non-executive director of Gambol Pet Group Co., Ltd. (乖寶寵物食品集團股份有限公司) since October 2023, the shares of which are listed on the Shenzhen Stock Exchange (stock code: 301498), and a non-executive director of Renrui Human Resources Technology Holdings Limited (人瑞人才科技控股有限公司) since December 2019, the shares of which are listed on the Stock Exchange (stock code: 6919).

Mr. Chen obtained a master's degree in business administration from Fordham University in the United States in February 2005 and a bachelor's degree in science majoring in electronics and information systems from Shanxi University (山西大學) in the PRC in July 1997.

### Independent Non-executive Directors

**Mr. Gao Pingyang (高平陽)**, aged 45, is our independent non-executive Director. He is responsible for supervising and providing independent judgement to the Board.

Mr. Gao has served as a professor and an associate dean at the Business School of the University of Hong Kong since June 2020, engaged in teaching, research, and management activities. Prior to that, he successively served as an assistant professor and associate professor at the Booth School of Business of the University of Chicago from July 2008 to June 2020, engaged in teaching and research in accounting. Mr. Gao's research focus on capital markets and corporate governance and he has published extensively in top tier international academic journals.

Mr. Gao has served as an independent non-executive director of Zhongyuan Bank Co., Ltd. (中原銀行股份有限公司) since November 2023, the shares of which are listed on the Stock Exchange (stock code: 1216).

Mr. Gao obtained a PhD degree in accounting from Yale University in the United States in December 2008, a master's degree in finance from Peking University (北京大學) in the PRC in June 2004 and a bachelor's degree in accounting from Renmin University of China (中國人民大學) in the PRC in July 2002.

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## DIRECTORS AND SENIOR MANAGEMENT

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**Ms. Huang Rong (黃蓉)**, aged 46, is our independent non-executive Director. She is responsible for supervising and providing independent judgement to the Board.

Ms. Huang currently serves as a professor and a Li Dak-sum Chair Professor (李達三講席教授) at the School of Management of Fudan University (復旦大學) since October 2019. Prior to her current position, Ms. Huang served as an associate professor at Cheung Kong Graduate School of Business from July 2018 to September 2019, and an associate professor (tenured position) in accounting from September 2013 to June 2018 and an assistant professor in accounting from September 2006 to August 2013, at Baruch College of the City University of New York.

Ms. Huang has served as an independent director, the convener of the audit committee and a member of the nomination committee at Shandong Hualu Hengsheng Chemical Co., Ltd. (山東華魯恒升化工股份有限公司) since April 2024, the shares of which are listed on the Shanghai Stock Exchange (stock code: 600426) and an independent director at Bank of Communications Financial Leasing Co., Ltd. (交銀金融租賃有限責任公司) since March 2023. She also served as an independent director at Guizhou Gas Group Corporation Ltd. (貴州燃氣股份有限公司) from May 2022 to August 2023, the shares of which are listed on the Shanghai Stock Exchange (stock code: 600903).

Ms. Huang obtained a doctorate degree in management science (accounting) and a master's degree in accounting from University of Texas at Dallas in the United States in August 2006, a master's degree in economy from Mississippi State University in the United States in December 2001, a bachelor's degree in industrial foreign trade and a bachelor's degree in computer science from Donghua University (東華大學) in the PRC in July 1999.

**Mr. Shang Jian (尚健)**, aged 57, is our independent non-executive Director. He is responsible for supervising and providing independent judgement to the Board.

Mr. Shang has over 25 years of experience in China's capital markets. Mr. Shang founded Hong Shang Asset Management Co., Ltd. (上海弘尚資產管理有限公司) in July 2013 and has been the chairman of the board of director since then. Prior to that, he held several senior management positions at various financial institutions, including a general manager of UBS SDIC Fund Management Co., Ltd. (國投瑞銀基金管理有限公司) from September 2006 to November 2012, a general manager of Yin Hua Fund Management Co., Ltd. (銀華基金管理股份有限公司) from January 2004 to June 2006, a deputy general manager of HuaAn Fund Management Co., Ltd. (華安基金管理股份有限公司) from January 2002 to December 2003, and an executive officer of Shanghai Stock Exchange from January 2001 to December 2001, whereby Mr. Shang also accumulated extensive experience in financial management.



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## DIRECTORS AND SENIOR MANAGEMENT

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Mr. Shang has been an independent non-executive director of Shanghai Realway Capital Assets Management Co., Ltd. (上海瑞威資產管理股份有限公司) since October 2018, the shares of which are listed on the Stock Exchange (stock code: 1835), and an independent director and chairman of audit committee of H World Group Limited (華住集團有限公司) since May 2014, the shares of which are listed on the Stock Exchange (stock code: 1179) and on the Nasdaq Stock Market (ticker symbol: HTHT).

Mr. Shang obtained a doctorate degree in business administration (finance) and a master's degree in economics from University of Connecticut in the United States in December 1997 and December 1994, respectively, and a bachelor's degree of engineering from Shanghai Jiao Tong University in the PRC in July 1989.

Mr. Shang possesses appropriate professional accounting or related financial management expertise required under Rule 3.10(2) of the Listing Rules and confirms that he has gained such expertise through his previous experiences, including (i) serving as an independent director and a chairman and member of the audit committee of companies listed on the Stock Exchange including Shanghai Realway Capital Assets Management Co., Ltd. and H World Group Limited, during which Mr. Shang has been responsible for, among other things, reviewing the financial statements and accounting policies, monitoring and evaluating the external and internal audit work and internal control of the listed companies, making recommendations on the appointment and replacement of external audit firms through deliberations at the periodic board meetings and committee meetings reviewing and approving annual and interim financial statements, and discussions with the management, other members of the audit committee as well as the external auditors of such companies from time to time, and (ii) as a founder and senior executive of reputable asset management companies such as Hong Shang Asset Management Co., Ltd., UBS SDIC Fund Management Co., Ltd., Yin Hua Fund Management Co., Ltd. and HuaAn Fund Management Co., Ltd., Mr. Shang has been involved in, among other things, formulating, implementing and evaluating the investment strategies for portfolio companies (through, among other things, analysing and reviewing the financial statements of these portfolio companies) and overseeing the financial management of these asset management companies. Based on the foregoing, Mr. Shang has accumulated in-depth practical knowledge and extensive experience in supervising and monitoring the financial reporting, internal control and other accounting-related matters of listed issuers, and gained accounting or related financial management expertise for the purpose of Rule 3.10(2) of the Listing Rules.

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## DIRECTORS AND SENIOR MANAGEMENT

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### SENIOR MANAGEMENT

The following table sets forth the key information about the senior management of the Company as at the Latest Practicable Date.

Name	Age	Position	Responsibilities	Date of First Appointment	Date of Joining the Group
Mr. Zhu Weisong (朱偉松)	42	Chairman, executive Director and chief executive officer	Responsible for the overall strategy, the business development, operation and management of the Group	Appointed as the chief executive officer on December 24, 2014	December 24, 2014
Mr. Sheng Xiaofeng (盛曉峰)	46	Executive Director and president	Responsible for the operation and management and overseas markets of the toy business of the Group	Appointed as a president on September 10, 2015	June 1, 2015
Mr. Xie Lei (謝磊)	47	Vice president	Responsible for product research and development and design	Appointed as a vice president on July 1, 2015	July 1, 2015
Mr. Huang Zheng (黃政)	44	Vice president	Responsible for human resources management and administration of the Group	Appointed as a vice president on December 1, 2016	December 1, 2016
Ms. Fu Yifang (付軼方)	50	Chief financial officer	Responsible for the accounting and finance management of the Group	Appointed as the chief financial officer on December 21, 2023	December 21, 2023
Mr. Zhu Yuancheng (朱元成)	39	Vice president and Board secretary	Responsible for the board affairs, investor relationship and legal affairs of the Group	Appointed as a vice president and the Board secretary on December 17, 2020	December 17, 2020

For the biographical details of Mr. Zhu Weisong and Mr. Sheng Xiaofeng, please refer to “— Directors” above.

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## DIRECTORS AND SENIOR MANAGEMENT

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**Mr. Xie Lei (謝磊)**, age 47, is our vice president. Mr. Xie is responsible for product research and development and design. Mr. Xie joined the Group in July 2015 and has served as the vice president since then.

Mr. Xie has over 20 years of experience in the field of product design. Prior to joining the Group, from March 2011 to June 2015, Mr. Xie engaged in consecutive entrepreneurship in the field of hardware products. Previously, Mr. Xie worked as a design director of Speck Design Ltd. (千方工業產品設計(上海)有限公司) from October 2005 to December 2008 and a design director at Electrolux (China) Home Appliances Co., Ltd. (伊萊克斯(中國)電器有限公司) from February 2003 to January 2005. Mr. Xie has served as an IIDE (International Industrial Design Engineering) Enterprise Mentor of Shanghai Jiao Tong School of Design (上海交通大學設計學院) since 2021.

Mr. Xie received a bachelor's degree in industrial design in June 1999 from Shanghai Jiao Tong University in the PRC.

**Mr. Huang Zheng (黃政)**, aged 44, is our vice president and responsible for human resources management and administration of the Group. Mr. Huang joined the Group in December 2016 and has served as the vice president since then.

Mr. Huang has over 20 years of experience in human resource management and administration. Prior to joining the Group, from June 2012 to December 2016, Mr. Huang worked at Oriental Pearl Media Co., Ltd. (東方明珠新媒體股份有限公司), the shares of which are listed on the Shanghai Stock Exchange (stock code: 600637), and held positions including the administration general manager, and from July 2001 to June 2012, Mr. Huang worked at Shanghai Media Group (上海廣播電視台) and its subsidiaries and held positions including the head of the human resource department and office director of kids channel.

Mr. Huang obtained a master's degree in journalism and communication from Shanghai Jiao Tong University in the PRC in March 2013 and a bachelor's degree in law from China Youth University of Political Studies (中國青年政治學院) in the PRC in June 2001. Mr. Huang obtained an economics professional qualification (human resource) in November 2007.

**Ms. Fu Yifang (付軼方)**, formerly known as 傅軼方, aged 50, is the chief financial officer of the Group and responsible for the accounting and finance management of the Group. Ms. Fu joined the Group in December 2023 and has served as the chief financial officer of the Group since then.

Ms. Fu has extensive experience in accounting and financial management. Prior to joining the Group, Ms. Fu served as a vice president of finance at Luckin Coffee (Shanghai) Co., Ltd. (瑞幸咖啡(上海)有限公司) and Luckin Coffee Technology (Hainan) Co., Ltd. (瑞幸咖啡科技(海南)有限公司) from November 2020 to January 2023. Ms. Fu also served as a senior finance director at Shanghai Bilibili Technology Co., Ltd. (上海哔哩哔哩科技有限公司), a subsidiary of Bilibili Inc., from January 2018 to October 2020. The shares of Bilibili Inc. are listed on the Stock Exchange (stock code: 9626) and the Nasdaq Stock Market (ticker symbol: BILI). Ms.

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## DIRECTORS AND SENIOR MANAGEMENT

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Fu served as a senior finance director at Chuanxian Network Technology (Shanghai) Co., Ltd. (傳線網絡科技(上海)有限公司) from September 2013 to July 2017 and Heyi Internet Technology (Beijing) Co., Ltd. (合一網絡技術(北京)有限公司) from September 2010 to September 2013, both companies are subsidiaries of Youku Tudou Inc, the shares of which are listed on the New York Stock Exchange (ticker symbol: YOKU).

Ms. Fu obtained a master's degree in accounting from Kent State University in the United States in December 2001 and a bachelor's degree of arts from Sichuan University (四川大學) in the PRC in July 1998. Ms. Fu obtained the membership qualification of American Institute of Certified Public Accountants in the United States in October 2013.

**Mr. Zhu Yuancheng (朱元成)**, aged 39, is our vice president, Board secretary and joint company secretary. He is responsible for the board affairs, investor relationship and legal affairs of the Group. Mr. Zhu Yuancheng joined the Group in December 2020 and has served as the vice president and the Board secretary since then.

Mr. Zhu Yuancheng has extensive experience in corporate legal affairs and corporate investment and financing. Prior to joining the Group, Mr. Zhu Yuancheng served as the general manager of a business department of Sichuan Trust Co., Ltd. (四川信託有限公司) from June 2019 to December 2020, the head of the financial cooperation department of CPI Xianrong (Shanghai) Asset Management Co., Ltd. (中電投先融(上海)資產管理有限公司), a subsidiary of State Power Investment Corporation Limited (國家電力投資集團有限公司), from May 2016 to March 2019 and a senior trust manager of Zhongtai Trust Co., Ltd. (中泰信託有限責任公司) from August 2014 to April 2016.

Mr. Zhu Yuancheng obtained a master's degree in law from Fudan University in the PRC in June 2010 and a bachelor's degree in law from China University of Mining and Technology (中國礦業大學) in the PRC in July 2007. Mr. Zhu Yuancheng obtained the Legal Professional Qualification Certificate (法律職業資格證) in February 2009.

Save as disclosed in this prospectus, none of the Directors or senior management has held any directorship in any public company the securities of which are listed on any securities market in Hong Kong or overseas during the three years immediately preceding the Latest Practicable Date.

As at the Latest Practicable Date:

- (i) none of the Directors or members of the senior management of the Company is related to any other Directors and members of the senior management;
- (ii) save as disclosed in the sections headed "Substantial Shareholders" and "Appendix IV — Statutory and General Information", none of the Directors or members of the senior management holds any interest in the Shares which would be required to be disclosed pursuant to Part XV of the Securities and Futures Ordinance; and

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## DIRECTORS AND SENIOR MANAGEMENT

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- (iii) there is no additional matter with respect to the appointment of the Directors that needs to be brought to the attention of the Shareholders, and there is no additional information relating to the Directors that is required to be disclosed pursuant to Rule 13.51(2) of the Listing Rules.

### JOINT COMPANY SECRETARIES

**Mr. Zhu Yuancheng** (朱元成) is one of the joint company secretaries of the Company. For the biographical details of Mr. Zhu Yuancheng, please refer to “— Senior Management” above.

**Ms. Yu Wing Sze** (余詠詩), aged 41, is one of the joint company secretaries of the Company. She is a manager of the listing services division at TMF Hong Kong Limited, a company providing corporate accounting and corporate secretarial services in Hong Kong. She has over 15 years of experience in company secretarial profession and has been serving as the company secretary of several listed companies in Hong Kong.

Ms. Yu is an associate member of both The Hong Kong Chartered Governance Institute and The Chartered Governance Institute (formerly known as the Institute of Chartered Secretaries and Administrators) in the United Kingdom.

Ms. Yu received a bachelor’s degree in business administration from the Chinese University of Hong Kong in Hong Kong in December 2005.

### BOARD COMMITTEES

The Company has established three Board committees, namely the Audit Committee, the Remuneration Committee and the Nomination Committee.

#### **Audit Committee**

The Audit Committee consists of three Directors, namely Mr. Gao Pingyang, Ms. Huang Rong and Mr. Shang Jian, with Mr. Gao Pingyang serving as the chairman of the committee. Mr. Shang Jian has the appropriate professional experiences as required under Rules 3.10(2) and 3.21 of the Listing Rules. The Audit Committee is mainly responsible for reviewing and overseeing the financial reporting procedure and internal control system of the Group.

#### **Remuneration Committee**

The Remuneration Committee consists of three Directors, namely Mr. Shang Jian, Ms. Huang Rong and Mr. Zhu Weisong, with Mr. Shang Jian serving as the chairman of the committee. The Remuneration Committee is mainly responsible for evaluating the remuneration policies for Directors and senior management of the Group and making recommendations thereon to the Board.

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## DIRECTORS AND SENIOR MANAGEMENT

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### **Nomination Committee**

The Nomination Committee consists of three Directors, namely Mr. Zhu Weisong, Mr. Gao Pingyang and Mr. Shang Jian, with Mr. Zhu Weisong serving as the chairman of the committee. The Nomination Committee is mainly responsible for identifying, screening and recommending to the Board qualified candidates to serve as the Directors and monitoring the procedures for evaluating the performance of the Board.

### **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 on May 9, 2024, 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/her independence as regards each of the factors referred to in Rules 3.13(1) to (8) of the Listing Rules, (ii) he/she has no past or present financial or other interest in the business of 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/her independence at the time of his/her appointments.

### **DIVERSITY**

The Company has adopted the board diversity policy which sets out the objective and approach for achieving and maintaining diversity of the Board in order to enhance its effectiveness. In accordance with the board diversity policy, the Company seeks to achieve board diversity by taking into account a number of factors, including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and/or length of service.

The Board currently consists of six male and one female members, with two executive Directors, two non-executive Directors and three independent non-executive Directors of age ranging from 42 to 57 with diversified backgrounds and experience. The Board considers it has

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## DIRECTORS AND SENIOR MANAGEMENT

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a balanced mix of skill-set, experience, expertise, and diversity which enhances decision-making capability and the overall effectiveness of the Board in achieving sustainable business operation and enhancing shareholder value.

Our Nomination Committee is responsible for ensuring the diversity of our Board members. Upon the Listing, the Nomination Committee will from time to time (i) discuss and agree on expected goals to ensure board diversity, and (ii) review and, where necessary, update the board diversity policy to ensure that the policy remains effective. The Company will (i) disclose the biographical details of each Director and (ii) report on the implementation of the board diversity policy (including whether we have achieved board diversity) in its annual corporate governance report.

### REMUNERATION OF THE DIRECTORS AND SENIOR MANAGEMENT

The Directors and senior management members who receive remuneration from the Company are paid in forms of salaries, allowances, discretionary bonuses and other benefits in kind. The remuneration of the Directors and senior management members is determined with reference to the remuneration paid by relevant companies in the same industry and the achievement of major operating indicators of the Company.

The aggregate amount of remuneration (including salaries, allowances, contribution to pension schemes and discretionary bonuses) and other benefits in kind paid to the Directors for each of the years ended December 31, 2021, 2022 and 2023 and the six months ended June 30, 2024 amounted to RMB1.28 million, RMB1.70 million, RMB2.54 million and RMB362.86 million, respectively. The aggregate amount of remuneration (including salaries, allowances and discretionary bonuses) and other benefits in kind paid to the five highest paid individuals for each of the years ended December 31, 2021, 2022 and 2023 and the six months ended June 30, 2024 amounted to RMB8.07 million, RMB8.33 million, RMB14.87 million and RMB367.48 million (including bonus of shares settled in equities), respectively.

Under the arrangement currently in force, the Company estimates that the aggregate fixed remuneration (before tax) payable to the Directors for the year ending December 31, 2024 is approximately RMB1.53 million.

During the Track Record Period, no fee was paid by the Company to any of the Directors (or former Directors) or the five highest paid individuals as an inducement to join the Company or as compensation for loss of office. None of the Directors waived their remuneration during the Track Record Period.

### SHARE INCENTIVE SCHEME

In order to incentivize employees for their contribution to the Group and to attract and retain suitable personnel to the Group, the Company adopted the Share Incentive Scheme. For further details, see “Appendix IV — Statutory and General Information — E. The Share Incentive Scheme”.

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## DIRECTORS AND SENIOR MANAGEMENT

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### COMPLIANCE ADVISOR

The Company has appointed Gram Capital Limited as its compliance advisor in compliance with Rules 3A.19 of the Listing Rules. The material terms of the compliance advisor's agreement are as follows:

- (i) Gram Capital Limited shall act as our compliance advisor for the purpose of Rule 3A.19 of the Listing Rules for a period commencing on the Listing Date and ending on the date on which the Company complies with Rule 13.46 of the Listing Rules in respect of the financial results for the first full financial year commencing after the Listing Date;
- (ii) the compliance advisor will provide the Company with certain services, including proper guidance and advice as to compliance with the requirements under the Listing Rules and applicable laws, regulations and rules;
- (iii) the compliance advisor will, as soon as reasonably practicable, inform the Company of any amendment or supplement to the Listing Rules announced by the Stock Exchange from time to time, and of any amendment or supplement to the applicable laws, regulations and rules in Hong Kong applicable to the Company; and
- (iv) the compliance advisor will act as one of the key channels of communication of the Company with the Stock Exchange.

### CODE PROVISION C.2.1 OF THE CORPORATE GOVERNANCE CODE

Pursuant to C.2.1 of the Corporate Governance Code, the roles of chairman and chief executive should be separate and should not be performed by the same individual. Mr. Zhu is currently the Chairman and the chief executive officer of the Company. He is the founder of the Group and has been operating and managing the Group since its establishment. The Board believes that Mr. Zhu has been instrumental to the growth and business expansion of the Group. The Board is of the view that the vesting the roles of the Chairman and chief executive officer on him is beneficial to the management of the Company and therefore currently do not propose to separate the roles of chairman and chief executive officer.

While this will constitute a deviation from Code Provision C.2.1 of the Corporate Governance Code as set out in Appendix C1 to the Listing Rules, the Board believes that this structure will not impair the balance of power and authority between the Board and the management of the Company, given that:

- (i) there is sufficient check and balance in the Board as the decision to be made by the Board requires approval by at least a majority of the Directors, and the Board has two non-executive Director as well as three independent non-executive Directors out of the seven Directors, which is in compliance with the Listing Rules;



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## DIRECTORS AND SENIOR MANAGEMENT

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- (ii) Mr. Zhu and the other Directors are aware of and undertake to fulfill their fiduciary duties as Directors, which require, among other things, that they act for the benefit and in the best interest of the Company and make decisions for the Company accordingly;
- (iii) the balance of power and authority is ensured by the operations of the Board which comprises experienced and high caliber individuals who meet regularly to discuss issues affecting the operations of the Company; and
- (iv) the overall strategic and other key business, financial, and operational policies of the Company are made collectively after thorough discussion at both Board and senior management levels. The Board will continue to review the effectiveness of the corporate governance structure of the Company to assess whether separation of the roles of the chairman of the Board and the chief executive officer of the Company is necessary.

Save as disclosed above, the Company has complied with all the code provisions of the Corporate Governance Code set out in Appendix C1 to the Listing Rules.

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## RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS

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### OVERVIEW

Upon the completion of the Global Offering (assuming that the Offer Size Adjustment Option and the Over-allotment Option are not exercised), Mr. Zhu, our chairman and executive Director, will be interested in and control an aggregate of approximately 49.47% of our enlarged issued share capital. Next Bloks, which owns 45.82% of our enlarged issued share capital, is owned as to 99% by Wit Bright Limited under the Wise Global Trust and as to 1% by Playcreation Holding Limited. Playcreation Holding Limited is wholly-owned by Mr. Zhu. The Wise Global Trust is a discretionary trust established by Mr. Zhu (as the settlor) for the benefit of Mr. Zhu and his family members. In addition, Smart Bloks, which owns 3.65% of our enlarged issued share capital, is wholly-owned by Mr. Zhu. Therefore, Mr. Zhu will control the exercise of the voting rights of the Shares held by Next Bloks and Smart Bloks in our Company.

Mr. Zhu, Next Bloks, Smart Bloks, Wit Bright Limited and Playcreation Holding Limited will be the Controlling Shareholders of our Company after Listing.

### DISCLOSURE UNDER RULE 8.10 OF THE LISTING RULES

Each of our Controlling Shareholders confirms that, as of the Latest Practicable Date, he or it did not have any interest in a business, apart from the business of our Group, which competes or is likely to compete, directly or indirectly, with our business that would require disclosure under Rule 8.10 of the Listing Rules.

### INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

Having considered the following factors, our Directors are satisfied that we are capable of carrying on our business independently from our Controlling Shareholders and their close associates after the Listing.

#### Management Independence

Our business is managed and conducted by our Board and senior management. Upon Listing, our Board will consist of seven Directors comprising two executive Directors, two non-executive Directors and three independent non-executive Directors. For more information, see “Directors and Senior Management.” Notwithstanding that Mr. Zhu, our executive Director, is also one of our Controlling Shareholders, our Directors are of the view that our Company is capable of maintaining management independence due to the following reasons:

- (i) save for Mr. Zhu, our executive Directors and all our senior management members, who does not hold any management position and/or directorship in our Controlling Shareholders as of the Latest Practicable Date, are responsible for the day-to-day management and operation of our Company;

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## RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS

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- (ii) each Director is aware of his or her fiduciary duties as a Director which require, among other things, that he or she acts for the benefit and in the interest of our Company and does not allow any conflict between his/her duties as a Director and his/her personal interests;
- (iii) we have three independent non-executive Directors and certain matters of our Company must always be referred to the independent non-executive Directors for review;
- (iv) in the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Group and our Directors or their respective close associates, the interested Director(s) is/are required to declare the nature of such interest before voting at the relevant Board meetings of our Company in respect of such transactions;
- (v) our Board has a balanced composition of executive Directors, non-executive Directors and independent non-executive Directors which ensures the independence of the Board in making decisions affecting our Company. Specifically: (a) our independent non-executive Directors are not associated with the members of the Controlling Shareholders or their respective associates; (b) our independent non-executive Directors account for no less than one-third of the Board; and (c) our independent non-executive Directors individually and collectively possess the requisite knowledge and experience, and all of them have experience as independent directors of listed companies and will be able to provide professional and experienced advice to our Company. In conclusion, the Directors believe that our independent non-executive Directors are able to bring impartial and sound judgment to the decision-making process of our Board and protect the interest of our Company and our Shareholders as a whole; and
- (vi) we have adopted a series of corporate governance measures to manage conflicts of interest, if any, between our Group and our Controlling Shareholders which would support our independent management. See “— Corporate Governance Measures” in this section for further information.

Based on the above, our Directors are satisfied that they are able to perform their managerial roles in our Company independently, and our Directors are of the view that we are capable of managing our business independently from the Controlling Shareholders after the Listing.

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## RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS

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### **Operational Independence**

We have full rights to make business decisions and to carry out our business independently from our Controlling Shareholders and their respective close associates. On the basis of the following reasons, our Directors consider that our Company will continue to be operationally independent from our Controlling Shareholders and their respective close associates after the Listing:

- (i) we have sufficient capital, facilities, equipment and employees to operate our business independently from our Controlling Shareholders;
- (ii) we have independent access to our customers and suppliers;
- (iii) we have our own administrative and corporate governance infrastructure, including our own accounting, legal and human resources departments; and
- (iv) none of our Controlling Shareholders or their respective associates have any interests in any business which competes or is likely to compete with the business of our Group.

Based on the above, our Directors believe that we are able to operate independently from our Controlling Shareholders.

### **Financial Independence**

We have independent internal control and accounting systems. We also have an independent finance department responsible for discharging the financial management, accounting, reporting, funding and treasury function. We are capable of obtaining financing from third parties, if necessary, without reliance on our Controlling Shareholders and their respective close associates.

As of the Latest Practicable Date, we did not have any outstanding loans granted or guaranteed by any of our Controlling Shareholders or their respective close associates to us.

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

### **CORPORATE GOVERNANCE MEASURES**

Our Company and Directors recognize the importance of protecting the rights and interests of all Shareholders, including the rights and interests of our minority Shareholders.

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## RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS

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We have adopted the following measures to ensure good corporate governance standards and to avoid potential conflicts of interest between our Group and our Controlling Shareholders:

- (i) where a Shareholders' meeting is to be held for considering proposed transactions in which our Controlling Shareholders or any of their respective associates have a material interest, the relevant Controlling Shareholders or associates will not vote on the relevant resolutions;
- (ii) our Company has established internal control mechanisms to identify connected transactions. Upon the Listing, if our Company enters into connected transactions with our Controlling Shareholders or any of their associates, our Company will comply with the applicable Listing Rules;
- (iii) the independent non-executive Directors will review, on an annual basis, whether there are any conflicts of interests between the Group and our Controlling Shareholders and provide impartial and professional advice to protect the interests of our minority Shareholders;
- (iv) our Controlling Shareholders will undertake to provide all information necessary, including all relevant financial, operational and market information and any other necessary information as required by the independent non-executive Directors for the purpose of their annual review;
- (v) our Company will disclose decisions on matters reviewed by the independent non-executive Directors either in its annual reports or by way of announcements as required by the Listing Rules;
- (vi) where our Directors reasonably request the advice of independent professionals, such as financial advisors, the appointment of such independent professionals will be made at our Company's expense;
- (vii) we have appointed Gram Capital Limited as our Compliance Adviser to provide advice and guidance to us in respect of compliance with the applicable laws and regulations, as well as the Listing Rules, including various requirements relating to corporate governance; and
- (viii) we have established our Audit Committee, Nomination Committee and Remuneration Committee with written terms of reference in compliance with the Listing Rules and the Corporate Governance Code in Appendix C1 to the Listing Rules.

Based on the above, our Directors are satisfied that sufficient corporate governance measures have been put in place to manage conflicts of interest that may arise between our Group and our Controlling Shareholders, and to protect our minority Shareholders' interests after the Listing.

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## SHARE CAPITAL

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### SHARE CAPITAL

The following is a description of the authorized and issued share capital of the Company in issue and to be issued as fully paid or credited as fully paid immediately before and following completion of the Global Offering (assuming that the Offer Size Adjustment Option and the Over-allotment Option are not exercised):

#### 1. Share capital as of the date of this prospectus

Number	Description	Aggregate Par Value
		(US\$)
<i>Authorized share capital:</i>		
425,724,240	Ordinary Shares of nominal or par value of US\$0.0001 each	42,572.424
35,192,300	Series Angel Preferred Shares of nominal or par value of US\$0.0001 each	3,519.23
13,161,290	Series Pre-A Preferred Shares of nominal or par value of US\$0.0001 each	1,316.129
25,922,170	Series A Preferred Shares of nominal or par value of US\$0.0001 each	2,592.217
500,000,000	<b>Total</b>	50,000
<i>Issued share capital:</i>		
148,844,005	Ordinary Shares of nominal or par value of US\$0.0001 each	14,884.4005
35,192,300	Series Angel Preferred Shares of nominal or par value of US\$0.0001 each	3,519.23
13,161,290	Series Pre-A Preferred Shares of nominal or par value of US\$0.0001 each	1,316.129
20,154,350	Series A Preferred Shares of nominal or par value of US\$0.0001 each	2,015.435
<b>217,351,945</b>	<b>Total</b>	<b>21,735.1945</b>

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## SHARE CAPITAL

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### 2. Share capital immediately after the completion of the Global Offering

Number	Description	Aggregate par value
		(US\$)
<i>Authorized share capital:</i>		
500,000,000	Ordinary Shares of nominal or par value of US\$0.0001 each	50,000
<b>500,000,000</b>	<b>Total</b>	<b>50,000</b>
<i>Issued share capital:</i>		
217,351,945	Ordinary Shares in issue immediately before the Global Offering of nominal or par value of US\$0.0001 each	21,735.1945
24,120,300	Ordinary Shares of US\$0.0001 each to be issued pursuant to the Global Offering (assuming the Offer Size Adjustment Option and the Over-allotment Option are not exercised)	2,412.03
<b>241,472,245</b>	<b>Total</b>	<b>24,147.2245</b>

### ASSUMPTIONS

The above table assumes the Global Offering becomes unconditional and the issue of Shares pursuant to the Global Offering is made as described herein. It does not take into account of any Shares which may be issued upon the exercise of the Offer Size Adjustment Option and the Over-allotment Option or any Shares which may be allotted and issued or repurchased by the Company under the general mandates for the allotment and issue or repurchase of Shares granted to the Directors as described below.

### RANKING

The Offer Shares will rank *pari passu* in all respects with all Shares in issue or to be issued as mentioned in this prospectus, 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 prospectus.

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## SHARE CAPITAL

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### **CIRCUMSTANCES UNDER WHICH GENERAL MEETINGS ARE REQUIRED**

Pursuant to the Cayman Companies Act and the terms of the Memorandum and Articles of Association, the Company may from time to time by ordinary resolution of Shareholders (i) increase its share capital; (ii) consolidate and divide its share capital into Shares of larger amount; (iii) divide its Shares into several classes; and (iv) cancel any Shares which have not been taken or agreed to be taken. In addition, the Company may, subject to the provisions of the Cayman Companies Act, reduce its share capital or capital redemption reserve by its Shareholders passing a special resolution. See “Appendix III — Summary of the Constitution of the Company and Cayman Islands Company Law”.

### **THE SHARE INCENTIVE SCHEME**

We adopted the Share Incentive Scheme on January 12, 2023 and amended and restated on March 29, 2024. See the section headed “Appendix IV — Statutory and General Information — E. The Share Incentive Scheme” in this prospectus for further details.

### **GENERAL MANDATES TO ALLOT AND ISSUE SHARES**

Subject to the Global Offering becoming unconditional, the Directors have been granted a general unconditional mandate to allot, issue and deal with Shares with the total nominal value of not more than the sum of:

- (a) 20% of the total number of Shares in issue immediately following completion of the Global Offering (excluding any treasury shares); and
- (b) the total number of Shares repurchased by the Company (if any) pursuant to the general mandate to repurchase Shares granted to the Directors referred below.

The allotment and issue of Shares under a rights issue, scrip dividend scheme or similar arrangement in accordance with the Memorandum and Articles of Association, or under the Global Offering, do not generally require the approval of the Shareholders in general meeting and the total number of Shares which the Directors are authorized to allot and issue under this mandate will not be reduced by the allotment and issue of such Shares.

This general mandate will expire at the earliest of:

- the conclusion of the Company’s next annual general meeting;
- the expiration of the period within which the Company is required by law or the Memorandum and Articles of Association to hold our next annual general meeting; or
- when varied, revoked or renewed by an ordinary resolution of the Shareholders in general meeting.



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## SHARE CAPITAL

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For further details of these general mandates, see “Appendix IV — Statutory and General Information — A. Further Information about the Company — 3. Resolutions in Writing of the Shareholders of the Company Passed on December 18, 2024”.

### GENERAL MANDATES TO REPURCHASE SHARES

Subject to the Global Offering becoming unconditional, the Directors have been granted a general unconditional mandate to exercise all the powers of the Company to repurchase Shares with a total nominal value of not more than 10% of the total number of Shares of the Company in issue immediately following the completion of the Global Offering (excluding any treasury shares).

This mandate only relates to repurchases made on the Stock Exchange, or on any other stock exchange on which the Shares are listed (and which is recognized by the SFC and the Stock Exchange for this purpose), and which are in accordance with all applicable laws and the requirements of the Listing Rules. A summary of the relevant Listing Rules is set out in “Appendix IV — Statutory and General Information — A. Further Information about the Company — 5. Repurchase of Our Own Securities” to this prospectus.

The general mandate to issue and repurchase Shares will expire:

- at the conclusion of the next annual general meeting of the Company;
- at the expiration of the period within which the next annual general meeting of the Company is required by any applicable law of the Cayman Islands or the Articles to be held; or
- when varied, revoked or renewed by an ordinary resolution of the Shareholders in general meeting,

whichever is the earliest.

Any reference to an allotment, issue, grant, offer or disposal of Shares shall include the sale or transfer of treasury shares in the capital of the Company (including to satisfy any obligation upon the conversion or exercise of any convertible securities, options, warrants or similar rights to subscribe for Shares) to the extent permitted by, and subject to the provisions of the Listing Rules and applicable laws and regulations.

## SUBSTANTIAL SHAREHOLDERS

So far as is known to the Directors as at the Latest Practicable Date, immediately following the completion of the Global Offering (assuming the Offer Size Adjustment Option and the Over-allotment Option are not exercised), each of following persons will have an interest and/or short position (as applicable) in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or will be, directly or indirectly, interested in 10% or more of the Shares, once the Shares are listed on the Stock Exchange:

Name of Shareholder	Nature of Interest	Number of Shares Held or Interested	Approximate Percentage of Shareholding in the Total Issued Share Capital Immediately following the Completion of the Global Offering (Assuming the Offer Size Adjustment Option and the Over- allotment Option are not exercised)  (%)
Mr. Zhu Weisong <sup>(1)</sup> . . . . .	Settlor of a discretionary trust	110,639,460	45.82
	Interest in controlled corporation	8,805,846	3.65
Wit Bright Limited <sup>(1)</sup> . . . . .	Interest in controlled corporation	110,639,460	45.82
Next Bloks <sup>(1)</sup> . . . . .	Beneficial owner	110,639,460	45.82
Smart Bloks <sup>(1)</sup> . . . . .	Beneficial owner	8,805,846	3.65
Trident Trust Company (HK) Limited <sup>(1)(2)</sup> . . . . .	Trustee	110,639,460	45.82
		21,321,255	8.83
First Prosperity <sup>(2)</sup> . . . . .	Beneficial owner	21,321,255	8.83
Suzhou Junjunde <sup>(3)</sup> . . . . .	Interest in controlled corporation	14,601,680	6.05
Beijing Junlian <sup>(3)</sup> . . . . .	Interest in controlled corporation	14,601,680	6.05
Legend Capital <sup>(3)</sup> . . . . .	Interest in controlled corporation	14,601,680	6.05
Juncheng Hezhong <sup>(3)</sup> . . . . .	Interest in controlled corporation	14,601,680	6.05
Junqi Jiarui <sup>(3)</sup> . . . . .	Interest in controlled corporation	14,601,680	6.05
Tianjin Huizhi No.1 Business Management Consulting Partnership (Limited Partnership) <sup>(3)</sup> . . . . .	Interest in controlled corporation	14,601,680	6.05
Tianjin Junlian Jieyou Business Management Consulting Partnership (Limited Partnership) <sup>(3)</sup> . . . . .	Interest in controlled corporation	14,601,680	6.05
Mr. Chen Hao <sup>(3)</sup> . . . . .	Interest in controlled corporation	14,601,680	6.05
Mr. Zhu Linan <sup>(3)</sup> . . . . .	Interest in controlled corporation	14,601,680	6.05

## SUBSTANTIAL SHAREHOLDERS

Name of Shareholder	Nature of Interest	Number of Shares Held or Interested	Approximate Percentage of Shareholding in the Total Issued Share Capital Immediately following the Completion of the Global Offering (Assuming the Offer Size Adjustment Option and the Over- allotment Option are not exercised)
			(%)
Idea Great <sup>(3)</sup> . . . . .	Beneficial owner	14,601,680	6.05
All Direct Holdings Limited <sup>(4)</sup> . . . . .	Interest in controlled corporation	12,258,535	5.08
Hainan Yuanke <sup>(4)</sup> . . . . .	Interest in controlled corporation	12,258,535	5.08
Nanjing Yuanxin <sup>(4)</sup> . . . . .	Interest in controlled corporation	12,258,535	5.08
Nanjing Yuankai <sup>(4)</sup> . . . . .	Interest in controlled corporation	12,258,535	5.08
Nanjing Yuanju <sup>(4)</sup> . . . . .	Interest in controlled corporation	12,258,535	5.08
Hangzhou Yiqian <sup>(4)</sup> . . . . .	Interest in controlled corporation	12,258,535	5.08
Suzhou Yuanming <sup>(4)</sup> . . . . .	Interest in controlled corporation	12,258,535	5.08
Nanjing Yuanling <sup>(4)</sup> . . . . .	Interest in controlled corporation	12,258,535	5.08
Nanjing Yuanheng <sup>(4)</sup> . . . . .	Interest in controlled corporation	12,258,535	5.08
Beijing Yuanwei <sup>(4)</sup> . . . . .	Interest in controlled corporation	12,258,535	5.08
Beijing Yuanxin <sup>(4)</sup> . . . . .	Interest in controlled corporation	12,258,535	5.08
Suzhou Yuanqi <sup>(4)</sup> . . . . .	Interest in controlled corporation	12,258,535	5.08
Ningbo Yuanzhang <sup>(4)</sup> . . . . .	Interest in controlled corporation	12,258,535	5.08
Xizang Yuanding <sup>(4)</sup> . . . . .	Interest in controlled corporation	12,258,535	5.08
Lhasa Yuanchi <sup>(4)</sup> . . . . .	Interest in controlled corporation	12,258,535	5.08
Hangzhou Yuanwei <sup>(4)</sup> . . . . .	Interest in controlled corporation	12,258,535	5.08
Mr. Charlie Cao <sup>(4)</sup> . . . . .	Interest in controlled corporation	12,258,535	5.08
BlueCo <sup>(4)</sup> . . . . .	Beneficial owner	12,258,535	5.08

*Notes:*

- (1) As at the Latest Practicable Date, Next Bloks directly holds 110,639,460 Shares in our Company and is owned 99% by Wit Bright Limited under the Wise Global Trust and 1% by Playcreation Holding Limited, and Smart Bloks holds 8,805,846 Shares in our Company and is wholly owned by Mr. Zhu. The Wise Global Trust is a discretionary trust established by Mr. Zhu as the settlor on June 16, 2022, for the benefit of Mr. Zhu and his family members with Trident Trust Company (HK) Limited as the trustee. Trident Trust Company (HK) Limited holds the entire share capital of Wit Bright Limited. As such, by virtue of the SFO, the deemed interest of Mr. Zhu consists of (i) 110,639,460 Shares in our Company held by Next Bloks, and (ii) 8,805,846 Shares in our Company held by Smart Bloks. Trident Trust Company (HK) Limited is deemed to have interest in 110,639,460 Shares held by Next Bloks in our Company.

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## SUBSTANTIAL SHAREHOLDERS

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- (2) First Prosperity is a platform holding the underlying incentive Shares under the Share Incentive Scheme. As at the Latest Practicable Date, First Prosperity is legally owned by Trident Trust Company (HK) Limited as trustee of the Bloks First Trust, which was established by the Company as the settlor for the purpose of the Share Incentive Scheme. As such, Trident Trust Company (HK) Limited is deemed to be interested in the 21,321,255 Shares held by First Prosperity. See “Appendix IV — Statutory and General Information — E. The Share Incentive Scheme” in this prospectus for further details.
- (3) As at the Latest Practicable Date, Idea Great is owned 56.05% by Suzhou Junjunde and 43.95% by Beijing Junlian. Both Suzhou Junjunde and Beijing Junlian are controlled by their general partner Lhasa Junqi Enterprise Management Co., Ltd. (拉薩君祺企業管理有限公司), a wholly owned subsidiary of Legend Capital, which is in turn owned as to 80.00% by Juncheng Hezhong. The general partner of Juncheng Hezhong is Beijing Junqi Jiarui Enterprise Management Co., Ltd. (北京君祺嘉睿企業管理有限公司, “**Junqi Jiarui**”), a company owned as to 40.00% by Mr. Chen Hao (陳浩). Juncheng Hezhong is also owned as to 58.12% by Tianjin Huizhi No.1 Business Management Consulting Partnership (Limited Partnership) (天津匯智壹號企業管理諮詢合夥企業(有限合夥)), which is in turn owned as to 34.68% by Mr. Zhu Linan (朱立南), and as to 41.87% by Tianjin Junlian Jieyou Business Management Consulting Partnership (Limited Partnership) (天津君聯傑佑企業管理諮詢合夥企業(有限合夥)), which is in turn owned 33.36% by Mr. Chen Hao. Beijing Junlian is also owned as to 35.71% by National Council for Social Security Fund of People’s Republic of China (全國社會保障基金理事會). As such, by virtue of the SFO, each of Suzhou Junjunde, Beijing Junlian, Legend Capital, Juncheng Hezhong, Junqi Jiarui, Tianjin Huizhi No.1 Business Management Consulting Partnership (Limited Partnership), Tianjin Junlian Jieyou Business Management Consulting Partnership (Limited Partnership), Mr. Chen Hao, Mr. Zhu Linan and National Council for Social Security Fund of People’s Republic of China is deemed to be interested in the Shares held by Idea Great.
- (4) As at the Latest Practicable Date, BlueCo is managed by its general partner All Direct Holdings Limited, which is wholly owned by Mr. Charlie Cao. BlueCo is wholly owned by Hainan Yuanke, which is managed by its general partner Nanjing Yuanxin Management Consulting Co., Ltd. (南京源芯管理諮詢有限公司 “**Nanjing Yuanxin**”), which is wholly owned by Nanjing Yuanju Technology Co., Ltd. (南京源矩科技有限公司, “**Nanjing Yuanju**”) through Nanjing Yuankai Management Consulting Group Co., Ltd (南京源凱管理諮詢集團有限公司, “**Nanjing Yuankai**”), and Nanjing Yuanju is owned 82.18% by Hangzhou Yiqian Enterprise Management Consulting Co., Ltd. (杭州毅謙企業管理諮詢有限公司, “**Hangzhou Yiqian**”), a company wholly owned by Mr. Charlie Cao. Hainan Yuanke is also owned 67.97% by Suzhou Yuanming and 31.99% by Suzhou Yuanqi. Suzhou Yuanming is owned 44.44% by Nanjing Yuanling Equity Investment Partnership Enterprise (Limited Partnership)(南京源嶺股權投資合夥企業(有限合夥), “**Nanjing Yuanling**”) and 39.43% by Beijing Yuanwei Equity Investment Partnership Enterprise (Limited Partnership) (北京源為股權投資合夥企業(有限合夥), “**Beijing Yuanwei**”). Nanjing Yuanheng Equity Investment Management Partnership Enterprise (Limited Partnership) (南京源恒股權投資管理合夥企業(有限合夥), “**Nanjing Yuanheng**”) owns 69.97% of Nanjing Yuanling’s equity interests and 79.00% of Beijing Yuanwei’s equity interests. Nanjing Yuanxin is the general partner of both Nanjing Yuanling and Nanjing Yuanheng. Beijing Yuanxin Investment Management Co., Ltd. (北京源芯投資管理有限公司 “**Beijing Yuanxin**”) is the general partner of Beijing Yuanwei, and is owned 72.68% by Mr. Charlie Cao through its sole shareholder Lhasa Yuanchi Investment Management Co., Ltd (拉薩源馳投資管理有限公司, “**Lhasa Yuanchi**”). Suzhou Yuanqi is managed by Ningbo Yuanzhang Investment Management Partnership Enterprise (Limited Partnership) (寧波源章投資管理合夥企業(有限合夥), “**Ningbo Yuanzhang**”), who is managed by its general partner Hangzhou Yuanwei Management Consulting Co., Ltd. (杭州源未管理諮詢有限公司, “**Hangzhou Yuanwei**”), which is wholly owned by Nanjing Yuankai. Ningbo Yuanzhang is owned 85.35% by Xizang Yuanding Enterprise Management Co., Ltd (西藏源鼎企業管理有限公司, “**Xizang Yuanding**”), which is wholly owned by Nanjing Yuankai. As such, by virtue of the SFO, each of All Direct Holdings Limited, Hainan Yuanke, Nanjing Yuanxin, Nanjing Yuankai, Nanjing Yuanju, Hangzhou Yiqian, Suzhou Yuanming, Nanjing Yuanling, Nanjing Yuanheng, Beijing Yuanwei, Beijing Yuanxin, Suzhou Yuanqi, Ningbo Yuanzhang, Xizang Yuanding, Lhasa Yuanchi, Hangzhou Yuanwei and Mr. Charlie Cao is deemed to be interested in the Shares held by BlueCo.

Save as disclosed above, the Directors are not aware of any person who will, immediately following the completion of the Global Offering (assuming the Offer Size Adjustment Option and the Over-allotment Option are not exercised), have an interest or short position in the Shares or underlying shares of the Company which would be required to be disclosed to the Company and the Stock Exchange under Divisions 2 and 3 of Part XV of the SFO or will, directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at any general meeting of the Company.

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## FINANCIAL INFORMATION

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*The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our consolidated financial statements and the related notes included in the Accountants' Report in Appendix I to this prospectus. Our consolidated financial statements have been prepared in accordance with IFRS.*

*The following discussion and analysis contain forward-looking statements that involve risks and uncertainties. These statements are based on assumptions and analysis made by us in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. You should not place undue reliance on any such statements. Our actual future results and timing of selected events could differ materially from those anticipated in these forward-looking statements as a result of various factors, including those set forth under "Risk Factors," "Forward-Looking Statements" and elsewhere in this prospectus.*

*For the purpose of this section, unless the context otherwise requires, reference to the years of 2021, 2022 and 2023 refer to the years ended December 31, 2021, 2022 and 2023, respectively.*

### OVERVIEW

We are a leader of assembly character toys in China. Leveraging our portfolio of more than 500 patents, in-house IP development capability and cooperative relationships with approximately 50 renowned non-exclusive IP franchises, we are dedicated to providing consumers with a wide range of quality-for-money assembly character toys and have achieved rapid growth. Our assembly character toys recreate the essence of IP characters. Through the combination of our product strength and supply chain capabilities, we are able to maintain cost advantages and continuously expand product categories. We have established a multi-channel sales network in China with a comprehensive and extensive consumer reach. We pivoted to offline sales channel with a focus on distributors as we began to offer assembly character toys in 2022. According to Frost & Sullivan, we are China's largest and leading player in the assembly character toy segment with a GMV of approximately RMB1.8 billion in 2023. We are also a fast-growing toy company with a GMV growth of over 170% in 2023.

We achieved significant growth during the Track Record Period. We recorded revenue of RMB329.8 million, RMB325.6 million, RMB876.7 million and RMB1,046.2 million in 2021, 2022 and 2023 and the six months ended June 30, 2024, respectively, with a CAGR of 63.0% from 2021 to 2023 and a period-over-period growth of 237.6% in the six months ended June 30, 2024. We recorded gross profit of RMB123.4 million, RMB123.4 million, RMB414.9 million and RMB553.7 million in 2021, 2022 and 2023 and the six months ended June 30, 2024, respectively, with a CAGR of 83.4% from 2021 to 2023 and a period-over-period growth of 306.5% in the six months ended June 30, 2024. Our gross margin continued to grow during the Track Record Period, from 37.4% in 2021 to 37.9% in 2022 and further to 47.3% in 2023

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## FINANCIAL INFORMATION

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and 52.9% in the six months ended June 30, 2024. In the six months ended June 30, 2024, we recorded adjusted profit for the period (a non-IFRS measure) of RMB292.2 million, representing an increase of 300.9% from the year ended December 31, 2023.

### **SIGNIFICANT FACTORS AFFECTING OUR RESULTS OF OPERATIONS**

Our business, results of operations and financial condition are affected by a number of general factors influencing the overall global toy market. These factors include macro-economic trends, industry development and competitive landscape in the market. Any adverse development can have a negative impact on our results of operations.

In addition to these general factors, our results of operations are affected by the following specific factors:

#### **Global Consumers' Demand for Assembly Character Toys**

Our results of operations have been and are expected to be affected by the global consumers' demand for assembly character toys. We began to offer assembly character toys in January 2022, which have since gained wide-spread popularity and driven our rapid revenue growth. In 2023 and the six months ended June 30, 2024, we generated a substantial majority of our revenue from sales of assembly character toys. In 2022 and 2023 and the six months ended June 30, 2023 and 2024, our revenue from sales of assembly character toys was RMB117.7 million, RMB769.0 million, RMB241.4 million and RMB1,023.1 million, accounting for 36.1%, 87.7%, 77.9% and 97.8% of our total revenue, respectively. The growth rate of our revenue from sales of assembly character toys was 553.5% from 2022 to 2023 and 323.8% from the six months ended June 30, 2023 to the six months ended June 30, 2024.

Assembly character toy is the fastest growing segment in the global and China's toy market and enjoys significant growth potential. Global consumers have a strong demand for toys that combine assembling experience, consistent quality and great value-for-money. Assembly character toys that recreate the IP characters and simulate their poses can meet the consumers' needs. On the supply side, a standardized assembling system helps bring global consumers a large variety of products with consistent quality and great value-for-money. Furthermore, proprietors of renowned IPs increasingly favor assembly character toys to efficiently commercialize numerous IPs. These factors together are expected to propel the long-term growth of the assembly character toy segment.

According to Frost & Sullivan, the size of the global and China's character toy market in terms of GMV was RMB345.8 billion and RMB40.3 billion in 2023, and is expected to grow at a CAGR of 9.3% and 17.7% to reach RMB540.7 billion and RMB91.1 billion in 2028, respectively. As a subset, the size of the global and China's assembly character toy segment in terms of GMV was RMB27.8 billion and RMB5.8 billion in 2023, and is expected to grow at

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## FINANCIAL INFORMATION

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a CAGR of 29.0% and 41.3% to reach RMB99.6 billion and RMB32.5 billion in 2028, respectively. The penetration rate of global and China's assembly character toy segment in the character toy market is expected to increase from 8.0% and 14.3% in 2023 to 18.4% and 35.6% in 2028, respectively.

As a leader in the global assembly character toy market, we believe we have the capabilities in continuously adapting to changing market trends and meeting the evolving consumer needs by further building up differentiated competitive strengths, broadening our IP portfolio and expanding our product offering. We have achieved rapid growth in the past, and we believe we are capable of grasping the significant growth opportunities in the future.

### **Product Iterations and Launches**

The development of an optimal product offering is essential to our success. We strategically diversified our product offering to include assembly character toys in 2022 as we saw enormous growth potential in the demand for and profitability in this product category. Through our Bloks System that combines standardization and individuality elements, together with our rich IP portfolio, we have quickly built an extensive matrix-style product offering with continuous iterations, which enabled us to achieve rapid revenue growth during the Track Record Period.

Our growing IP portfolio is crucial to the expansion of our product offering. We have built a rich IP portfolio based on our self-developed IPs and licensed IPs, and continuously optimized and accumulated our capabilities in IP commercialization and management. Leveraging our successful products and leading IP commercialization capabilities, we have become a preferred partner of various proprietors of renowned IPs. As of the Latest Practicable Date, we had two self-developed IPs and approximately 50 renowned licensed IPs. Based on our rich IP portfolio, we have established an extensive product offering that covers wide demographics and price segments. As of June 30, 2024, we had a total of 431 SKUs available for sale, designed to attract consumers under the age of six, between the ages of six and 16, and those over the age of 16, with suggested retail prices of mainstream products ranging from RMB19.9 to RMB399. Our extensive and growing product offering not only facilitated us in achieving rapid revenue growth, but also improved our profitability as we scaled up. During the Track Record Period, as assembly character toys with a high-degree of standardization carry a higher gross profit margin as compared to that of our brick-based toys, their growing revenue contribution had a positive impact on our profitability.

We intend to continuously enrich our IP portfolio to meet the diverse needs of consumers and fans, and to further expand our product offering to cover wider consumer groups and price ranges. We believe our ability to efficiently and successfully launch high-quality new products is crucial for our revenue growth and profitability in the future.

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## FINANCIAL INFORMATION

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### Expansion of Sales Network

We have established a multi-channel sales network, which consists of (i) offline sales channels, including distributors and consignment sales, and (ii) online sales channels, including various mainstream e-commerce platforms.

As of December 31, 2021, 2022 and 2023 and June 30, 2024, we had 225, 354, 415 and 511 distributors. In 2021, 2022, 2023 and the six months ended June 30, 2024, our offline distribution sales amounted to RMB112.8 million, RMB157.0 million, RMB732.7 million and RMB957.9 million, accounting for 34.2%, 48.2%, 83.6% and 91.6% of our total revenue for the respective periods. As of June 30, 2024, we had more than 450 offline distributors in China. As of June 30, 2024, we had also entered various overseas markets including the United States, Southeast Asia and Europe.

We also sell our products offline through consignment sales. In 2021, 2022 and 2023 and the six months ended June 30, 2024, revenue from offline consignment sales was RMB37.9 million, RMB32.9 million, RMB36.4 million and RMB13.6 million, accounting for 11.5%, 10.1%, 4.1% and 1.3% of our total revenue in the respective periods.

We have established our online channels, primarily through (i) the opening of flagship stores on Tmall, JD.com, Douyin, Pinduoduo and other e-commerce platforms in China, and (ii) our Weixin mini program Bloks Club. To a much lesser extent, we also sell our products to certain e-commerce platforms on arrangements either similar to those for offline consignment sales partners, or those for offline distributors. In 2021, 2022 and 2023 and the six months ended June 30, 2024, our revenue from online sale channels was RMB171.0 million, RMB134.4 million, RMB106.2 million and RMB74.6 million, respectively, accounting for 51.8%, 41.3%, 12.1% and 7.1% of our total revenue for the respective periods.

Going forward, we plan to continue to grow our network of offline retail outlets, with a focus on strengthening our presence in the lower-tier markets in China and establishing cooperation with more overseas channel partners. In addition, we plan to further develop our DTC online and offline channels.

### Ability to Control Cost of Sales

Cost of goods sold is the major component of our cost of sales, accounting for approximately 85.8%, 87.7%, 93.3% and 94.3% of our cost of sales for 2021, 2022 and 2023 and the six months ended June 30, 2024, respectively.

Our ability to control our cost of goods sold is crucial in maintaining a desirable profitability. We have established long-term category exclusive collaboration with industry-leading third-party partner factories. By collaborating with our partner factories, we have created a specialized factory network for assembly character toys by integrating our know-how



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## FINANCIAL INFORMATION

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in assembly character toy production and various patents to curate proprietary production techniques and customized equipment, which is crucial for our profitability. In addition, our gross profit margin experienced a notable increase as we expanded our business significantly during the Track Record Period.

In 2021, 2022 and 2023 and the six months ended June 30, 2024, our cost of sales was RMB206.4 million, RMB202.2 million, RMB461.8 million and RMB492.5 million, respectively, while our gross profit margin for the respective periods was 37.4%, 37.9%, 47.3% and 52.9%.

We believe that as our business scales, we will increasingly benefit from the economies of scale. We intend to continue optimizing production techniques, automation technologies and production resources to further improve our ability to control cost of sales.

### **The Effectiveness of Marketing Efforts**

The effectiveness of our marketing efforts is crucial to our results of operations and our profitability. We reach and maintain a large base of consumers, fans and BFCs through a content-driven online marketing strategy, facilitating effective product launches and promotion.

In 2021, 2022 and 2023 and the six months ended June 30, 2024, our selling and distribution expenses was RMB388.6 million, RMB232.9 million, RMB189.3 million and RMB120.8 million, accounting for 117.9%, 71.5%, 21.6% and 11.5% of our total revenue in the respective periods. The significant decrease in selling and distribution expenses as a percentage of our total revenue was primarily attributable to the economies of scale from our rapid growth and the fact that assembly character toys were gradually becoming our major products. Our assembly character toys are naturally suitable for content-driven marketing due to the consumer connection from the assembling process, and the fact that IP characters are closely associated with rich contents that can be widely disseminated. As such, we were able to pivot to a highly-effective content-driven marketing strategy to promote our assembly character toys during the Track Record Period and significantly reduce our expenditure on branding and promotional advertisement. Our marketing and promotion expenses within the selling and distribution expenses as a percentage of our total revenue decreased from 82.6% in 2021 to 8.4% in 2023, and further to 4.6% in the six months ended June 30, 2024.

As our business continues to grow, we plan to devote more marketing resources to deepen consumer awareness of our brand and products and to continuously promote our products efficiently. However, we do not expect our selling and distribution expenses to increase significantly as a percentage of our total revenue in the short term.

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## FINANCIAL INFORMATION

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### **BASIS OF PREPARATION**

Our financial information during the Track Record Period has been prepared in accordance with IFRSs, which comprise all standards and interpretations approved by the International Accounting Standards Board. All IFRSs effective for the accounting period commencing from January 1, 2024 including relevant transitional provisions, have been early adopted by us in the preparation of our historical financial information throughout the Track Record Period.

Our financial information during the Track Record Period has been prepared under the historical cost convention, except for financial assets at fair value through profit or loss and convertible redeemable preferred shares, which have been measured at fair value.

See note 2.2 to “Appendix I — Accountants’ Report.”

### **MATERIAL ACCOUNTING POLICIES AND ESTIMATES**

Note 2.4 to “Appendix I — Accountants’ Report” to this prospectus sets forth certain material accounting policy information, which are important for understanding our financial conditions and results of operations.

Some of our accounting policies require us to apply estimates and assumptions as well as complex judgments relating to accounting items. The estimates and assumptions we use and the judgments we make in applying our accounting policies have a significant impact on our financial position and results of operations. Our management continually evaluates such estimates, assumptions, and judgments based on past experiences and other factors, including industry practices and expectations of future events that are believed 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. See note 3 to “Appendix I — Accountants’ Report.”

## FINANCIAL INFORMATION

### RESULTS OF OPERATIONS

	Year Ended December 31,						Six Months Ended June 30,			
	2021		2022		2023		2023		2024	
<i>(in RMB thousands, except for percentages)</i>										
<i>(unaudited)</i>										
Revenue . . . . .	329,772	100.0%	325,574	100.0%	876,686	100.0%	309,939	100.0%	1,046,203	100.0%
Cost of sales. . . . .	(206,371)	(62.6)%	(202,155)	(62.1)%	(461,764)	(52.7)%	(173,731)	(56.1)%	(492,467)	(47.1)%
<b>Gross profit. . . . .</b>	<b>123,401</b>	<b>37.4%</b>	<b>123,419</b>	<b>37.9%</b>	<b>414,922</b>	<b>47.3%</b>	<b>136,208</b>	<b>43.9%</b>	<b>553,736</b>	<b>52.9%</b>
Selling and distribution expenses . .	(388,646)	(117.9)%	(232,885)	(71.5)%	(189,280)	(21.6)%	(86,401)	(27.9)%	(120,764)	(11.5)%
Research and development expenses . . . . .	(83,016)	(25.2)%	(98,444)	(30.2)%	(94,657)	(10.8)%	(41,953)	(13.5)%	(76,016)	(7.3)%
Administrative expenses. . . . .	(58,287)	(17.7)%	(51,002)	(15.7)%	(49,230)	(5.6)%	(22,069)	(7.1)%	(403,946)	(38.6)%
Other income, other gains and losses, net. . . . .	9,507	2.9%	12,416	3.8%	5,987	0.7%	2,499	0.8%	3,905	0.4%
Other expenses. . . . .	(20,938)	(6.3)%	(17,896)	(5.5)%	(695)	(0.1)%	(221)	(0.1)%	(1,241)	(0.1)%
Reversal of/(Provision for) impairment losses on financial assets, net. . . . .	669	0.2%	226	0.1%	(1,100)	(0.1)%	(389)	(0.1)%	(506)	(0.0)%
Finance costs . . . . .	(2,323)	(0.7)%	(1,574)	(0.5)%	(1,654)	(0.2)%	(1,323)	(0.4)%	(891)	(0.1)%
Fair value changes on convertible redeemable preferred shares . . . .	(144,201)	(43.7)%	(191,031)	(58.7)%	(274,132)	(31.3)%	(188,611)	(60.9)%	(157,033)	(15.1)%
<b>Loss before tax . . . . .</b>	<b>(563,834)</b>	<b>(171.0)%</b>	<b>(456,771)</b>	<b>(140.3)%</b>	<b>(189,839)</b>	<b>(21.7)%</b>	<b>(202,260)</b>	<b>(65.3)%</b>	<b>(202,756)</b>	<b>(19.4)%</b>
Income tax expense. . . . .	56,981	17.3%	34,066	10.5%	(17,642)	(2.0)%	(528)	(0.1)%	(52,135)	(5.0)%
<b>Loss for the year/period . . . . .</b>	<b>(506,853)</b>	<b>(153.7)%</b>	<b>(422,705)</b>	<b>(129.8)%</b>	<b>(207,481)</b>	<b>(23.7)%</b>	<b>(202,788)</b>	<b>(65.4)%</b>	<b>(254,891)</b>	<b>(24.4)%</b>
<b>Attributable to . . . . .</b>										
Owners of the parent . . . . .	(502,594)	(152.4)%	(419,886)	(129.0)%	(206,100)	(23.5)%	(201,866)	(65.1)%	(257,894)	(24.7)%
Non-controlling interests . . . . .	(4,259)	(1.3)%	(2,819)	(0.8)%	(1,381)	(0.2)%	(922)	(0.3)%	3,003	0.3%

## FINANCIAL INFORMATION

### NON-IFRS MEASURE

To supplement our consolidated financial statements that are presented in accordance with IFRS, we also use adjusted profit/(loss) for the year/period (a non-IFRS measure) and adjusted net margin (a non-IFRS measure), as additional financial measures, which are not required by, or presented in accordance with IFRS. We believe that these non-IFRS measures facilitate comparisons of operating performance from period to period by eliminating potential impact of certain items. We believe that these measures provide useful information to investors and others in understanding and evaluating our consolidated financial statements in the same manner as they help our management. However, our presentation of adjusted profit/(loss) for the year/period (a non-IFRS measure) and adjusted net margin (a non-IFRS measure) may not be comparable to similar item measures presented by other companies. The use of these non-IFRS measures has limitations as an analytical tool, and you should not consider them in isolation from, or as substitute for analysis of, our consolidated financial statements or financial condition as reported under IFRS. We define adjusted profit/(loss) for the year/period (a non-IFRS measure) as profit/(loss) for the year/period adjusted for fair value changes on convertible redeemable preferred shares (a non-cash item), listing expenses and share-based compensations (a non-cash item). In particular, convertible redeemable preferred shares will be reclassified from liabilities to equity as a result of the conversion of convertible redeemable preferred shares into Ordinary Shares upon Listing. We define adjusted net margin (a non-IFRS measure) as adjusted profit/(loss) for the year/period (a non-IFRS measure) as a percentage of our total revenue.

	Year Ended December 31,			Six Months Ended June 30,	
	2021	2022	2023	2023	2024
	<i>(in RMB thousands, except for percentages)</i>				
	<i>(unaudited)</i>				
<b>Loss for the year/period . . .</b>	<b>(506,853)</b>	<b>(422,705)</b>	<b>(207,481)</b>	<b>(202,788)</b>	<b>(254,891)</b>
Add:					
Fair value changes on convertible redeemable preferred shares . . . . .	144,201	191,031	274,132	188,611	157,033
Listing expenses . . . . .	–	–	–	–	15,355
Share-based compensations . .	6,863	6,337	6,231	3,071	374,670 <sup>(1)</sup>
<b>Adjusted profit/(loss) for the year/period (a non- IFRS measure) . . . . .</b>	<b>(355,789)</b>	<b>(225,337)</b>	<b>72,882</b>	<b>(11,106)</b>	<b>292,167</b>
<b>Adjusted net margin (a non-IFRS measure) . . .</b>	<b>(107.9)%</b>	<b>(69.2)%</b>	<b>8.3%</b>	<b>(3.6)%</b>	<b>27.9%</b>

Note:

- (1) In April 2024, the Board granted share options to certain employees under the Share Incentive Scheme and the vast majority of such share options were vested immediately after the grant. See note 32 to “Appendix I — Accountants’ Report.”

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## FINANCIAL INFORMATION

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In the six months ended June 30, 2024, we recorded an adjusted profit for the period (a non-IFRS measure) of RMB292.2 million and an adjusted net margin (a non-IFRS measure) of 27.9%, as compared with an adjusted loss for the period (a non-IFRS measure) of RMB11.1 million and a negative adjusted net margin (a non-IFRS measure) of 3.6% in the six months ended June 30, 2023. This is primarily due to our successful strategic diversification of our product offering to include assembly character toys. More specifically, we continued to scale up our business and execute a content driven market strategy, which resulted in a gradual increase in our gross profit margin and gradual decrease in our various operating expenses as a percentage of our total revenue starting from 2022.

As the revenue contribution from assembly character toys that carry a higher gross profit margin increased and our business scale grew, our gross profit margin grew from 43.9% in the six months ended June 30, 2023 to 52.9% in the six months ended June 30, 2024. In particular, the revenue contribution from assembly character toy sales increased from 77.9% in the six months ended June 30, 2023 to 97.8% in the six months ended June 30, 2024, and the sales volume of our assembly character toys grew significantly from 11.0 million units in the six months ended June 30, 2023 to 56.2 million units in the six months ended June 30, 2024.

The successful execution of a content driven market strategy, coupled with our significant revenue growth, resulted in a significant decrease in our selling and distribution expenses as a percentage of our revenue starting from 2022. In particular, our selling and distribution expenses as a percentage of our total revenue decreased from 27.9% in the six months ended June 30, 2023 to 11.5% in the six months ended June 30, 2024.

The economies of scale also resulted in our research and development expenses as a percentage of our total revenue decreased from 13.5% in the six months ended June 30, 2023 to 7.3% in the six months ended June 30, 2024.

### PRINCIPAL COMPONENTS OF RESULTS OF OPERATIONS

#### Revenue

During the Track Record Period, we primarily generated revenue from sales of toys, including assembly character toys and brick-based toys, as well as from other businesses to a much lesser extent. Our revenue was recorded net of discount and rebate.

## FINANCIAL INFORMATION

### By Business Nature

The table below sets forth the breakdown of our revenue by business nature for the periods indicated.

	Year Ended December 31,						Six Months Ended June 30,			
	2021		2022		2023		2023		2024	
	<i>(in RMB thousands, except for percentages)</i>									
	<i>(unaudited)</i>									
Toys										
Assembly character toys . . .	-	-	117,673	36.1%	769,038	87.7%	241,429	77.9%	1,023,082	97.8%
Brick-based toys . . . . .	321,663	97.5%	206,651	63.5%	106,282	12.1%	68,075	22.0%	22,965	2.2%
<b>Sub-total . . . . .</b>	<b>321,663</b>	<b>97.5%</b>	<b>324,324</b>	<b>99.6%</b>	<b>875,320</b>	<b>99.8%</b>	<b>309,504</b>	<b>99.9%</b>	<b>1,046,047</b>	<b>100.0%</b>
Others <sup>(1)</sup> . . . . .	8,109	2.5%	1,250	0.4%	1,366	0.2%	435	0.1%	156	0.0%
<b>Total . . . . .</b>	<b>329,772</b>	<b>100.0%</b>	<b>325,574</b>	<b>100.0%</b>	<b>876,686</b>	<b>100.0%</b>	<b>309,939</b>	<b>100.0%</b>	<b>1,046,203</b>	<b>100.0%</b>

Note:

- (1) Others primarily include other non-toy revenue, such as certain revenue generated from advertisements shown before, during or after the play of our animations on online platforms.

During the Track Record Period, we generated a substantial majority of our revenue from sales of toys, which accounted for over 97% of our total revenue during each of 2021, 2022, 2023 and the six months ended June 30, 2023 and 2024.

The table below sets forth the sales volume and average selling price of our toy products for the periods indicated.

	Year Ended December 31,						Six Months Ended June 30,			
	2021		2022		2023		2023		2024	
	Average Sales volume	Average Selling Price <sup>(1)</sup>	Average Sales volume	Average Selling Price <sup>(1)</sup>	Average Sales volume	Average Selling Price <sup>(1)</sup>	Average Sales volume	Average Selling Price <sup>(1)</sup>	Average Sales volume	Average Selling Price <sup>(1)</sup>
	<i>(Unit'000)</i>	<i>(RMB)</i>	<i>(Unit'000)</i>	<i>(RMB)</i>	<i>(Unit'000)</i>	<i>(RMB)</i>	<i>(Unit'000)</i>	<i>(RMB)</i>	<i>(Unit'000)</i>	<i>(RMB)</i>
Assembly character toys . . .	-	-	6,291	19	36,474	21	11,004	22	56,225	18
Brick-based toys . . . . .	3,594	89	2,154	96	926	115	531	128	236	97
<b>Total/Overall . . . . .</b>	<b>3,594</b>	<b>89</b>	<b>8,445</b>	<b>38</b>	<b>37,400</b>	<b>23</b>	<b>11,535</b>	<b>27</b>	<b>56,461</b>	<b>19</b>

Note:

- (1) Average selling price is calculated through dividing revenue by the relevant sales volume during the same year/period, which represented the average price at which our products were sold to our direct customers.

## FINANCIAL INFORMATION

We began to offer assembly character toys in January 2022 on the back of the Bloks System, which comprises the standardization of product design, research and development and production, a self-compatible product system and a consumer ecosystem. More specifically, our successful commercialization of an expanding and diversifying portfolio of self-developed and licensed IPs and the rapid expansion of our sales network resulted in a significant increase in the sales volume and revenue of assembly character toys from 2022 to 2023 and the six months ended June 30, 2023 to the six months ended June 30, 2024.

During the Track Record Period, the average selling price of our toy products, being the average price at which we sold our toy products to our direct customers, continued to decrease due to the increase in the sales volume of our assembly character toys as a portion of our total sales volume, which typically have lower price per unit as compared with brick-based toys.

### *By Sales Channel*

During the Track Record Period, we established a multi-channel sale network, consisting of (i) offline sales channels, including distributors and consignment sales, and (ii) online sales channels, including various e-commerce platforms.

The table below sets forth the breakdown of our revenue by sales channel for the periods indicated.

	Year Ended December 31,						Six Months Ended June 30,			
	2021		2022		2023		2023		2024	
	<i>(in RMB thousands, except for percentages)</i>									
	<i>(unaudited)</i>									
Offline sales										
Distribution sales . . . . .	112,837	34.2%	157,004	48.2%	732,700	83.6%	238,111	76.8%	957,859	91.6%
Consignment sales . . . . .	37,869	11.5%	32,908	10.1%	36,371	4.1%	19,447	6.3%	13,572	1.3%
<b>Sub-total . . . . .</b>	<b>150,706</b>	<b>45.7%</b>	<b>189,912</b>	<b>58.3%</b>	<b>769,071</b>	<b>87.7%</b>	<b>257,558</b>	<b>83.1%</b>	<b>971,431</b>	<b>92.9%</b>
Online sales . . . . .	170,957	51.8%	134,412	41.3%	106,249	12.1%	51,946	16.8%	74,616	7.1%
Others <sup>(1)</sup> . . . . .	8,109	2.5%	1,250	0.4%	1,366	0.2%	435	0.1%	156	0.0%
<b>Total . . . . .</b>	<b>329,772</b>	<b>100.0%</b>	<b>325,574</b>	<b>100.0%</b>	<b>876,686</b>	<b>100.0%</b>	<b>309,939</b>	<b>100.0%</b>	<b>1,046,203</b>	<b>100.0%</b>

*Note:*

- (1) Others primarily include other non-toy revenue, such as certain revenue generated from advertisements shown before, during or after the play of our animations on online platforms, which do not fall under offline or online sales channel.

## FINANCIAL INFORMATION

We pivoted to offline sales channel as we began to offer assembly character toys in 2022. As such, our revenue from offline sales continued to increase in both absolute terms and as a percentage of our total revenue, which accounted for a substantial majority of our total revenue in 2023 and the six months ended June 30, 2024.

### *By Region*

The table below sets forth the breakdown of our revenue by region for the periods indicated.

	Year Ended December 31,						Six Months Ended June 30,			
	2021		2022		2023		2023		2024	
	<i>(in RMB thousands, except for percentages)</i>									
	<i>(unaudited)</i>									
China . . . . .	324,808	98.5%	317,296	97.5%	866,297	98.8%	305,201	98.5%	1,035,046	99.0%
Overseas										
Asia (excluding China) . . . . .	212	0.1%	912	0.3%	3,958	0.5%	2,434	0.8%	7,592	0.7%
North America . . . . .	4,029	1.2%	5,305	1.6%	4,675	0.5%	1,492	0.5%	1,915	0.2%
Others . . . . .	723	0.2%	2,061	0.6%	1,756	0.2%	812	0.2%	1,650	0.1%
<b>Sub-total . . . . .</b>	<b>4,964</b>	<b>1.5%</b>	<b>8,278</b>	<b>2.5%</b>	<b>10,389</b>	<b>1.2%</b>	<b>4,738</b>	<b>1.5%</b>	<b>11,157</b>	<b>1.0%</b>
<b>Total . . . . .</b>	<b>329,772</b>	<b>100.0%</b>	<b>325,574</b>	<b>100.0%</b>	<b>876,686</b>	<b>100.0%</b>	<b>309,939</b>	<b>100.0%</b>	<b>1,046,203</b>	<b>100.0%</b>

Apart from China, we also sell our products in overseas markets. Our revenue from overseas sales increased by 66.8% from RMB5.0 million in 2021 to RMB8.3 million in 2022, and further by 25.5% to RMB10.4 million in 2023. Our revenue from overseas sales increased by 135.5% from RMB4.7 million in the six months ended June 30, 2023 to RMB11.2 million in the six months ended June 30, 2024.

### **Cost of Sales**

Our cost of sales primarily consists of (i) cost of goods sold, which primarily include costs for outsourced production of goods and procurement of raw materials, and, to a lesser extent, licensing fees paid for the licensed IPs, (ii) logistics costs for delivering products, and (iii) depreciation of fixed assets for molds. In particular, the licensing fees increased from RMB2.5 million in 2021 to RMB73.0 million in 2023, and increased from RMB20.2 million in the six months ended June 30, 2023 to RMB91.2 million in the six months ended June 30, 2024, primarily due to a continuous increase in the sales volume of our products based on licensed IPs.



## FINANCIAL INFORMATION

The table below sets forth the breakdown of our cost of sales for the periods indicated.

	Year Ended December 31,						Six Months Ended June 30,			
	2021		2022		2023		2023		2024	
<i>(in RMB thousands, except for percentages)</i>										
<i>(unaudited)</i>										
Cost of goods sold										
Outsourced production and										
procurement costs . . . . .	174,624	84.6%	162,526	80.4%	357,977	77.5%	140,713	81.1%	373,232	75.8%
Licensing fees . . . . .	2,501	1.2%	14,850	7.3%	72,979	15.8%	20,239	11.6%	91,229	18.5%
<b>Sub-total . . . . .</b>	<b>177,125</b>	<b>85.8%</b>	<b>177,376</b>	<b>87.7%</b>	<b>430,956</b>	<b>93.3%</b>	<b>160,952</b>	<b>92.7%</b>	<b>464,461</b>	<b>94.3%</b>
Logistics costs . . . . .	17,363	8.4%	15,824	7.9%	18,309	4.0%	7,316	4.2%	16,335	3.3%
Depreciation of fixed assets . . . . .	11,883	5.8%	8,955	4.4%	12,499	2.7%	5,463	3.1%	11,671	2.4%
<b>Total . . . . .</b>	<b>206,371</b>	<b>100.0%</b>	<b>202,155</b>	<b>100.0%</b>	<b>461,764</b>	<b>100.0%</b>	<b>173,731</b>	<b>100.0%</b>	<b>492,467</b>	<b>100.0%</b>

### Gross Profit and Gross Profit Margin

#### *By Business Nature*

The table below sets forth the breakdown of our gross profit and the gross profit margin by business nature for the periods indicated.

	Year Ended December 31,						Six Months Ended June 30,			
	2021		2022		2023		2023		2024	
	Gross		Gross		Gross		Gross		Gross	
	Gross	Profit	Gross	Profit	Gross	Profit	Gross	Profit	Gross	Profit
	Profit	Margin	Profit	Margin	Profit	Margin	Profit	Margin	Profit	Margin
<i>(in RMB thousands, except for percentages)</i>										
<i>(unaudited)</i>										
Toys										
Assembly character toys . . . . .	-	-	43,290	36.8%	372,389	48.4%	106,874	44.3%	544,832	53.3%
Brick-based toys . . . . .	118,518	36.8%	78,879	38.2%	41,167	38.7%	28,899	42.5%	8,748	38.1%
<b>Sub-total/Overall . . . . .</b>	<b>118,518</b>	<b>36.8%</b>	<b>122,169</b>	<b>37.7%</b>	<b>413,556</b>	<b>47.2%</b>	<b>135,773</b>	<b>43.9%</b>	<b>553,580</b>	<b>52.9%</b>
Others <sup>(1)</sup> . . . . .	4,883	60.2%	1,250	100.0%	1,366	100.0%	435	100.0%	156	100.0%
<b>Total/Overall . . . . .</b>	<b>123,401</b>	<b>37.4%</b>	<b>123,419</b>	<b>37.9%</b>	<b>414,922</b>	<b>47.3%</b>	<b>136,208</b>	<b>43.9%</b>	<b>553,736</b>	<b>52.9%</b>

*Note:*

- (1) Others primarily include other non-toy gross profit, such as certain gross profit generated from advertisements shown before, during or after the play of our animations on online platforms, which is generally not directly associated with any cost of sales.

## FINANCIAL INFORMATION

During the Track Record Period, our gross profit margin was primarily affected by our product mix and economies of scale. As the revenue contribution from the sales of our assembly character toys that carry a higher gross profit margin increased and our business scale grew, our gross profit margin grew from 37.4% in 2021 to 52.9% in the six months ended June 30, 2024. The trend is particularly pronounced in view of (i) the increasing revenue contribution from assembly character toy sales from 77.9% in the six months ended June 30, 2023 to 87.7% in 2023 and 97.8% in the six months ended June 30, 2024, and (ii) the rapidly growing sales volume of our assembly character toys from 11.0 million units in the six months ended June 30, 2023 to 56.2 million units in the six months ended June 30, 2024.

Furthermore, we do not expect assembly vehicle toys and assembly scenery toys to have a significant difference in cost structure and gross profit margin as compared with assembly character toys. As such, we do not expect the addition of assembly vehicle toys and assembly scenery toys in our product offering and the resulting change of product mix to have a material impact on our overall gross profit margin.

### *By Sales Channel*

The table below sets forth the breakdown of our gross profit and the gross profit margin by sales channel for the periods indicated.

	Year Ended December 31,						Six Months Ended June 30,			
	2021		2022		2023		2023		2024	
	Gross Profit Profit	Gross Profit Margin	Gross Profit Profit	Gross Profit Margin	Gross Profit Profit	Gross Profit Margin	Gross Profit Profit	Gross Profit Margin	Gross Profit Profit	Gross Profit Margin
	<i>(in RMB thousands, except for percentages)</i>									
	<i>(unaudited)</i>									
Offline sales										
Distribution sales . . . . .	38,114	33.8%	49,838	31.7%	341,226	46.6%	101,216	42.5%	500,511	52.3%
Consignment sales . . . . .	13,356	35.3%	12,240	37.2%	15,326	42.1%	8,081	41.6%	6,845	50.4%
<b>Sub-total/Overall . . . . .</b>	<b>51,470</b>	<b>34.2%</b>	<b>62,078</b>	<b>32.7%</b>	<b>356,552</b>	<b>46.4%</b>	<b>109,297</b>	<b>42.4%</b>	<b>507,356</b>	<b>52.2%</b>
Online sales . . . . .	67,048	39.2%	60,091	44.7%	57,004	53.7%	26,476	51.0%	46,224	61.9%
Others <sup>(1)</sup> . . . . .	4,883	60.2%	1,250	100.0%	1,366	100.0%	435	100.0%	156	100.0%
<b>Total/Overall . . . . .</b>	<b>123,401</b>	<b>37.4%</b>	<b>123,419</b>	<b>37.9%</b>	<b>414,922</b>	<b>47.3%</b>	<b>136,208</b>	<b>43.9%</b>	<b>553,736</b>	<b>52.9%</b>

*Note:*

- (1) Others primarily include other non-toy gross profit, such as certain gross profit generated from advertisements shown before, during or after the play of our animations on online platforms, which do not fall under offline or online sales channel.

## FINANCIAL INFORMATION

We pivoted to offline sales channel as we began to offer assembly character toys in 2022. The gross profit margin from online sales channel, which is largely direct to consumers in nature, was generally higher than that from our offline sales channel during the Track Record Period. Going forward, we plan to continue to focus on offline sales channel for our assembly character toys, and we do not expect a significant change in our channel mix that will result in a material impact on our overall gross profit margin.

### Selling and Distribution Expenses

Our selling and distribution expenses primarily include (i) salaries, compensations and benefits for personnel engaging in the sales and marketing function, (ii) marketing and promotion, mainly including e-commerce platform marketing fees, TV and traditional advertising fees, (iii) service fees for various e-commerce platforms, (iv) office and traveling, (v) depreciation and amortization for properties and equipment related to selling and distribution function, and (vi) share-based compensations.

The table below sets forth the breakdown of our selling and distribution expenses for the periods indicated.

	Year Ended December 31,						Six Months Ended June 30,			
	2021		2022		2023		2023		2024	
<i>(in RMB thousands, except for percentages)</i>										
<i>(unaudited)</i>										
Salaries, compensations and benefits . . . . .	77,824	20.0%	76,995	33.1%	82,559	43.6%	37,461	43.4%	53,338	44.2%
Marketing and promotion . . . . .	272,518	70.1%	120,180	51.6%	73,706	38.9%	32,427	37.5%	48,037	39.8%
Service fees . . . . .	15,477	4.0%	11,702	5.0%	10,732	5.7%	5,483	6.4%	6,747	5.6%
Office and traveling . . . . .	8,086	2.1%	8,549	3.7%	8,430	4.5%	3,573	4.1%	5,749	4.8%
Depreciation and amortization . . . . .	8,116	2.1%	8,176	3.5%	7,459	3.9%	4,147	4.8%	2,395	2.0%
Share-based compensations . . . . .	2,863	0.7%	2,680	1.2%	2,664	1.4%	1,305	1.5%	3,591	3.0%
Others . . . . .	3,762	1.0%	4,603	1.9%	3,730	2.0%	2,005	2.3%	907	0.6%
<b>Total . . . . .</b>	<b>388,646</b>	<b>100.0%</b>	<b>232,885</b>	<b>100.0%</b>	<b>189,280</b>	<b>100.0%</b>	<b>86,401</b>	<b>100.0%</b>	<b>120,764</b>	<b>100.0%</b>
<i>as % of total revenue . . . . .</i>	<i>117.9%</i>		<i>71.5%</i>		<i>21.6%</i>		<i>27.9%</i>		<i>11.5%</i>	

Our selling and distribution expenses decreased in both absolute amount and as a percentage of our total revenue from 2021 to 2023, primarily due to a change in our sales and marketing strategy. In 2021, we incurred significant marketing and promotion expenses in connection with various types of advertising and promotion activities for the sales of our brick-based toys. Since 2022, as we began to offer assembly character toys, we pivoted our sales and marketing strategy to a highly effective content-driven one. Our assembly character toys are naturally suitable for content-driven marketing due to the consumer connection from

## FINANCIAL INFORMATION

the assembling process, and the fact that IP characters are closely associated with rich contents that can be widely disseminated. This resulted in a significant decrease in our selling and distribution expenses in absolute amount. As our revenue also grew significantly, our selling and distribution expenses continued to decrease as a percentage of our total revenue.

### Research and Development Expenses

Our research and development expenses primarily include (i) salaries, compensations and benefits for personnel engaging in research and development function, (ii) service fees for certain professional services associated with our IP development, (iii) depreciation and amortization for properties and equipment related to research and development function, and (iv) share-based compensations.

The table below sets forth the breakdown of the research and development expenses for the periods indicated.

	Year Ended December 31,						Six Months Ended June 30,			
	2021		2022		2023		2023		2024	
	<i>(in RMB thousands, except for percentages)</i>									
	<i>(unaudited)</i>									
Salaries, compensations and benefits . . . . .	56,843	68.5%	71,164	72.3%	65,260	68.9%	29,200	69.6%	52,410	69.0%
Service fees . . . . .	7,404	8.9%	8,182	8.3%	9,353	9.9%	3,501	8.3%	7,206	9.5%
Depreciation and amortization . . . . .	10,180	12.3%	10,511	10.7%	12,399	13.1%	5,893	14.0%	6,711	8.8%
Share-based compensations . . . . .	1,251	1.5%	1,009	1.0%	1,008	1.1%	494	1.2%	5,874	7.7%
Others <sup>(1)</sup> . . . . .	7,338	8.8%	7,578	7.7%	6,637	7.0%	2,865	6.9%	3,815	5.0%
<b>Total . . . . .</b>	<b>83,016</b>	<b>100.0%</b>	<b>98,444</b>	<b>100.0%</b>	<b>94,657</b>	<b>100.0%</b>	<b>41,953</b>	<b>100.0%</b>	<b>76,016</b>	<b>100.0%</b>
<i>as % of total revenue . . . . .</i>		25.2%		30.2%		10.8%		13.5%		7.3%

*Note:*

(1) Others primarily include expenses for materials and traveling expenses.

## FINANCIAL INFORMATION

### Administrative Expenses

Our administrative expenses primarily include (i) salaries, compensations and benefits for personnel engaging in administrative function, (ii) listing expenses, (iii) service fees mainly for professional services and IT services, (iv) office and traveling, (v) depreciation and amortization for properties and equipment related to administrative function, and (vi) share-based compensations.

The table below sets forth the breakdown of the administrative expenses for the periods indicated.

	Year Ended December 31,						Six Months Ended June 30,			
	2021		2022		2023		2023		2024	
<i>(in RMB thousands, except for percentages)</i>										
<i>(unaudited)</i>										
Salaries, compensations and benefits . . . . .	31,599	54.2%	27,022	53.0%	30,755	62.5%	14,768	66.9%	11,791	2.9%
Listing expenses . . . . .	-	-	-	-	-	-	-	-	15,355	3.8%
Service fees . . . . .	11,495	19.7%	9,539	18.7%	5,944	12.1%	1,795	8.1%	5,962	1.5%
Office and traveling expenses . . . . .	5,652	9.7%	5,500	10.8%	6,216	12.6%	2,062	9.4%	3,578	0.9%
Depreciation and amortization . . . . .	5,982	10.3%	6,162	12.1%	3,346	6.8%	1,922	8.7%	1,828	0.4%
Share-based compensations . . . . .	2,749	4.7%	2,648	5.2%	2,559	5.2%	1,272	5.8%	365,205	90.4%
Others . . . . .	810	1.4%	131	0.2%	410	0.8%	250	1.1%	227	0.1%
<b>Total . . . . .</b>	<b>58,287</b>	<b>100.0%</b>	<b>51,002</b>	<b>100.0%</b>	<b>49,230</b>	<b>100.0%</b>	<b>22,069</b>	<b>100.0%</b>	<b>403,946</b>	<b>100.0%</b>
<i>as % of total revenue . . . . .</i>		<i>17.7%</i>		<i>15.7%</i>		<i>5.6%</i>		<i>7.1%</i>		<i>38.6%</i>

Our administrative expenses increased significantly from RMB22.1 million in the six months ended June 30, 2023 to RMB403.9 million in the six months ended June 30, 2024, with percentage as of total revenue increased from 7.1% to 38.6% during the same periods, primarily due to a significant increase in share-based compensations of RMB363.9 million mainly for share options granted under the Share Incentive Scheme. In April 2024, the Board granted share options to certain employees under the Share Incentive Scheme and the vast majority of such share options were vested immediately after the grant. See note 32 to “Appendix I — Accountants’ Report.”

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## FINANCIAL INFORMATION

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### **Other Income, Other Gains and Losses, Net**

Our other income, other gains and losses, net primarily include (i) interest income from our bank deposits, (ii) government grants, and (iii) fair value changes of cash management products. There are no unfulfilled conditions or contingencies relating to the government grants.

In 2021, 2022, 2023 and the six months ended June 30, 2023 and 2024, our other income, other gains and losses, net amounted to RMB9.5 million, RMB12.4 million, RMB6.0 million, RMB2.5 million, and RMB3.9 million, representing 2.9%, 3.8%, 0.7%, 0.8%, and 0.4% of our total revenue for the respective periods.

### **Other Expenses**

Our other expenses primarily include (i) impairment of non-current assets for molds no longer in use, (ii) charitable donations in 2022, and (iii) others, which mainly include bank charges and foreign exchange losses.

In 2021, 2022, 2023 and the six months ended June 30, 2023 and 2024, our other expenses amounted to RMB20.9 million, RMB17.9 million, RMB0.7 million, RMB0.2 million and RMB1.2 million, representing 6.3%, 5.5%, 0.1%, 0.1% and 0.1% of our total revenue for the respective periods.

### **Fair Value Changes on Convertible Redeemable Preferred Shares**

During the Track Record period, our fair value changes on convertible redeemable preferred shares represented changes in the fair value of our convertible redeemable preferred shares. See note 29 to “Appendix I — Accountants’ Report,” and “History, Development and Reorganization — Pre-IPO Investments.” We recorded fair value changes on convertible redeemable preferred shares of RMB144.2 million, RMB191.0 million, RMB274.1 million, RMB188.6 million and RMB157.0 million in 2021, 2022 and 2023 and the six months ended June 30, 2023 and 2024, respectively. They represented the increases in valuation of the Company.

### **Income Tax Expense**

Our income tax expense comprise current tax and deferred tax. See note 12 to “Appendix I — Accountants’ Report.”

We are subject to income tax on an entity basis on profits arising in or derived from the tax jurisdictions in which the members of our Group are domiciled and operate. One of our PRC subsidiaries, Bloks Bricks, is accredited as “High and New Technology Enterprise” and was therefore entitled to a preferential income tax rate of 15% for the years ended December

## FINANCIAL INFORMATION

31, 2021, 2022 and 2023 and the six months ended June 30, 2024 and such rate remains effective until November 2024. Such qualification is subject to review by the relevant tax authority in the PRC every three years.

As of the Latest Practicable Date and during the Track Record Period, we had fulfilled all our tax obligations and did not have any unresolved tax disputes.

### PERIOD-TO-PERIOD COMPARISON OF RESULTS OF OPERATIONS

#### Six Months Ended June 30, 2024 Compared to Six Months Ended June 30, 2023

##### *Revenue*

	Six Months Ended June 30,		% Change
	2023	2024	
	<i>(in RMB thousands, except for percentages)</i>		
	<i>(unaudited)</i>		
<b>Revenue</b>			
Toys			
Assembly character toys . . . . .	241,429	1,023,082	323.8%
Brick-based toys . . . . .	68,075	22,965	(66.3)%
<b>Sub-total</b> . . . . .	<b>309,504</b>	<b>1,046,047</b>	<b>238.0%</b>
Others . . . . .	435	156	(64.1)%
<b>Total</b> . . . . .	<b>309,939</b>	<b>1,046,203</b>	<b>237.6%</b>

Our revenue increased by 237.6% from RMB309.9 million in the six months ended June 30, 2023 to RMB1,046.2 million in the six months ended June 30, 2024 primarily due to a 323.8% increase in revenue from sales of assembly character toys from RMB241.4 million in the six months ended June 30, 2023 to RMB1,023.1 million in the six months ended June 30, 2024, which was partially offset by a 66.3% decrease in revenue from sales of brick-based toys from RMB68.1 million in the six months ended June 30, 2023 to RMB23.0 million in the six months ended June 30, 2024.

##### *Assembly Character Toys*

Our revenue from assembly character toy sales increased by 323.8% from RMB241.4 million in the six months ended June 30, 2023 to RMB1,023.1 million in the six months ended June 30, 2024, primarily due to a 411.0% increase in the sales volume of our assembly

## FINANCIAL INFORMATION

character toys from 11.0 million units in the six months ended June 30, 2023 to 56.2 million units in the six months ended June 30, 2024, which in turn was primarily attributable to the growing popularity of our assembly character toys and our efforts in launching new products and expanding sales network.

### *Brick-based Toys*

Our revenue from brick-based toy sales decreased by 66.3% from RMB68.1 million in the six months ended June 30, 2023 to RMB23.0 million in the six months ended June 30, 2024, primarily due to (i) a 55.6% decrease in the sales volume of our brick-based toys from 0.5 million units in the six months ended June 30, 2023 to 0.2 million units in the six months ended June 30, 2024 as we continued our focus on developing our assembly character toys business, and (ii) a 24.1% decrease in the average selling price of our brick-based toys primarily attributable to larger revenue contribution from sales of Brick Buckets at a lower price range.

### *Cost of Sales*

	<b>Six Months Ended</b>		
	<b>June 30,</b>		
	<b>2023</b>	<b>2024</b>	<b>% Change</b>
	<i>(in RMB thousands, except for percentages)</i>		
	<i>(unaudited)</i>		
Cost of goods sold			
Outsourced production and procurement costs	140,713	373,232	165.2%
Licensing fees	20,239	91,229	350.8%
<b>Sub-total</b>	<b>160,952</b>	<b>464,461</b>	<b>188.6%</b>
Logistics costs	7,316	16,335	123.3%
Depreciation of fixed assets	5,463	11,671	113.6%
<b>Total</b>	<b>173,731</b>	<b>492,467</b>	<b>183.5%</b>
<i>as % of total revenue</i>	<i>56.1%</i>	<i>47.1%</i>	

Our cost of sales increased by 183.5% from RMB173.7 million in the six months ended June 30, 2023 to RMB492.5 million in the six months ended June 30, 2024 primarily due to a 411.0% increase in the sales volume of our assembly character toys from 11.0 million units in the six months ended June 30, 2023 to 56.2 million units in the six months ended June 30, 2024.



## FINANCIAL INFORMATION

### *Gross Profit and Gross Profit Margin*

	Six Months Ended June 30,			
	2023		2024	
	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin
	<i>(in RMB thousands, except for percentages)</i>			
	<i>(unaudited)</i>			
Toys				
Assembly character toys . . . . .	106,874	44.3%	544,832	53.3%
Brick-based toys . . . . .	28,899	42.5%	8,748	38.1%
<b>Sub-total/Overall . . . . .</b>	<b>135,773</b>	<b>43.9%</b>	<b>553,580</b>	<b>52.9%</b>
Others . . . . .	435	100.0%	156	100.0%
<b>Total/Overall . . . . .</b>	<b>136,208</b>	<b>43.9%</b>	<b>553,736</b>	<b>52.9%</b>

Our gross profit increased by 306.5% from RMB136.2 million in the six months ended June 30, 2023 to RMB553.7 million in the six months ended June 30, 2024, primarily due to a 409.8% increase in gross profit from assembly character toy sales from RMB106.9 million in the six months ended June 30, 2023 to RMB544.8 million in the six months ended June 30, 2024. Our gross profit margin increased from 43.9% in the six months ended June 30, 2023 to 52.9% in the six months ended June 30, 2024 primarily due to strong increases in revenue contribution and gross profit margin from assembly character toy sales.

#### *Assembly Character Toys*

Our gross profit from assembly character toy sales increased by 409.8% from RMB106.9 million in the six months ended June 30, 2023 to RMB544.8 million in the six months ended June 30, 2024, primarily due to the significant increase in the sales volume of our assembly character toys. Our gross profit margin from assembly character toy sales increased from 44.3% in the six months ended June 30, 2023 to 53.3% in the six months ended June 30, 2024 primarily as we enjoyed stronger economies of scale as our business grew.

#### *Brick-based Toys*

Our gross profit from brick-based toy sales decreased by 69.7% from RMB28.9 million in the six months ended June 30, 2023 to RMB8.7 million in the six months ended June 30, 2024, primarily due to a decrease in the sales volume of our brick-based toys. Our gross profit margin from sales of brick-based toys decreased from 42.5% in the six months ended June 30, 2023 to 38.1% in the six months ended June 30, 2024, primarily due to a decrease in average selling price of our brick-based toys.

## FINANCIAL INFORMATION

### *Selling and Distribution Expenses*

	Six Months Ended June 30,		% Change
	2023	2024	
	<i>(in RMB thousands, except for percentages)</i>		
	<i>(unaudited)</i>		
Selling and distribution expenses . . . . .	86,401	120,764	39.8%
as % of total revenue . . . . .	27.9%	11.5%	

Our selling and distribution expenses increased by 39.8% from RMB86.4 million in the six months ended June 30, 2023 to RMB120.8 million in the six months ended June 30, 2024, primarily due to (i) an increase in salaries, compensations and benefits of RMB15.9 million as a result of an increase in the number of personnel engaging in selling and distribution function in line with our growth, and (ii) an increase in marketing and promotion expenses of RMB15.6 million mainly for promoting our new products in line with our business growth. Our selling and distribution expenses as a percentage of our total revenue decreased from 27.9% in the six months ended June 30, 2023 to 11.5% in the six months ended June 30, 2024 primarily due to the economies of scale we achieved along with our growth.

### *Research and Development Expenses*

	Six Months Ended June 30,		% Change
	2023	2024	
	<i>(in RMB thousands, except for percentages)</i>		
	<i>(unaudited)</i>		
Research and development expenses . . . . .	41,953	76,016	81.2%
as % of total revenue . . . . .	13.5%	7.3%	

Our research and development expenses increased by 81.2% from RMB42.0 million in the six months ended June 30, 2023 to RMB76.0 million in the six months ended June 30, 2024, primarily due to (i) an increase in salaries, compensations and benefits of RMB23.2 million as a result of an increase in number of personnel engaging in research and development function, which in turn was driven by our commitment to research and development, and (ii) an increase in share-based compensations of RMB5.4 million mainly for share options granted under our Share Incentive Scheme in April 2024. Our research and development expenses as a percentage of our total revenue decreased from 13.5% in the six months ended June 30, 2023 to 7.3% in the six months ended June 30, 2024 primarily due to the economies of scale we achieved along with our growth.

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## FINANCIAL INFORMATION

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### *Administrative Expenses*

	Six Months Ended June 30,		% Change
	2023	2024	
	<i>(in RMB thousands, except for percentages)</i>		
	<i>(unaudited)</i>		
Administrative expenses . . . . .	22,069	403,946	1,730.4%
as % of total revenue . . . . .	7.1%	38.6%	

Our administrative expenses increased by 1,730.4% from RMB22.1 million in the six months ended June 30, 2023 to RMB403.9 million in the six months ended June 30, 2024, primarily due to (i) an increase in share-based compensations of RMB363.9 million mainly for share options granted under our Share Incentive Scheme in April 2024, and (ii) the listing expenses of RMB15.4 million we incurred in the six months ended June 30, 2024. In April 2024, the Board granted share options to certain employees under the Share Incentive Scheme and the vast majority of such share options were vested immediately after the grant. See note 32 to “Appendix I — Accountants’ Report.” As such, our administrative expenses as a percentage of our total revenue increased from 7.1% in the six months ended June 30, 2023 to 38.6% in the six months ended June 30, 2024.

### *Other Income, Other Gains and Losses, Net*

Other income, other gains and losses, net increased by 56.3% from RMB2.5 million in the six months ended June 30, 2023 to RMB3.9 million in the six months ended June 30, 2024, primarily due to an increase in interest income from our bank deposits of RMB2.1 million.

### *Other Expenses*

Other expenses increased from RMB0.2 million in the six months ended June 30, 2023 to RMB1.2 million in the six months ended June 30, 2024, primarily due to an increase in foreign exchange losses.

### *Fair Value Changes on Convertible Redeemable Preferred Shares*

We recorded loss for fair value changes on convertible redeemable preferred shares of RMB188.6 million in the six months ended June 30, 2023 and RMB157.0 million in the six months ended June 30, 2024, primarily due to the increase in the valuation of the Company.

### *Loss for the Period*

As a result of the foregoing, we recorded loss for the period of RMB202.8 million and RMB254.9 million in the six months ended June 30, 2023 and 2024, respectively.

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## FINANCIAL INFORMATION

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### Year Ended December 31, 2023 Compared to Year Ended December 31, 2022

#### Revenue

	Year Ended December 31,		
	2022	2023	% Change
	<i>(in RMB thousands, except for percentages)</i>		
<b>Revenue</b>			
Toys			
Assembly character toys . . . . .	117,673	769,038	553.5%
Brick-based toys . . . . .	206,651	106,282	(48.6)%
<b>Sub-total</b> . . . . .	<b>324,324</b>	<b>875,320</b>	<b>169.9%</b>
Others . . . . .	1,250	1,366	9.3%
<b>Total</b> . . . . .	<b>325,574</b>	<b>876,686</b>	<b>169.3%</b>

Our revenue increased by 169.3% from RMB325.6 million in 2022 to RMB876.7 million in 2023 primarily due to a 553.5% increase in the revenue from assembly character toy sales from RMB117.7 million in 2022 to RMB769.0 million in 2023, which was partially offset by a 48.6% decrease in revenue from brick-based toy sales from RMB206.7 million in 2022 to RMB106.3 million in 2023.

#### *Assembly Character Toys*

Our revenue from assembly character toy sales increased by 553.5% from RMB117.7 million in 2022 to RMB769.0 million in 2023, primarily due to a 479.8% increase in the sales volume of our assembly character toys from 6.3 million units in 2022 to 36.5 million units in 2023, which in turn was mainly attributable to the successful commercialization of an expanding and diversifying portfolio of self-developed and licensed IPs and the rapid expansion of our sales network. As a percentage of our total revenue, our revenue from assembly character toy sales increased from 36.1% in 2022 to 87.7% in 2023.

#### *Brick-based Toys*

Our revenue from brick-based toy sales decreased by 48.6% from RMB206.7 million in 2022 to RMB106.3 million in 2023, primarily due to a 57.0% decrease in the sales volume of our brick-based toys from 2.2 million units in 2022 to 0.9 million units in 2023, primarily as we focused on the growth of assembly character toys which we began to offer in January 2022. As a percentage of our total revenue, our revenue from brick-based toy sales decreased from 63.5% in 2022 to 12.1% in 2023.

## FINANCIAL INFORMATION

### *Cost of Sales*

	Year Ended December 31,		
	2022	2023	% Change
<i>(in RMB thousands, except for percentages)</i>			
Cost of goods sold			
Outsourced production and procurement costs . . . . .	162,526	357,977	120.3%
Licensing fees . . . . .	14,850	72,979	391.4%
<b>Sub-total . . . . .</b>	<b>177,376</b>	<b>430,956</b>	<b>143.0%</b>
Logistics costs . . . . .	15,824	18,309	15.7%
Depreciation of fixed assets . . . . .	8,955	12,499	39.6%
<b>Total . . . . .</b>	<b>202,155</b>	<b>461,764</b>	<b>128.4%</b>
<i>as % of total revenue . . . . .</i>	<i>62.1%</i>	<i>52.7%</i>	

Our cost of sales increased by 128.4% from RMB202.2 million in 2022 to RMB461.8 million in 2023, primarily due to a 143.0% increase in cost of goods sold from RMB177.4 million in 2022 to RMB431.0 million in 2023, which in turn was primarily attributable to a 479.8% increase in the sales volume of our assembly character toys from 6.3 million units in 2022 to 36.5 million units in 2023.

### *Gross Profit and Gross Profit Margin*

	Year Ended December 31,			
	2022		2023	
	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin
<i>(in RMB thousands, except for percentages)</i>				
Toys				
Assembly character toys . . . . .	43,290	36.8%	372,389	48.4%
Brick-based toys . . . . .	78,879	38.2%	41,167	38.7%
<b>Sub-total/Overall . . . . .</b>	<b>122,169</b>	<b>37.7%</b>	<b>413,556</b>	<b>47.2%</b>
Others . . . . .	1,250	100.0%	1,366	100.0%
<b>Total/Overall . . . . .</b>	<b>123,419</b>	<b>37.9%</b>	<b>414,922</b>	<b>47.3%</b>

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## FINANCIAL INFORMATION

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Our gross profit increased by 236.2% from RMB123.4 million in 2022 to RMB414.9 million in 2023, primarily due to a 760.2% increase in gross profit from assembly character toy sales from RMB43.3 million in 2022 to RMB372.4 million in 2023, which was partially offset by a 47.8% decrease in gross profit from brick-based toy sales from RMB78.9 million in 2022 to RMB41.2 million in 2023. Our gross profit margin increased from 37.9% in 2022 to 47.3% in 2023, primarily due to increases in revenue contribution and gross profit margin from assembly character toy sales.

### *Assembly Character Toys*

Our gross profit from assembly character toy sales increased by 760.2% from RMB43.3 million in 2022 to RMB372.4 million in 2023, primarily due to an increase in the sales volume of our assembly character toys. Our gross profit margin for assembly character toy sales increased from 36.8% in 2022 to 48.4% in 2023, primarily due to the economies of scale we achieved through the rapid growth in our assembly character toy sales.

### *Brick-based Toys*

Our gross profit from brick-based toy sales decreased by 47.8% from RMB78.9 million in 2022 to RMB41.2 million in 2023, primarily due to the decrease in the sales volume of our brick-based toys. Our gross profit margin for brick-based toy sales remained relatively stable at 38.2% in 2022 and at 38.7% in 2023.

### *Selling and Distribution Expenses*

	<u>Year Ended December 31,</u>		
	<u>2022</u>	<u>2023</u>	<u>% Change</u>
	<i>(in RMB thousands, except for percentages)</i>		
Selling and distribution expenses . . . . .	232,885	189,280	(18.7)%
as % of total revenue . . . . .	71.5%	21.6%	

Our selling and distribution expenses decreased by 18.7% from RMB232.9 million in 2022 to RMB189.3 million in 2023, primarily due to a decrease in marketing and promotion expenses of RMB46.5 million, primarily attributable to the successful execution of our content-driven marketing strategy that we started to implement in 2022 when we began to offer assembly character toys, whereby we significantly reduced our spending on various advertisements to promote the sales of our brick-based toys. Such decrease in our selling and distribution expenses in absolute amount, coupled with our rapid revenue growth, resulted in a significant decrease in our selling and distribution expenses as a percentage of our total revenue from 71.5% in 2022 to 21.6% in 2023.

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## FINANCIAL INFORMATION

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### *Research and Development Expenses*

	<b>Year Ended December 31,</b>		
	<b>2022</b>	<b>2023</b>	<b>% Change</b>
	<i>(in RMB thousands, except for percentages)</i>		
Research and development expenses . . . . .	98,444	94,657	(3.8)%
as % of total revenue . . . . .	30.2%	10.8%	

Our research and development expenses remained relatively stable at RMB98.4 million in 2022 and RMB94.7 million in 2023. Our research and development expenses as a percentage of our total revenue decreased from 30.2% in 2022 to 10.8% in 2023 primarily due to the economies of scale we achieved along with our growth.

### *Administrative Expenses*

	<b>Year Ended December 31,</b>		
	<b>2022</b>	<b>2023</b>	<b>% Change</b>
	<i>(in RMB thousands, except for percentages)</i>		
Administrative expenses . . . . .	51,002	49,230	(3.5)%
as % of total revenue . . . . .	15.7%	5.6%	

Our administrative expenses remained relatively stable at RMB51.0 million in 2022 and RMB49.2 million in 2023. Our administrative expenses as a percentage of our total revenue decreased from 15.7% in 2022 to 5.6% in 2023, primarily due to the economies of scale we achieved along with our growth.

### *Other Income, Other Gains and Losses, Net*

Other income, other gains and losses, net decreased by 51.8% from RMB12.4 million in 2022 to RMB6.0 million in 2023, primarily due to a decrease in government grants of RMB4.3 million.

### *Other Expenses*

Other expenses decreased by 96.1% from RMB17.9 million in 2022 to RMB0.7 million in 2023, primarily because (i) we made a charitable donation of RMB11.6 million in 2022, and (ii) we recorded impairment of non-current assets of RMB6.2 million for molds no longer in use in 2022.

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## FINANCIAL INFORMATION

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### *Fair Value Changes on Convertible Redeemable Preferred Shares*

We recorded loss for fair value changes on convertible redeemable preferred shares of RMB191.0 million in 2022 and RMB274.1 million in 2023 primarily due to the increase in the valuation of the Company.

### *Loss for the Year*

As a result of the foregoing, our loss for the year decreased by 50.9% from RMB422.7 million in 2022 to RMB207.5 million in 2023.

### **Year Ended December 31, 2022 Compared to Year Ended December 31, 2021**

#### *Revenue*

	<b>Year Ended December 31,</b>		
	<b>2021</b>	<b>2022</b>	<b>% Change</b>
	<i>(in RMB thousands, except for percentages)</i>		
<b>Revenue</b>			
Toys			
Assembly character toys . . . . .	–	117,673	–
Brick-based toys . . . . .	321,663	206,651	(35.8)%
<b>Sub-total</b> . . . . .	<b>321,663</b>	<b>324,324</b>	<b>0.8%</b>
Others . . . . .	8,109	1,250	(84.6)%
<b>Total</b> . . . . .	<b>329,772</b>	<b>325,574</b>	<b>(1.3)%</b>

We strategically diversified our product offering to include assembly character toys in 2022, and we recorded revenue of RMB117.7 million from assembly character toy sales in 2022. However, our revenue from brick-based toy sales decreased by 35.8% from RMB321.7 million in 2021 to RMB206.7 million in 2022, which resulted in a 1.3% decrease in our revenue from RMB329.8 million in 2021 to RMB325.6 million in 2022.

#### *Assembly Character Toys*

We began to offer assembly character toys in January 2022, and generated revenue of RMB117.7 million, which accounted for 36.1% of our total revenue in the same year.

#### *Brick-based Toys*

Our revenue from brick-based toy sales decreased by 35.8% from RMB321.7 million in 2021 to RMB206.7 million in 2022, primarily due to a 40.1% decrease in the sales volume of our brick-based toys from 3.6 million units in 2021 to 2.2 million units in 2022 mainly



## FINANCIAL INFORMATION

attributable to (i) our strategic focus on the growth of assembly character toys which we began to offer in January 2022 and (ii) the impact of COVID-19. Revenue from brick-based toy sales as a percentage of our total revenue decreased from 97.5% in 2021 to 63.5% in 2022.

### *Cost of Sales*

	Year Ended December 31,		
	2021	2022	% Change
	<i>(in RMB thousands, except for percentages)</i>		
Cost of goods sold			
Outsourced production and procurement costs . . . . .	174,624	162,526	(6.9)%
Licensing fees . . . . .	2,501	14,850	493.8%
<b>Sub-total . . . . .</b>	<b>177,125</b>	<b>177,376</b>	<b>0.1%</b>
Logistics costs . . . . .	17,363	15,824	(8.9)%
Depreciation of fixed assets . . . . .	11,883	8,955	(24.6)%
<b>Total . . . . .</b>	<b>206,371</b>	<b>202,155</b>	<b>(2.0)%</b>
<i>as % of total revenue . . . . .</i>	<i>62.6%</i>	<i>62.1%</i>	

Our cost of sales remained relatively stable at RMB206.4 million in 2021 and RMB202.2 million in 2022.

### *Gross Profit and Gross Profit Margin*

	Year Ended December 31,			
	2021		2022	
	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin
	<i>(in RMB thousands, except for percentages)</i>			
Toys				
Assembly character toys . . . . .	–	–	43,290	36.8%
Brick-based toys . . . . .	118,518	36.8%	78,879	38.2%
<b>Sub-total/Overall . . . . .</b>	<b>118,518</b>	<b>36.8%</b>	<b>122,169</b>	<b>37.7%</b>
Others . . . . .	4,883	60.2%	1,250	100.0%
<b>Total/Overall . . . . .</b>	<b>123,401</b>	<b>37.4%</b>	<b>123,419</b>	<b>37.9%</b>

Our gross profit remained relatively stable at RMB123.4 million in 2021 and 2022, with relatively stable gross profit margin of 37.4% in 2021 and 37.9% in 2022.

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## FINANCIAL INFORMATION

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### *Assembly Character Toys*

We recorded gross profit from assembly character toy sales of RMB43.3 million in 2022. Our assembly character toys have a high degree of standardization, which enabled us to achieve a gross profit margin of 36.8% in 2022 when we began to offer our assembly character toys and was still growing in scale.

### *Brick-based Toys*

Our gross profit from brick-based toy sales decreased by 33.4% from RMB118.5 million in 2021 to RMB78.9 million in 2022, primarily due to the decrease in the sales volume of our brick-based toys, which in turn was attributable to our strategic focus on the growth of assembly character toys that we began to offer in January 2022 and the impact of COVID-19. Our gross profit margin for brick-based toy sales remained relatively stable at 36.8% in 2021 and 38.2% in 2022.

### *Selling and Distribution Expenses*

	<b>Year Ended December 31,</b>		
	<u>2021</u>	<u>2022</u>	<u>% Change</u>
	<i>(in RMB thousands, except for percentages)</i>		
Selling and distribution expenses . . . . .	388,646	232,885	(40.1)%
as % of total revenue . . . . .	117.9%	71.5%	

Our selling and distribution expenses decreased by 40.1% from RMB388.6 million in 2021 to RMB232.9 million in 2022, primarily due to a decrease in marketing and promotion expenses of RMB152.3 million, and our selling and distribution expenses as a percentage of our total revenue decreased from 117.9% in 2021 to 71.5% in 2022. In 2021, we incurred significant marketing and promotion expenses in connection with various types of advertising and promotion activities for the sales of our brick-based toys. Since 2022, as we began to offer assembly character toys, we pivoted our sales and marketing strategies to a highly effective content-driven one. The change in marketing strategy resulted in the decrease in our selling and distribution expenses both in absolute terms and as a percentage of our total revenue.

### *Research and Development Expenses*

	<b>Year Ended December 31,</b>		
	<u>2021</u>	<u>2022</u>	<u>% Change</u>
	<i>(in RMB thousands, except for percentages)</i>		
Research and development expenses . . . . .	83,016	98,444	18.6%
as % of total revenue . . . . .	25.2%	30.2%	

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## FINANCIAL INFORMATION

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Our research and development expenses increased by 18.6% from RMB83.0 million in 2021 to RMB98.4 million in 2022, primarily due to an increase in our salaries, compensations and benefits of RMB14.3 million for an increase in number of personnel engaging in research and development function. As our revenue remained stable in 2021 and 2022 and we continued to devote resources in research and development, our research and development expenses as a percentage of our total revenue increased from 25.2% in 2021 to 30.2% in 2022.

### *Administrative Expenses*

	<u>Year Ended December 31,</u>		
	<u>2021</u>	<u>2022</u>	<u>% Change</u>
	<i>(in RMB thousands, except for percentages)</i>		
Administrative expenses . . . . .	58,287	51,002	(12.5)%
as % of total revenue . . . . .	17.7%	15.7%	

Our administrative expenses decreased by 12.5% from RMB58.3 million in 2021 to RMB51.0 million in 2022, primarily due to a decrease in our salaries, compensations and benefits for personnel engaging in administrative function of RMB4.6 million. As such, our administrative expenses as a percentage of our total revenue decreased from 17.7% in 2021 to 15.7% in 2022.

### *Other Income, Other Gains and Losses, Net*

Other income, other gains and losses, net increased by 30.6% from RMB9.5 million in 2021 to RMB12.4 million in 2022, primarily due to an increase in government grants of RMB5.3 million.

### *Other Expenses*

Other expenses decreased by 14.5% from RMB20.9 million in 2021 to RMB17.9 million in 2022, primarily attributable to the decrease in impairment of non-current assets of RMB14.5 million as we recorded more impairment of molds no longer in use in 2021, which was partially offset by the charitable donation of RMB11.6 million we made in 2022.

### *Fair Value Changes on Convertible Redeemable Preferred Shares*

We recorded loss for fair value changes on convertible redeemable preferred shares of RMB144.2 million in 2021 and RMB191.0 million in 2022 primarily due to the increase in the valuation of the Company.

## FINANCIAL INFORMATION

### *Loss for the Year*

As a result of the foregoing, our loss for the year decreased by 16.6% from RMB506.9 million in 2021 to RMB422.7 million in 2022.

### LIQUIDITY AND CAPITAL RESOURCES

During the Track Record Period, we financed our operations primarily through proceeds from issuance of Preferred Shares and cash generated from our operating activities. As of June 30, 2024 and October 31, 2024, we had cash and cash equivalents of RMB554.1 million and RMB600.9 million, respectively.

Going forward, we believe our liquidity requirements will be satisfied by using funds from a combination of cash generated from our operating activities, bank facilities and net proceeds from the Global Offering. As of October 31, 2024, we had bank loan facilities of RMB200.0 million, of which RMB106.8 million remained unutilized.

Taking into account the net proceeds from the Global Offering and cash generated from our operating activities available to us, our Directors believe that we have sufficient working capital to meet our present and future cash requirements for at least the next 12 months from the date of publication of this prospectus.

### Net Current Assets/Liabilities

The table below sets forth our current assets and liabilities as of the dates indicated.

	As of December 31,			As of June 30,	As of October 31,
	2021	2022	2023	2024	2024
	<i>(in RMB thousands)</i>				
	<i>(unaudited)</i>				
<b>Current assets:</b>					
Inventories . . . . .	69,769	61,208	76,294	151,334	286,195
Trade and notes receivables . .	24,917	15,299	38,256	63,298	72,907
Prepayments, other receivables and other current assets . . . . .	23,946	10,901	14,477	37,686	84,159
Financial assets at fair value through profit or loss . . . . .	272,785	1,251	1,251	–	–
Pledged deposits . . . . .	4,719	9,064	8,141	8,587	38,129
Cash and cash equivalents . . .	76,153	188,972	360,837	554,092	600,921
Receivables in connection with the Reorganization . . .	1,759,480	1,377,000	183,000	–	–
<b>Total current assets. . . . .</b>	<b>2,231,769</b>	<b>1,663,695</b>	<b>682,256</b>	<b>814,997</b>	<b>1,082,311</b>

## FINANCIAL INFORMATION

	As of December 31,			As of	As of
	2021	2022	2023	June 30, 2024	October 31, 2024
	<i>(in RMB thousands)</i>				<i>(unaudited)</i>
<b>Current liabilities:</b>					
Trade and notes payables . . . .	92,879	118,533	259,671	514,705	606,464
Interest-bearing bank borrowings . . . . .	–	5,000	–	–	–
Contract liabilities . . . . .	29,569	30,629	66,325	84,144	73,596
Other payables and accruals . .	109,298	112,655	169,373	144,603	194,764
Tax payables . . . . .	–	–	118	6,228	3,383
Amounts due to related parties . . . . .	18,735	44,694	25,913	–	–
Lease liabilities . . . . .	27,289	19,168	21,969	21,442	30,195
Payables in connection with the Reorganization . . . . .	1,759,480	1,407,338	187,520	–	–
<b>Total current liabilities . . . .</b>	<b><u>2,037,250</u></b>	<b><u>1,738,017</u></b>	<b><u>730,889</u></b>	<b><u>771,122</u></b>	<b><u>908,402</u></b>
<b>Net current assets/(liabilities) . . . . .</b>	<b><u>194,519</u></b>	<b><u>(74,322)</u></b>	<b><u>(48,633)</u></b>	<b><u>43,875</u></b>	<b><u>173,909</u></b>

### *Comparison between October 31, 2024 and June 30, 2024*

Our net current assets increased from RMB43.9 million as of June 30, 2024 to RMB173.9 million as of October 31, 2024, primarily due to increases in certain current assets items, including an increase in inventories of RMB134.9 million, an increase in prepayments, other receivables and other current assets of RMB46.5 million and an increase in cash and cash equivalents of RMB46.8 million, partially offset by increases in certain current liability items, including an increase in trade and notes payables of RMB91.8 million.

### *Comparison between June 30, 2024 and December 31, 2023*

Our net current liabilities of RMB48.6 million as of December 31, 2023 turned into net current assets of RMB43.9 million as of June 30, 2024, primarily due to increases in certain current assets items, including an increase in cash and cash equivalents of RMB193.3 million, an increase in inventories of RMB75.0 million, an increase in trade and notes receivables of RMB25.0 million and an increase in prepayments, other receivables and other current assets of RMB23.2 million, partially offset by an increase in trade and notes payables of RMB255.0 million. See “— Selected Balance Sheet Items” for further details.

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## FINANCIAL INFORMATION

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### *Comparison between December 31, 2023 and December 31, 2022*

Our net current liabilities decreased from RMB74.3 million as of December 31, 2022 to RMB48.6 million as of December 31, 2023, primarily due to increases in certain current assets items, including an increase in cash and cash equivalents of RMB171.9 million, an increase in trade and notes receivables of RMB23.0 million and an increase in inventories of RMB15.1 million, partially offset by increases in current liability items, including an increase in trade and notes payables of RMB141.1 million and an increase in other payables and accruals of RMB56.7 million. See “— Selected Balance Sheet Items” for further details.

### *Comparison between December 31, 2022 and December 31, 2021*

Our net current assets of RMB194.5 million as of December 31, 2021 turned into net current liabilities of RMB74.3 million as of December 31, 2022, primarily due to a decrease in financial assets at fair value through profit or loss of RMB271.5 million, an increase in amounts due to related parties of RMB26.0 million and an increase in trade and notes payables of RMB25.7 million, partially offset by an increase in cash and cash equivalents of RMB112.8 million. See “— Selected Balance Sheet Items” for further details.

### *Effect of Reorganization*

We recorded receivables and payables in connection with the Reorganization during the Track Record Period. Specifically, we recorded receivables in connection with the Reorganization of RMB1,759.5 million, RMB1,377.0 million, RMB183.0 million and nil as of December 31, 2021, 2022, 2023 and June 30, 2024, respectively, and payables in connection with the Reorganization of RMB1,759.5 million, RMB1,407.3 million, RMB187.5 million and nil as of December 31, 2021, 2022, 2023 and June 30, 2024, respectively. The Reorganization has not resulted in any change of economic substance. As a result of the Reorganization, the Company became the holding company of the companies now comprising the Group. See Notes 2.1 and 28 to “Appendix I — Accountants’ Report” and “History, Development and Reorganization — Reorganization.”

## FINANCIAL INFORMATION

### SELECTED BALANCE SHEET ITEMS

#### Inventories

Our inventories include finished goods, raw materials and goods in transit. The table below sets forth the breakdown of our inventories as of the dates indicated.

	As of December 31,			As of
	2021	2022	2023	June 30, 2024
	<i>(in RMB thousands)</i>			
Finished goods . . . . .	61,288	46,344	55,524	124,941
Raw materials . . . . .	6,081	10,955	20,207	22,318
Goods in transit . . . . .	2,400	3,909	563	4,075
<b>Total . . . . .</b>	<b>69,769</b>	<b>61,208</b>	<b>76,294</b>	<b>151,334</b>

During the Track Record Period, the finished goods were the largest component of our inventories. As of December 31, 2021, 2022 and 2023 and June 30, 2024, we had finished goods of RMB61.3 million, RMB46.3 million, RMB55.5 million and RMB124.9 million, accounting for 87.8%, 75.7%, 72.7% and 82.6% of our total inventories, respectively.

Our inventories decreased from RMB69.8 million as of December 31, 2021 to RMB61.2 million as of December 31, 2022, primarily due to (i) a reduction in order for brick-based toys to our partner factories as we strategically focused on the growth of assembly character toys, and (ii) the popularity of our assembly character toys that generally have faster turnover. Our inventories increased from RMB61.2 million as of December 31, 2022 to RMB76.3 million as of December 31, 2023 and further to RMB151.3 million as of June 30, 2024 as our business grew.

#### Aging Analysis

The table below sets forth an aging analysis of our inventories as of the dates indicated.

	As of December 31,			As of
	2021	2022	2023	June 30, 2024
	<i>(in RMB thousands)</i>			
Within one year . . . . .	58,603	61,208	76,294	151,334
Over one year but within two years . . . . .	11,166	–	–	–
<b>Total . . . . .</b>	<b>69,769</b>	<b>61,208</b>	<b>76,294</b>	<b>151,334</b>

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## FINANCIAL INFORMATION

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### *Turnover Days*

The table below sets forth the turnover days of our inventories for the periods indicated.

	<u>Year Ended December 31,</u>			<u>Six</u>
	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>Months</u>
				<u>Ended</u>
				<u>June 30,</u>
				<u>2024</u>
Overall inventory turnover				
days <sup>(1)</sup> . . . . .	137	130	62	46

*Note:*

- (1) Inventory turnover days for each year/period equals the average of the beginning and ending balances of inventory for that period divided by cost of sales for that year/period and multiplied by 365 days for the year ended December 31, and 182 days for the six months ended June 30.

Our inventory turnover days decreased from 137 days in 2021 to 62 days in 2023 and further to 46 days in the six months ended June 30, 2024, primarily due to the increasing revenue contribution from our highly popular assembly character toys.

### *Subsequent Utilization*

As of October 31, 2024, 74.9% of our total inventories as of June 30, 2024, or RMB120.6 million, were utilized or sold.

### **Trade and Notes Receivables**

Our trade and notes receivables primarily arise from sales of our products on credit. Advance payment is normally required except we granted credits to certain distributors with good track record and liquidity position, and consignment sales partners. The credit period granted is generally one to three months.



## FINANCIAL INFORMATION

The table below sets forth the breakdown of our trade and notes receivables as of the dates indicated.

	As of December 31,			As of June 30,
	2021	2022	2023	2024
	<i>(in RMB thousands)</i>			
Trade receivables . . . . .	25,562	15,647	38,964	63,920
Notes receivables . . . . .	–	100	–	–
Less: allowance for impairment . . . . .	(645)	(448)	(708)	(622)
<b>Total . . . . .</b>	<b>24,917</b>	<b>15,299</b>	<b>38,256</b>	<b>63,298</b>

We seek to maintain strict control over our outstanding receivables and have a credit control department to minimize credit risk. Overdue balances are reviewed regularly by our senior management. We do not hold any collateral or other credit enhancements over our trade receivable balances. The balances of trade receivables are non-interest-bearing. See note 21 to “Appendix I — Accountants’ Report.”

Our trade and notes receivables decreased from RMB24.9 million as of December 31, 2021 to RMB15.3 million as of December 31, 2022, primarily due to the slight decrease in the sales of our products in 2022 as we only began to offer assembly character toys in January 2022. Our trade and notes receivables increased from RMB15.3 million as of December 31, 2022 to RMB38.3 million as of December 31, 2023, and further to RMB63.3 million as of June 30, 2024, primarily due to the expansion of our sales network and the sales growth of our assembly character toys.

### *Aging Analysis and Impairment*

The table below sets forth an aging analysis of our trade receivables as of the dates indicated.

	As of December 31,			As of June 30,
	2021	2022	2023	2024
	<i>(in RMB thousands)</i>			
Within three months . . . . .	22,812	14,114	36,428	62,635
Three to six months . . . . .	1,563	692	1,600	477
Six to nine months . . . . .	322	195	110	43
Nine months to one year . . . . .	88	232	34	84
Over one year . . . . .	132	66	84	59
<b>Total . . . . .</b>	<b>24,917</b>	<b>15,299</b>	<b>38,256</b>	<b>63,298</b>

## FINANCIAL INFORMATION

As of December 31, 2021, 2022 and 2023 and June 30, 2024, our allowance for impairment of trade receivables was RMB0.6 million, RMB0.4 million, RMB0.7 million and RMB0.6 million, respectively. See note 21 to “Appendix I — Accountants’ Report.”

### *Turnover Days*

The table below sets forth the turnover days of our trade and notes receivables for the periods indicated.

	Year Ended December 31,			Six Months Ended June 30,
	2021	2022	2023	2024
Trade and notes receivables turnover days <sup>(1)</sup> . . . . .	31	23	11	9

*Note:*

- (1) Trade receivables turnover days for each year/period equals the average of the beginning and ending balances of trade and notes receivables for that year/period divided by revenue for that period and multiplied by 365 days for the year ended December 31, and 182 days for the six months ended June 30.

Our trade and notes receivables turnover days decreased from 31 days in 2021 to 23 days in 2022, and further decreased to 11 days in 2023 and 9 days in the six months ended June 30, 2024, primarily due to (i) the high popularity of our assembly character toys among consumers, which led to a larger portion of distributors making payment at or before delivery of our products and decreasing turnover days from distributors with credit terms throughout the Track Record Period, and (ii) our significant revenue growth during the Track Record Period, compounded with the decreasing percentages of distributors with credit terms as of December 31, 2021, 2022 and 2023 and June 30, 2024.

### *Subsequent Settlement*

As of October 31, 2024, 98.2% of our total trade and notes receivables as of June 30, 2024, or RMB62.8 million, were settled.

### **Prepayments, Other Receivables and Other Current Assets**

The current portion of our prepayments, other receivables and other current assets primarily includes (i) value-added tax recoverable, (ii) prepayments for marketing and promotion activities and prepaid license fees, (iii) deposits to various e-commerce and online-payment platforms, and (iv) deferred issuance costs, which represent the portion of listing expenses that is expected to be capitalized.

## FINANCIAL INFORMATION

The table below sets forth the breakdown of the current portion of our prepayments, other receivables and other current assets as of the dates indicated.

	As of December 31,			As of
	2021	2022	2023	June 30, 2024
	<i>(in RMB thousands)</i>			
Value-added tax recoverable . . . . .	14,486	3,558	5,082	15,341
Prepayments . . . . .	7,271	4,917	7,592	11,522
Deposits . . . . .	1,556	1,534	1,573	1,992
Deferred issuance costs . . . . .	–	–	–	8,267
Others . . . . .	1,217	1,447	1,014	1,736
Less: allowance for impairment . . . . .	(584)	(555)	(784)	(1,172)
<b>Total . . . . .</b>	<b><u>23,946</u></b>	<b><u>10,901</u></b>	<b><u>14,477</u></b>	<b><u>37,686</u></b>

The current portion of our prepayments, other receivables and other current assets decreased from RMB23.9 million as of December 31, 2021 to RMB10.9 million as of December 31, 2022, primarily due to a decrease in value-added tax recoverable of RMB10.9 million mainly due to timing differences in recognition of certain expenses. The current portion of our prepayments, other receivables and other current assets increased from RMB10.9 million as of December 31, 2022 to RMB14.5 million as of December 31, 2023, primarily due to the increase in prepayments to our suppliers as our business grew and an increase in value-added tax recoverable. The current portion of our prepayment, other receivables and other current assets increased from RMB14.5 million as of December 31, 2023 to RMB37.7 million as of June 30, 2024, primarily due to an increase in value-added tax recoverable and the deferred issuance costs incurred as of June 30, 2024.

### *Subsequent Utilization*

As of October 31, 2024, 65.7% of our current portion of prepayment, other receivables and other current assets as of June 30, 2024, or RMB25.5 million, were utilized.

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## FINANCIAL INFORMATION

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### Financial Assets at Fair Value through Profit or Loss

The table below sets forth our financial assets at fair value through profit or loss, which were cash management products we purchased from reputable commercial banks in China, as of the dates indicated.

	As of December 31,			As of
	2021	2022	2023	June 30, 2024
	<i>(in RMB thousands)</i>			
Cash management products	272,785	1,251	1,251	–

Our cash management products were mandatorily classified as financial assets at fair value through profit or loss as their contractual cash flows are not solely payments of principal and interest. Our financial assets at fair value through profit or loss decreased from RMB272.8 million as of December 31, 2021 to RMB1.3 million as of December 31, 2022, as we redeemed the cash management products to satisfy the capital needs for our Reorganization in 2022. We redeemed all our cash management products in January 2024.

We form our portfolio of financial assets with the view of achieving (i) a relatively low level of risk, (ii) good liquidity and (iii) an enhanced yield. Our investment decisions are made on a case-by-case basis and after due and careful consideration of a number of factors, including but not limited to our overall financial condition, market and investment conditions, economic developments, investment cost, duration of investment, and the expected returns and potential risks of such investment.

We have also established internal policy to safeguard our exposure to investment risks in connection with the purchase of cash management products and structured deposits. Such measures include: (i) our investment in financial assets shall be authorized and approved by our financial department and our chief executive officer, (ii) our financial department is responsible for ensuring that the financial assets are properly recorded in our financial statements and monitoring the performance of our financial assets, and any significant or adverse fluctuation in the financial assets shall be reported to our management in a timely manner. Any proposed investment in financial assets which are not made in compliance with our internal policy shall be subject to the approval from our Board.

After Listing, we intend to continue our investments in the financial assets strictly in accordance with our internal policies and measures and the requirements under Chapter 14 of the Listing Rules.

## FINANCIAL INFORMATION

### Trade and Notes Payables

Our trade and notes payables primarily comprise payables to our suppliers, mainly our partner factories. Our trade and notes payables are non-interest bearing and normally settled on terms of three to seven months.

The table below sets forth the breakdown of our trade and notes payables as of the dates indicated.

	As of December 31,			As of June 30,
	2021	2022	2023	2024
	<i>(in RMB thousands)</i>			
Trade payables	73,873	101,623	198,871	371,963
Notes payables	19,006	16,910	60,800	142,742
<b>Total</b>	<b>92,879</b>	<b>118,533</b>	<b>259,671</b>	<b>514,705</b>

As of December 31, 2021, 2022 and 2023 and June 30, 2024, we recorded trade and notes payables of RMB92.9 million, RMB118.5 million, RMB259.7 million, and RMB514.7 million. Such continuous increase in our trade and notes payables during the Track Record Period was primarily due to the continuous growth of our business.

### Aging Analysis

The table below sets forth the breakdown of the aging analysis of the trade and notes payables.

	As of December 31,			As of June 30,
	2021	2022	2023	2024
	<i>(in RMB thousands)</i>			
Within three months . . . . .	62,653	62,484	169,638	332,736
Three to six months . . . . .	29,827	54,770	85,613	156,156
Six months to one year . . . . .	–	880	4,001	25,272
Over one year . . . . .	399	399	419	541
<b>Total . . . . .</b>	<b>92,879</b>	<b>118,533</b>	<b>259,671</b>	<b>514,705</b>

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## FINANCIAL INFORMATION

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### *Turnover Days*

The table below sets forth the turnover days for the trade and notes payables for the periods indicated.

	Year Ended December 31,			Six Months Ended June 30,
	2021	2022	2023	2024
Trade and notes payables turnover days <sup>(1)</sup> . . . . .	176	191	149	143

*Note:*

- (1) Trade and notes payables turnover days for each year/period equals the average of the beginning and ending balances of trade and notes payables for that year/period divided by cost of sales for that year/period and multiplied by 365 days for the year ended December 31, and 182 days for the six months ended June 30.

Our trade and notes payables turnover days increased from 176 days in 2021 to 191 days in 2022, as we increased our procurement with our production partners in anticipation of a strong sales of our assembly character toys. Our trade and notes payables turnover days decreased from 191 days in 2022 to 149 days in 2023, and further to 143 days in the six months ended June 30, 2024, primarily due to the shorter credit terms from one to three months from certain of our new suppliers.

### *Subsequent Settlement*

As of October 31, 2024, 59.3% of our total trade and notes payables as of June 30, 2024, or RMB305.3 million, were settled.

### **Contract Liabilities**

Our contract liabilities comprise (i) advances received from our customers, (ii) sales rebates granted to our distributors for satisfaction of sales target as set out in the distribution agreements, and (iii) customer loyalty program credits granted to our registered members which could be used to offset future purchase price of our products subject to certain terms and conditions. See “Business — Marketing and Consumer Engagement — Consumer Engagement.” We typically require our customers to pay the consideration for their purchases from us prior to the shipment of our products.

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## FINANCIAL INFORMATION

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The table below sets forth the breakdown of the contract liabilities as of the dates indicated.

	As of December 31,			As of June 30,
	2021	2022	2023	2024
	<i>(in RMB thousands)</i>			
Advances received from				
customers . . . . .	4,215	6,945	22,281	19,521
Sales rebates . . . . .	976	2,019	20,704	39,309
Customer loyalty program . . .	24,378	21,665	23,340	25,314
<b>Total . . . . .</b>	<b>29,569</b>	<b>30,629</b>	<b>66,325</b>	<b>84,144</b>

Our contract liabilities remained relatively stable at RMB29.6 million and RMB30.6 million as of December 31, 2021 and 2022, respectively. Our contract liabilities increased from RMB30.6 million as of December 31, 2022 to RMB66.3 million as of December 31, 2023, primarily due to an increase in advances received from our distributors and sales rebates, which in turn was mainly attributable to an increase in the sales volume of our products in line with our business growth. Our contract liabilities increased from RMB66.3 million as of December 31, 2023 to RMB84.1 million as of June 30, 2024, primarily due to an increase in sales rebates, which was mostly attributable to a change in our rebate policy to customers.

### ***Subsequent Recognition***

As of October 31, 2024, 70.3% of our total contract liabilities as of June 30, 2024, or RMB59.1 million, were recognized as revenue.

### **Other Payables and Accruals**

The current portion of our other payables and accruals primarily comprises (i) accrued expenses for marketing and promotion activities, procurement and various professional services, (ii) salaries, compensations and benefits payables, (iii) payables for purchase of non-current assets mainly for molds, (iv) tax payable other than corporate income tax, (v) customer deposits, (vi) payables for acquisition of non-controlling interest equity, and (vii) accrued listing expenses.

## FINANCIAL INFORMATION

The table below sets forth the breakdown of our other payables and accruals as of the dates indicated.

	As of December 31,			As of June 30,
	2021	2022	2023	2024
	<i>(in RMB thousands)</i>			
Accrued expenses . . . . .	79,352	70,825	55,703	38,886
Salaries and benefits payables . . . . .	23,020	21,852	33,782	33,659
Payables for purchase of non- current assets . . . . .	–	11,693	26,596	43,444
Tax payable other than corporate income tax . . . . .	3,562	4,615	17,704	18,213
Accrued listing expenses . . . . .	–	–	–	5,366
Customer deposits . . . . .	1,719	2,084	4,140	4,924
Payables for acquisition of non-controlling interest equity . . . . .	–	–	30,000	–
Others . . . . .	1,645	1,586	1,448	111
<b>Total . . . . .</b>	<b>109,298</b>	<b>112,655</b>	<b>169,373</b>	<b>144,603</b>

The current portion of our other payables and accruals remained relatively stable at RMB109.3 million and RMB112.7 million as of December 31, 2021 and 2022, respectively. The current portion of our other payables and accruals increased from RMB112.7 million as of December 31, 2022 to RMB169.4 million as of December 31, 2023, primarily due to (i) an increase in payables for acquisition of non-controlling interest equity from one of our Shareholders of RMB30.0 million, and (ii) an increase in salaries, compensations and benefits payables of RMB11.9 million attributable to an increase in the number of our employees in line with our business growth. Our other payables and accruals decreased from RMB169.4 million as of December 31, 2023 to RMB144.6 million as of June 30, 2024, primarily due to the decrease in payables for the acquisition of non-controlling interest equity of RMB30.0 million.



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## FINANCIAL INFORMATION

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### Amounts in Connection with the Reorganization

The table below sets forth the breakdown of the amounts in connection with the reorganization as of the dates indicated.

	As of December 31,			As of June 30,
	2021	2022	2023	2024
	<i>(in RMB thousands)</i>			
Receivables in connection with the Reorganization . . .	1,759,480	1,377,000	183,000	–
Payables in connection with the Reorganization . . . . .	1,759,480	1,407,338	187,520	–

We underwent the Reorganization pursuant to which the Company became the holding company and listing entity of the Group. Pursuant to a series of agreements of Reorganization, the then shareholders of Bloks Technology shall mirror their equity interests as the shareholders of the Company, including Onshore Withdrawn Investors of RMB1,543.5 million, Yunfeng Warrant of RMB183.0 million and the Other Shareholders of RMB33.0 million, representing RMB1,759.5 million in total.

Payables in connection with the Reorganization represents the amount needs to be paid by Bloks Technology to the relevant shareholders. Receivables in connection with the Reorganization represents the amount needs to be received by the Company from the relevant shareholders.

In August 2021, we entered into a reorganization agreement with our shareholders. Under the agreement, Bloks Technology bought back from Onshore Withdrawn Investors a total of RMB13,800,835 registered capital with total cash consideration of RMB1,726.5 million. In September 2022, Bloks Technology issued registered capital of RMB311,345 to Gaintex with a total consideration of RMB330,000. In November 2022, China Bloks purchased 100% of the total equity interests in Bloks Technology from the then shareholders of Bloks Technology (the “**Other Shareholders**”) with a cash consideration of RMB33.0 million.

As part of the Reorganization, we issued 223,119,765 shares to the Onshore Withdrawn Investors and/or their respective designated affiliates and the Other Shareholders of Bloks Technology and raised gross proceeds of RMB1,759.2 million including RMB1,726.5 million from the Onshore Withdrawn Investors and/or their respective designated affiliates and RMB32.7 million from the Other Shareholders of Bloks Technology.

## FINANCIAL INFORMATION

The continuous decrease in the balances of receivables and payables in connection with the Reorganization as of December 31, 2021, 2022 and 2023 was due to the subsequent settlement of funds between us and the relevant shareholders. The Group repaid RMB183.0 million to the subscriber of Yunfeng Warrant in April 2024.

See “History, Development and Reorganization — Reorganization” and note 28 to the “Appendix I — Accountants’ Report.”

### Convertible Redeemable Preferred Shares

As of December 31, 2021, 2022 and 2023 and as of June 30, 2024, we had convertible redeemable preferred shares of RMB1,382.9 million, RMB1,573.9 million, RMB1,848.0 million and RMB1,822.0 million, respectively. Our convertible redeemable preferred shares were primarily related to the redemption right granted to Pre-IPO Investors in the Pre-IPO investments, which enables Pre-IPO Investors to redeem all or part of their outstanding convertible redeemable preferred shares under circumstances as specified in the shareholder’s agreement, and thus constitutes our redemption liability. We designate such redemption liability to the convertible redeemable preferred shares as financial liabilities measured as fair value through profit or loss. Changes in the fair value of the convertible redeemable preferred shares were recorded as fair value changes on convertible redeemable preferred shares in the consolidated statements of profit or loss, and the fair value was determined using certain valuation techniques. The convertible redeemable preferred shares will be reclassified from liabilities to equity as a result of the conversion of convertible redeemable preferred shares into Ordinary Shares upon listing. See notes 3 and 29 to the “Appendix I — Accountants’ Report.”

### CASH FLOWS

The table below sets forth our cash flows for the periods indicated.

	Year Ended December 31,			Six Months Ended June 30,
	2021	2022	2023	2024
	<i>(in RMB thousands)</i>			
Operating cash flows before movements in working capital . . . . .	(355,919)	(208,964)	138,040	367,593
Changes in working capital . . . . .	62,591	40,232	146,888	143,521
Income tax paid . . . . .	(5)	(5)	(36)	(3,082)
Net cash flows (used in)/from operating activities . . . . .	(293,333)	(168,737)	284,892	508,032

## FINANCIAL INFORMATION

	Year Ended December 31,			Six Months Ended June 30,
	2021	2022	2023	2024
	<i>(in RMB thousands)</i>			
Net cash flows (used in)/from investing activities . . . . .	(230,683)	250,662	(43,269)	(41,217)
Net cash flows from/(used in) financing activities . . . . .	579,432	31,475	(70,146)	(273,014)
<b>Net increase in cash and cash equivalents . . . . .</b>	<b>55,416</b>	<b>113,400</b>	<b>171,477</b>	<b>193,801</b>
Cash and cash equivalents at beginning of year/period . .	20,813	76,153	188,972	360,837
Effects of foreign exchange rate changes, net . . . . .	(76)	(581)	388	(546)
<b>Cash and cash equivalents at end of year/period . . .</b>	<b>76,153</b>	<b>188,972</b>	<b>360,837</b>	<b>554,092</b>

### Operating Activities

In the six months ended June 30, 2024, we had net cash generated from operating activities of RMB508.0 million, primarily due to our loss before tax of RMB202.8 million, as adjusted for items mainly including (i) non-cash and non-operating items, primarily comprising (a) fair value losses on convertible redeemable preferred shares of RMB157.0 million, and (b) the share-based compensations of RMB374.7 million, and (ii) changes in working capital, primarily comprising an increase in trade and notes payables of RMB255.0 million, which was partially offset by an increase inventories of RMB76.0 million.

In 2023, we had net cash generated from operating activities of RMB284.9 million, primarily due to our loss before tax of RMB189.8 million, as adjusted for items mainly including (i) non-cash and non-operating items, primarily comprising fair value losses on convertible redeemable preferred shares of RMB274.1 million, and (ii) changes in working capital, primarily comprising (a) an increase in trade and notes payables of RMB141.1 million, and (b) an increase in contract liabilities of RMB35.7 million, which was partially offset by an increase in trade and notes receivables of RMB23.8 million.

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## FINANCIAL INFORMATION

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In 2022, we had net cash used in operating activities of RMB168.7 million, primarily due to our loss before tax of RMB456.8 million, as adjusted for items mainly including (i) non-cash and non-operating items, primarily comprising fair value losses on convertible redeemable preferred shares of RMB191.0 million, and (ii) changes in working capital, primarily comprising (a) an increase in trade and notes payables of RMB25.7 million, and (b) a decrease in prepayments, other receivables and other current assets of RMB13.1 million, which was partially offset by a decrease in other payables and accruals of RMB7.8 million.

In 2021, we had net cash used in operating activities of RMB293.3 million, primarily due to our loss before tax of RMB563.8 million, as adjusted for items mainly including (i) non-cash and non-operating items, primarily comprising (a) fair value losses on convertible redeemable preferred shares of RMB144.2 million, (b) depreciation of right-of-use assets of RMB21.3 million, and (c) impairment of property, plant and equipment of RMB20.6 million, and (ii) changes in working capital, primarily comprising an increase in other payables and accruals of RMB64.0 million, which was partially offset by a decrease in trade and notes payables of RMB13.0 million.

### **Investing Activities**

In the six months ended June 30, 2024, we had net cash used in investing activities of RMB41.2 million, primarily due to (i) purchase of items of property, plant and equipment of RMB22.1 million, and (ii) purchase of items of intangible assets of RMB20.8 million.

In 2023, we had net cash used in investing activities of RMB43.3 million, primarily due to (i) purchase of items of property, plant and equipment of RMB24.3 million, and (ii) purchase of items of intangible assets of RMB19.0 million.

In 2022, we had net cash generated from investing activities of RMB250.7 million, primarily due to the proceeds from the redemption of cash management products of RMB273.2 million, which was partially offset by purchases of items of property, plant and equipment of RMB16.9 million.

In 2021, we had net cash used in investing activities of RMB230.7 million, primarily due to the purchase of cash management products of RMB1,199.1 million, which was partially offset by the proceeds from the redemption of cash management products of RMB1,000.0 million.

## FINANCIAL INFORMATION

### Financing Activities

In the six months ended June 30, 2024, we had net cash used in financing activities of RMB273.0 million, primarily due to (i) payment for termination of Yunfeng Warrant of RMB183.0 million, (ii) acquisition of non-controlling interest equity of RMB32.4 million, and (iii) repayment of amounts due to a related party of RMB25.9 million.

In 2023, we had net cash used in financing activities of RMB70.1 million, primarily due to (i) the payment in connection with the Reorganization of RMB1,219.8 million, (ii) repayment of bank borrowings of RMB889.2 million, (iii) lease payment of RMB19.3 million, and (iv) repayment of amounts due to a related party of RMB19.0 million, which was partially offset by (i) the proceeds from issuance of Preferred Shares of RMB1,194.0 million, and (ii) the proceeds from bank borrowings of RMB884.2 million.

In 2022, we had net cash generated from financing activities of RMB31.5 million, primarily due to (i) the proceeds from issuance of Preferred Shares of RMB350.6 million, and (ii) borrowings from a related party of RMB25.0 million, which was partially offset by (i) the payment in connection with the Reorganization of RMB351.8 million, and (ii) lease payments of RMB28.9 million.

In 2021, we had net cash generated from financing activities of RMB579.4 million, primarily due to capital contribution from series A preferred shareholders of RMB600.0 million, which was partially offset by lease payments of RMB22.4 million. See “History, Development and Reorganization — Pre-IPO Investments.”

### INDEBTEDNESS

The table below sets forth the indebtedness as of the dates indicated.

	As of December 31,			As of June 30,	As of October 31,
	2021	2022	2023	2024	2024
	<i>(in RMB thousands)</i>				<i>(unaudited)</i>
Interest-bearing bank borrowings . . . . .	–	5,000	–	–	–
Amounts due to related parties . . . . .	18,735	44,694	25,913	–	–
Lease liabilities . . . . .	45,405	23,268	56,931	46,266	62,498
<b>Total . . . . .</b>	<b>64,140</b>	<b>72,962</b>	<b>82,844</b>	<b>46,266</b>	<b>62,498</b>

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## FINANCIAL INFORMATION

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### Interest-bearing Bank Borrowings

As of December 31, 2022, we had unsecured bank borrowings of RMB5.0 million with fixed interests of 3.35%. Such bank loans were primarily used for general corporate purposes. See note 26 to “Appendix I — Accountants’ Report.”

### Amounts Due to Related Parties

The table below sets forth the amounts due to related parties as of the dates indicated.

	As of December 31,			As of June 30,	As of October 31,
	2021	2022	2023	2024	2024
	<i>(in RMB thousands)</i>				<i>(unaudited)</i>
Loan payables					
Ningbo Shengteng					
Investment Management					
Partnership . . . . .	–	25,000	25,000	–	–
Mr. Zhu Weisong . . . . .	17,913	18,797	–	–	–
Wise Creation Investment					
Limited . . . . .	822	897	913	–	–
<b>Total . . . . .</b>	<b>18,735</b>	<b>44,694</b>	<b>25,913</b>	<b>–</b>	<b>–</b>

As of December 31, 2021, 2022 and 2023, we recorded amounts due to related parties as loan payables of RMB18.7 million, RMB44.7 million and RMB25.9 million, respectively, which were unsecured, interest-free and repayable on demand. Those loans were mainly used for general corporate purposes and were of non-trade nature, which was fully repaid in April 2024.

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## FINANCIAL INFORMATION

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### Lease Liabilities

The table below sets forth the lease liabilities as of the dates indicated.

	As of December 31,			As of June 30,	As of October 31,
	2021	2022	2023	2024	2024
	<i>(in RMB thousands)</i>				<i>(unaudited)</i>
<b>Current</b>					
Lease liabilities . . . . .	27,289	19,168	21,969	21,442	30,195
<b>Non-current</b>					
Lease liabilities . . . . .	18,116	4,100	34,962	24,824	32,303
<b>Total . . . . .</b>	<b><u>45,405</u></b>	<b><u>23,268</u></b>	<b><u>56,931</u></b>	<b><u>46,266</u></b>	<b><u>62,498</u></b>

Our lease liabilities decreased from RMB45.4 million as of December 31, 2021 to RMB23.3 million as of December 31, 2022, as we made rental payments. Our lease liabilities increased from RMB23.3 million as of December 31, 2022 to RMB56.9 million as of December 31, 2023, primarily due to the renewal of our office building lease in 2023. Our lease liabilities decreased from RMB56.9 million as of December 31, 2023 to RMB46.3 million as of June 30, 2024, as we made rental payments. Our lease liabilities increased from RMB46.3 million as of June 30, 2024 to RMB62.5 million as of October 31, 2024, primarily due to the additional warehouses we leased.

### Contingent Liabilities

As of December 31, 2021, 2022 and 2023 and as of June 30 and October 31, 2024, and up to the Latest Practicable Date, we did not have any contingent liabilities.

Save as disclosed above, we did not have any bank and other loan, or any loan capital issued and outstanding or agreed to be issued, bank overdraft, borrowing or similar indebtedness, liabilities under acceptance (other than normal trade notes) or acceptance credits, debentures, mortgages, charges, hire purchases or finance lease commitments, guarantees or other material contingent liabilities as of the Latest Practicable Date for our indebtedness statement. Our Directors confirm that as of the Latest Practicable Date, there was no breach of any covenant during the Track Record Period and up to the Latest Practicable Date. Our Directors further confirm that our Group did not experience any difficulty in obtaining bank loans and other borrowings, default in payment of bank loans and other borrowings or breach of covenants during the Track Record Period and up to the Latest Practicable Date. Our Directors confirm that there has not been any material change in our indebtedness since October 31, 2024 up to the date of this prospectus.

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**FINANCIAL INFORMATION**

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**CAPITAL EXPENDITURE AND COMMITMENTS**

**Capital Expenditure**

The table below sets forth the capital expenditure for the periods indicated.

	Year Ended December 31,			Six Months Ended June 30,
	2021	2022	2023	2024
	<i>(in RMB thousands)</i>			
Purchase of items of property, plant and equipment . . . . .	23,852	16,889	24,311	22,068
Purchase of items of intangible assets . . . . .	7,815	5,700	19,030	20,762
<b>Total capital expenditure . . .</b>	<b>31,667</b>	<b>22,589</b>	<b>43,341</b>	<b>42,830</b>

During the Track Record Period, our capital expenditure was primarily for (i) the purchase of items of property, plant and equipment, primarily including mold equipment, and (ii) the purchase of items of intangible assets, primarily including licensed IPs.

**Capital Commitments**

The table below sets forth the capital commitments as of the dates indicated.

	As of December 31,			As of June 30,
	2021	2022	2023	2024
	<i>(in RMB thousands)</i>			
Mold equipment . . . . .	–	2,497	453	16,941
Licensed IP . . . . .	6,738	5,618	4,585	39,294
<b>Total . . . . .</b>	<b>6,738</b>	<b>8,115</b>	<b>5,038</b>	<b>56,235</b>



## FINANCIAL INFORMATION

### KEY FINANCIAL RATIOS

	Year Ended/As of December 31,			Six Months Ended/ As of June 30,
	2021	2022	2023	2024
	Gross profit margin <sup>(1)</sup> . . . . .	37.4%	37.9%	47.3%
Adjusted net margin (non-IFRS measure) <sup>(2)</sup> . . . . .	(107.9)%	(69.2)%	8.3%	27.9%
Current ratio <sup>(3)</sup> . . . . .	1.1	1.0	0.9	1.1
Quick ratio <sup>(4)</sup> . . . . .	1.1	0.9	0.8	0.9

*Notes:*

- (1) Gross profit margin equals gross profit for the year/period divided by revenue for the year/period and multiplied by 100%.
- (2) Adjusted profit/(loss) for the year/period (a non-IFRS measure) divided by revenue for the year/period and multiplied by 100%, which is a non-IFRS measure. See “— Non-IFRS Measure.”
- (3) Current ratio is calculated based on the total current assets divided by the total current liabilities as at the end of the respective year/period.
- (4) Quick ratio is calculated as total current assets less inventories divided by the total current liabilities as at the end of the respective year/period.

### DISCLOSURE ABOUT FINANCIAL RISK

The main risks arising from our financial instruments are foreign currency risk, credit risk and liquidity risk.

#### Foreign Currency Risk

We have transactional currency exposures. Such exposures arise from sales or purchases by operating units in currencies other than the units’ functional currencies. In addition, we have currency exposures from our cash and cash equivalent. Our management considers our exposure to foreign currency risk not significant. See note 39 to “Appendix I — Accountants’ Report.”

#### Credit Risk

The carrying amounts of cash and cash equivalents, trade receivables, and financial assets that are included in prepayments, other receivables and other current assets represent our maximum exposure to credit risk in relation to our financial assets as of December 31, 2021,

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## FINANCIAL INFORMATION

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2022 and 2023 and June 30, 2024. We classify financial instruments on the basis of shared credit risk characteristics, such as instrument types and credit risk ratings for the purpose of determining significant increases in credit risk and calculation of impairment. See note 39 to “Appendix I — Accountants’ Report.”

### **Liquidity Risk**

Liquidity risk is the risk that we will encounter difficulty in meeting financial obligations due to shortage of funds. Our exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. Our objective is to maintain a balance for continuity of funding to finance our working capital needs as well as capital expenditure. See note 39 to “Appendix I — Accountants’ Report.”

### **Capital Management**

The primary objectives of our capital management are to safeguard our ability to continue as a going concern and to maintain healthy capital ratios in order to support our business and maximize shareholders’ value.

We manage our capital structure and make adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, we may determine whether to make dividend payment to shareholders, return capital to shareholders or issue new shares. We are not subject to any externally imposed capital requirement. No change was made in the objectives, policies or processes for managing capital during the years ended December 31, 2021, 2022 and 2023 and the six months ended June 30, 2024.

We monitor our capital structure on the basis of certain financial ratio. See note 39 to “Appendix I — Accountants’ Report.”

### **RELATED PARTY TRANSACTIONS**

Related party transactions are set out in note 36 to “Appendix I — Accountants’ Report.” Our Directors confirm that these transactions were conducted at arm’s length basis.

### **OFF-BALANCE SHEET ARRANGEMENTS**

We have not entered into, nor do we expect to enter into, any off-balance sheet arrangements. We also have not entered into any financial guarantees or other commitments to guarantee the payment obligations of manufacturing partners. In addition, we have not entered into any derivative contracts that are indexed to our equity interests and classified as owners’ equity. 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 or hedging or research and development services with us.

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## FINANCIAL INFORMATION

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### DIVIDEND POLICY

No dividends have been paid or declared by our Company during the Track Record Period.

We are a holding company incorporated under the laws of the Cayman Islands. As a result, we will rely to some extent on any dividends distributed by our PRC subsidiaries. Any dividend distributions from our PRC subsidiaries to us will be subject to PRC withholding tax. In addition, regulations in the PRC currently permit payment of dividends of a PRC company only out of accumulated distributable after-tax profits as determined in accordance with its articles of association and the accounting standards and regulations in the PRC. See “Risk Factors — Risks Relating to Doing Business in China — We principally rely on dividends and other distributions on equity paid by our PRC subsidiaries to fund any cash and financing requirements we may have.”

Our Board has the discretion to pay interim dividends and to recommend to Shareholders to pay final dividends. Any declaration and payment as well as the amount of dividends will be subject to our Articles and the Cayman Companies Act. Under the Cayman Islands law, our Company may pay a dividend out of either profit or share premium account, provided that in no circumstances may a dividend be paid if this would result in our Company being unable to pay its debts as they fall due in the ordinary course of business. As advised by our Cayman Islands counsel, subject to the above, there is no restriction under the Cayman Islands law for our Company to declare and pay a dividend despite our accumulated losses. A decision to declare or to pay any dividends in the future, and the amount of any such dividends, will depend on a number of factors, including our results of operations, cash flows, financial condition, payments by our subsidiaries of cash dividends to us, business prospects, statutory, regulatory and contractual restrictions on our declaration and payment of dividends and other factors that our Board may consider important. We do not have a pre-determined dividend payout ratio. There can be no assurance that dividends of any amount will be declared or distributed in any year.

### DISTRIBUTABLE RESERVE

As of June 30, 2024, the Company did not have any distributable reserves.

### DISCLOSURE REQUIRED UNDER RULES 13.13 TO 13.19 OF THE LISTING RULES

Our Directors confirm that, as of the Latest Practicable Date, they were not aware of any circumstances that would give rise to a disclosure requirement under Rules 13.13 to Rules 13.19 of the Listing Rules.

## FINANCIAL INFORMATION

### UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following unaudited pro forma statement of adjusted consolidated net tangible assets has been prepared in accordance with Rule 4.29 of the Listing Rules and with reference to Accounting Guideline 7 *Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants for illustration purposes only, and is set out here to illustrate the effect of the Global Offering on our consolidated net tangible assets attributable to owners of the parent as of June 30, 2024 as if the Global Offering had taken place on June 30, 2024.

Our unaudited pro forma statement of adjusted consolidated net tangible assets attributable to owners of the parent has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the financial position of us had the Global Offering been completed as of June 30, 2024 or at any future date. It is prepared based on our consolidated net tangible assets as of June 30, 2024 as set out in the Accountants' Report as set out in Appendix I to this prospectus and adjusted as described below. The unaudited pro forma adjusted consolidated net tangible assets do not form part of the Accountants' Report as set out in Appendix I to this prospectus.

	Consolidated net tangible assets/(liabilities) attributable to owners of the parent	Estimated net proceeds from the Global Offering	Estimated impact related to the changes of terms of convertible redeemable preferred shares upon Listing	Unaudited Pro forma adjusted consolidated net tangible assets attributable to owners of the parent	Unaudited pro forma adjusted consolidated net tangible assets attributable to owners of the parent per share	
	(Note 1)	(Note 2)	(Note 3)		RMB	HK\$
		(in RMB thousands)				
Based on an Offer Price of HK\$55.65 per Offer Share	(1,507,512)	1,162,469	1,822,049	1,477,006	6.12	6.61
Based on an Offer Price of HK\$58.00 per Offer Share	(1,507,512)	1,212,696	1,822,049	1,527,233	6.32	6.83
Based on an Offer Price of HK\$60.35 per Offer Share	(1,507,512)	1,262,924	1,822,049	1,577,461	6.53	7.06

*Notes:*

- (1) Our consolidated net tangible liabilities attributable to owners of the parent as of June 30, 2024 was equal to the net liabilities attributable to owners of the parent as at June 30, 2024 of RMB1,492.5 million after deducting of other intangible assets of RMB15.1 million as at June 30, 2024 set out in the Accountants' Report in Appendix I to this prospectus.
- (2) The estimated net proceeds from the Global Offering are based on estimated Offer Price of HK\$55.65 per Offer Share, HK\$58.00 per Offer Share and HK\$60.35 per Offer Share, after deduction of the underwriting fees and other related expenses payable by us (excluding the listing expense that have been

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## FINANCIAL INFORMATION

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charged to profit or loss during the Track Record Period) and 24,120,300 shares expected to be issued under the Global Offering, taking no account of any Shares which may be issued upon the exercise of the Offer Size Adjustment Option and the Over-allotment Option.

- (3) Upon the Listing and the completion of the Global Offering, 39,582,875 convertible redeemable preferred shares will be automatically converted into 39,582,875 Ordinary Shares. The convertible redeemable preferred shares will then be transferred from liabilities to equity. Accordingly, for the purpose of the unaudited pro forma financial information, the unaudited pro forma adjusted net tangible assets attributable to owners of the parent will be increased by RMB1,822.0 million, the carrying amount of the convertible redeemable preferred shares as at June 30, 2024.
- (4) The unaudited pro forma adjusted consolidated net tangible assets per share is arrived at after adjustments referred in preceding paragraph and on the basis of 241,472,245 Shares are in issue, assuming that the conversion of Preferred Shares into the ordinary shares and the Global Offering has been completed.
- (5) For the purpose of this unaudited pro forma statement of adjusted net tangible assets attributable to the owners of the parent, the balances stated in RMB are converted into HK\$ at the rate of RMB1.00 to HK\$1.08056.
- (6) No adjustment has been made to the unaudited pro forma adjusted consolidated net tangible assets attributable to owners of the parent to reflect any trading results or other transactions of us entered into subsequent to June 30, 2024.

### LISTING EXPENSES

Listing expenses represent professional fees, underwriting commission, and fees incurred in connection with the Listing and the Global Offering. Our listing expenses are estimated to be approximately HK\$105.2 million (including underwriting commission) accounting for 7.5% of the gross proceeds of the Global Offering (assuming an Offer Price of HK\$58.00 per Share, being the mid-point of the Offer Price range stated in this prospectus, and no exercise of the Offer Size Adjustment Option and the Over-allotment Option). Among our listing expenses, approximately HK\$71.8 million is directly attributable to the issuance of Shares and will be charged to equity upon completion of the Listing, and approximately HK\$33.4 million has been or will be charged to our consolidated statements of profit or loss. The listing expenses we incurred in the Track Record Period and expect to incur would consist of approximately HK\$54.0 million underwriting related expenses and fees (including but not limited to commissions and fees), approximately HK\$33.4 million non-underwriting-related expenses and fees of the Joint Sponsors, legal advisors and reporting accountant and approximately HK\$17.8 million for other non-underwriting-related fees and expenses. During the Track Record Period, we incurred RMB23.7 million of listing expenses, among which, RMB8.3 million was included in prepayments, other receivables and other current assets and will be subsequently charged to our equity upon completion of the Listing and RMB15.4 million was charged to our consolidated statements of profit or loss.

The listing expenses above are the latest practicable estimate for reference only, and the actual amount may differ from this estimate.

### NO MATERIAL ADVERSE CHANGE

Our Directors confirmed that, as of the date of this prospectus, there has been no material adverse change in our financial position since June 30, 2024, and there has been no event since June 30, 2024 that would materially affect the information as set out in the Accountants' Report in Appendix I to this prospectus.

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## CORNERSTONE INVESTORS

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### THE CORNERSTONE PLACING

The Company, the Joint Sponsors and the Overall Coordinators have entered into cornerstone investment agreements (each a “**Cornerstone Investment Agreement**” and collectively, the “**Cornerstone Investment Agreements**”) with the cornerstone investors set out below (each a “**Cornerstone Investor**” and collectively, the “**Cornerstone Investors**”), pursuant to which the Cornerstone Investors have agreed to, subject to certain conditions, subscribe, or cause their designated entities to subscribe, at the Offer Price for such number of Offer Shares (rounded down to the nearest whole board lot of 300 Shares) that may be purchased for an aggregate amount of US\$50.00 million (or approximately HK\$388.47 million, calculated based on an exchange rate of US\$1.00 to HK\$7.76930) (exclusive of the brokerage, SFC transaction levy, AFRC transaction levy and Stock Exchange trading fee) (the “**Cornerstone Placing**”).

Assuming an Offer Price of HK\$55.65 per Share, being the low-end of the indicative Offer Price range set out in this prospectus, the total number of Offer Shares to be subscribed by the Cornerstone Investors would be 6,980,100 Offer Shares, representing (i) approximately 28.94% of the Offer Shares pursuant to the Global Offering and approximately 2.89% of the total issued share capital of the Company immediately following the completion of the Global Offering (assuming the Offer Size Adjustment Option and the Over-allotment Option are not exercised); or (ii) approximately 21.88% of the Offer Shares pursuant to the Global Offering and approximately 2.80% of the total issued share capital of the Company immediately following the completion of the Global Offering (assuming the Offer Size Adjustment Option and the Over-allotment Option are exercised in full).

Assuming an Offer Price of HK\$58.00 per Share, being the mid-point of the indicative Offer Price range set out in this prospectus, the total number of Offer Shares to be subscribed by the Cornerstone Investors would be 6,697,200 Offer Shares, representing (i) approximately 27.77% of the Offer Shares pursuant to the Global Offering and approximately 2.77% of the total issued share capital of the Company immediately following the completion of the Global Offering (assuming the Offer Size Adjustment Option and the Over-allotment Option are not exercised); or (ii) approximately 21.00% of the Offer Shares pursuant to the Global Offering and approximately 2.69% of the total issued share capital of the Company immediately following the completion of the Global Offering (assuming the Offer Size Adjustment Option and the Over-allotment Option are exercised in full).

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## CORNERSTONE INVESTORS

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Assuming an Offer Price of HK\$60.35 per Share, being the high-end of the indicative Offer Price range set out in this prospectus, the total number of Offer Shares to be subscribed by the Cornerstone Investors would be 6,436,200 Offer Shares, representing (i) approximately 26.68% of the Offer Shares pursuant to the Global Offering and approximately 2.67% of the total issued share capital of the Company immediately following the completion of the Global Offering (assuming the Offer Size Adjustment Option and the Over-allotment Option are not exercised); or (ii) approximately 20.18% of the Offer Shares pursuant to the Global Offering and approximately 2.58% of the total issued share capital of the Company immediately following the completion of the Global Offering (assuming the Offer Size Adjustment Option and the Over-allotment Option are exercised in full).

The Company is of the view that, leveraging on the Cornerstone Investors' investment, the cornerstone investment will help raise the profile of the Company and to signify that such investors have confidence in the Group's business and prospect. The Company became acquainted with the Cornerstone Investors or through introduction by the Overall Coordinators for the purpose of the Global Offering.

The Cornerstone Placing will form part of the International Offering, and, save as otherwise obtained consent from the Stock Exchange, the Cornerstone Investors will not acquire any Offer Shares under the Global Offering other than pursuant to the Cornerstone Investment Agreements. The Offer Shares to be subscribed by the Cornerstone Investors will rank *pari passu* in all respects with the fully paid Shares in issue and all the Shares to be subscribed by the Cornerstone Investors will be counted towards the public float for the purpose of Rule 8.08 of the Listing Rules. Immediately following the completion of the Global Offering, the Cornerstone Investors will not have any Board representation in the Company; and none of the Cornerstone Investors will become a Substantial Shareholder. The Cornerstone Investors do not have any preferential rights in the Cornerstone Investment Agreements compared with other public Shareholders, other than a guaranteed allocation of the relevant Offer Shares at the Offer Price.

As confirmed by each of the Cornerstone Investors, there are no side agreements or arrangements between the Company and the Cornerstone Investors, or any benefit, direct or indirect, conferred on the Cornerstone Investors by virtue of or in relation to the Global Offering other than a guaranteed allocation of the relevant Offer Shares at the Offer Price.

Certain Cornerstone Investors have agreed that the Company and the Overall Coordinators in their sole discretion may defer the delivery of all or part of the Offer Shares it will subscribe to on a date later than the Listing Date. Such delayed delivery arrangement is in place to facilitate the over-allocation in the International Offering. There will be no delayed delivery if there is no over-allocation in the International Offering. All Cornerstone Investors have agreed to pay for the relevant Offer Shares that they have subscribed before dealings in the Company's Shares commence on the Stock Exchange.

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## CORNERSTONE INVESTORS

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To the best of the knowledge, information and belief of the Company, (i) each of the Cornerstone Investors and its ultimate beneficial owners is an Independent Third Party; (ii) none of the Cornerstone Investors is accustomed to take and has not taken instructions from the Company, the Directors, chief executive, Controlling Shareholders, substantial Shareholders, existing Shareholders or any of its subsidiaries or their respective close associates in relation to the acquisition, disposal, voting or other disposition of the Offer Shares; and (iii) none of the subscription of the Offer Shares by the Cornerstone Investors is financed by the Company, the Directors, chief executive, Controlling Shareholders, substantial Shareholders, existing Shareholders or any of its subsidiaries or their respective close associates. In addition, to the best knowledge of our Company, save that Fullgoal HK is a wholly-owned subsidiary of Fullgoal Fund, each of the Cornerstone Investors is independent from each other and makes independent investment decisions.

To the best knowledge of the Company and as confirmed by each of the Cornerstone Investors, (i) each of the Cornerstone Investors' subscription under the Cornerstone Investment Agreements would be financed by their own internal resources or the assets managed for its investors (in the case of Cornerstone Investors which are funds or investment managers); and (ii) all necessary approvals have been obtained with respect to the Cornerstone Placing, and that no specific approval from any stock exchange (if relevant) or its shareholders is required for the relevant cornerstone investment.

The number of Offer Shares to be subscribed by the Cornerstone Investors pursuant to the Cornerstone Placing may be affected by reallocation of the Offer Shares between the International Offering and the Hong Kong Public Offering in the event of over-subscription under the Hong Kong Public Offering as described in the section headed "*Structure of the Global Offering — The Hong Kong Public Offering — Reallocation.*" The Company and Overall Coordinators have the absolute discretion, but not obliged, to deduct the number of Offer Shares to be subscribed by the Cornerstone Investors on a *pro rata* basis under the Hong Kong Public Offering pursuant to Practice Note 18 of the Listing Rules. Details of the actual number of Offer Shares to be allocated to the Cornerstone Investors will be disclosed in the allotment results announcement of the Company to be published on or around January 9, 2025.



## CORNERSTONE INVESTORS

The table below sets forth the details of the Cornerstone Placing:

### Assuming the Offer Size Adjustment Option is not exercised

Cornerstone Investors	Total Investment Amount	Indicative Offer Price	Number of Offer Shares to be subscribed <sup>(1)</sup>	Assuming the Over-allotment Option is not exercised			Assuming the Over-allotment Option is fully exercised		
				Approximate % of the International Offer Shares	Approximate % of the Offer Shares	Approximate % of the total issued share capital of the Company immediately following the completion of the Global Offering	Approximate % of the International Offer Shares	Approximate % of the Offer Shares	Approximate % of the total issued share capital of the Company immediately following the completion of the Global Offering
<b>Greenwoods</b>	20.00	55.65	2,792,100	12.86%	11.58%	1.16%	11.02%	10.07%	1.14%
		58.00	2,679,000	12.34%	11.11%	1.11%	10.58%	9.66%	1.09%
		60.35	2,574,600	11.86%	10.67%	1.07%	10.17%	9.28%	1.05%
<b>UBS AM Singapore</b>	20.00	55.65	2,792,100	12.86%	11.58%	1.16%	11.02%	10.07%	1.14%
		58.00	2,679,000	12.34%	11.11%	1.11%	10.58%	9.66%	1.09%
		60.35	2,574,600	11.86%	10.67%	1.07%	10.17%	9.28%	1.05%
<b>Fullgoal Investors</b>									
<b>Fullgoal Fund</b>	7.00	55.65	977,100	4.50%	4.05%	0.40%	3.86%	3.52%	0.40%
		58.00	937,500	4.32%	3.89%	0.39%	3.70%	3.38%	0.38%
		60.35	900,900	4.15%	3.74%	0.37%	3.56%	3.25%	0.37%
<b>Fullgoal HK</b>	3.00	55.65	418,800	1.93%	1.74%	0.17%	1.65%	1.51%	0.17%
		58.00	401,700	1.85%	1.67%	0.17%	1.59%	1.45%	0.16%
		60.35	386,100	1.78%	1.60%	0.16%	1.52%	1.39%	0.16%

Notes:

- (1) Subject to rounding down to the nearest whole board lot of 300 Shares. Calculated based on the exchange rate set out in the section headed "Information about this Prospectus and the Global Offering — Exchange Rate Conversion."

## CORNERSTONE INVESTORS

### Assuming the Offer Size Adjustment Option is exercised in full

Cornerstone Investors	Total Investment Amount (US\$ in million)	Indicative Offer Price (HK\$)	Number of Offer Shares to be subscribed <sup>(1)</sup>	Assuming the Over-allotment Option is not exercised			Assuming the Over-allotment Option is fully exercised		
				Approximate % of International Offer Shares	Approximate % of the Offer Shares	Approximate % of the capital of the Company immediately following the completion of the Global Offering	Approximate % of the International Offer Shares	Approximate % of the Offer Shares	Approximate % of the capital of the Company immediately following the completion of the Global Offering
<b>Greenwoods</b>	20.00	55.65	2,792,100	11.02%	10.07%	1.14%	9.47%	8.75%	1.12%
		58.00	2,679,000	10.58%	9.66%	1.09%	9.09%	8.40%	1.07%
		60.35	2,574,600	10.17%	9.28%	1.05%	8.73%	8.07%	1.03%
<b>UBS AM Singapore</b>	20.00	55.65	2,792,100	11.02%	10.07%	1.14%	9.47%	8.75%	1.12%
		58.00	2,679,000	10.58%	9.66%	1.09%	9.09%	8.40%	1.07%
		60.35	2,574,600	10.17%	9.28%	1.05%	8.73%	8.07%	1.03%
<b>Fullgoal Investors</b>									
<b>Fullgoal Fund</b>	7.00	55.65	977,100	3.86%	3.52%	0.40%	3.31%	3.06%	0.39%
		58.00	937,500	3.70%	3.38%	0.38%	3.18%	2.94%	0.38%
		60.35	900,900	3.56%	3.25%	0.37%	3.06%	2.82%	0.36%
<b>Fullgoal HK</b>	3.00	55.65	418,800	1.65%	1.51%	0.17%	1.42%	1.31%	0.17%
		58.00	401,700	1.59%	1.45%	0.16%	1.36%	1.26%	0.16%
		60.35	386,100	1.52%	1.39%	0.16%	1.31%	1.21%	0.15%

Notes:

(1) Subject to rounding down to the nearest whole board lot of 300 Shares. Calculated based on the exchange rate set out in the section headed "Information about this Prospectus and the Global Offering — Exchange Rate Conversion."

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## CORNERSTONE INVESTORS

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### THE CORNERSTONE INVESTORS

The information about the Cornerstone Investors set forth below has been provided by the Cornerstone Investors in connection with the Cornerstone Placing.

#### **Greenwoods**

Greenwoods Asset Management Hong Kong Limited (“**Greenwoods**”) is a private fund management company incorporated in Hong Kong with limited liability. Established in 2005, Greenwoods is one of the largest and earliest China-focused asset managers mainly specializing in investing into companies in the Greater China region. Greenwoods focuses on fundamental research, value investments, and local due diligence. Investors of funds and accounts managed by Greenwoods includes institutional investors and high-net-worth individuals professional investors. Mr. Jiang Jinzhi is the Chairman, a major shareholder and an ultimate beneficial owner of Greenwoods. As confirmed by Greenwoods, the subscription of the Offer Shares as a cornerstone investor will be made by Greenwoods in its capacity as the investment manager of Golden China Master Fund and no single ultimate beneficial owner holds 30% or more interests in Golden China Master Fund.

#### **UBS AM Singapore**

UBS Asset Management (Singapore) Ltd. (“**UBS AM Singapore**”), a company incorporated in Singapore in December 1993, has entered into a cornerstone investment agreement with the Company, the Joint Sponsors and the Overall Coordinators, in its capacity as the delegate of the investment manager for and on behalf of the following fund(s): (i) UBS (Lux) Equity Fund — Greater China, (ii) UBS (Lux) Equity Fund — China Opportunity, (iii) UBS (HK) Fund Series — China Opportunity Equity, (iv) UBS (Lux) Equity SICAV — All China, (v) UBS (LUX) INVESTMENT SICAV — CHINA A OPPORTUNITY, (vi) UBS (CAY) — CHINA A OPPORTUNITY, (vii) UBS (Lux) Key Selection SICAV — China Allocation Opportunity, and (viii) certain other segregated accounts and mandates. As confirmed by UBS AM Singapore, no single ultimate beneficial owner holds 30% or more interests in those funds.

UBS AM Singapore is a wholly owned subsidiary of UBS Asset Management AG, an investment management company, which is wholly ultimately owned by UBS Group AG, which is a company organized under Swiss law as a corporation that has issued shares of common stock to investors. UBS Group AG’s shares are listed on the SIX Swiss Exchange (stock code: UBSG) and the New York Stock Exchange (stock code: UBS).

#### **Fullgoal Investors**

Fullgoal Fund Management Co., Ltd. (“**Fullgoal Fund**”) and Fullgoal Asset Management (HK) Limited (“**Fullgoal HK**”, together with Fullgoal Fund, the “**Fullgoal Investors**”) have, respectively, entered into cornerstone investment agreements with the Company, the Joint Sponsors and the Overall Coordinators.

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## CORNERSTONE INVESTORS

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### *Fullgoal Fund*

Fullgoal Fund is a fund management company established in China in April 1999, and is one of the first ten fund management companies authorized by the CSRC and other regulatory authorities to receive full license to provide asset management services in the PRC. Fullgoal Fund has a registered capital of RMB520 million and its main scope of business includes the provision of traditional fund management services, fund raising, fund sale and asset management solutions to both domestic and overseas clients. Fullgoal Fund is also the first fund management company with foreign equity participation among the first 10 fund management companies in China. The average monthly scale of non-monetary market mutual funds under the management of Fullgoal Fund was approximately RMB610 billion for the third quarter of 2024. As confirmed by Fullgoal Fund, the relevant funds proposed to subscribe for the Offer Shares under the management of Fullgoal Fund are all open-ended publicly raised securities investment funds registered with the CSRC.

The shareholders of Fullgoal Fund include (i) Haitong Securities Company Limited (海通證券股份有限公司) (listed on the Shanghai Stock Exchange with stock code 600837.SH and Hong Kong Stock Exchange with stock code 6837.HK), holding 27.775% in Fullgoal Fund; (ii) Shenwan Hongyuan Securities Co., Ltd. (申萬宏源證券有限公司), a wholly-owned subsidiary of Shenwan Hongyuan Group Co., Ltd. (申萬宏源集團股份有限公司) (listed on the Shenzhen Stock Exchange with stock code 000166.SZ and Hong Kong Stock Exchange with stock code 6806.HK), holding 27.775% in Fullgoal Fund; (iii) Bank of Montreal (listed on the Toronto Stock Exchange with stock code BMO), holding 27.775% in Fullgoal Fund, and (iv) Shandong Financial Asset Management Co., Ltd. (山東省金融資產管理股份有限公司), holding 16.675% in Fullgoal Fund.

### *Fullgoal HK*

Established in 2012 in Hong Kong SAR, Fullgoal HK is a wholly owned subsidiary of Fullgoal Fund. Fullgoal HK has Type 1 (Dealing in Securities), Type 4 (Advising on Securities) and Type 9 (Asset Management) licenses issued by the SFC. As confirmed by Fullgoal HK, the subscription of the Offer Shares as a cornerstone investor will be made by Fullgoal HK in its capacity as the sole management shareholder or investment manager of certain funds under its management, and no single ultimate beneficial owner holds 30% or more interests in such funds except for one individual underlying professional investor who, to the best knowledge of Fullgoal HK, is an Independent Third Party of the Company.

## CLOSING CONDITIONS

The obligation of each Cornerstone Investor to subscribe for the Offer Shares under the respective Cornerstone Investment Agreement is subject to, among other things, the following closing conditions:

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## CORNERSTONE INVESTORS

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- (i) the underwriting agreements for the Hong Kong Public Offering and the International Offering being entered into and having become effective and unconditional (in accordance with their respective original terms or as subsequently waived or varied by agreement of the parties thereto) by no later than the time and date as specified in these underwriting agreements, and neither of the aforesaid underwriting agreements having been terminated;
- (ii) the Offer Price having been agreed upon between the Company and the Overall Coordinators (for themselves and on behalf of the underwriters of the Global Offering);
- (iii) the Listing Committee of the Stock Exchange having granted the approval for the listing of, and permission to deal in, the Shares (including the Shares under the Cornerstone Placing) as well as other applicable waivers and approvals and such approval, permission or waiver having not been revoked prior to the commencement of dealings in the Shares on the Stock Exchange;
- (iv) no laws shall have been enacted or promulgated by any governmental authorities which prohibits the consummation of the transactions contemplated in the Global Offering or the respective Cornerstone Investment Agreement, and there being no orders or injunctions from a court of competent jurisdiction in effect precluding or prohibiting consummation of such transactions; and
- (v) the respective agreements, representations, warranties, undertakings, confirmations and acknowledgements of the Cornerstone Investors under the respective Cornerstone Investment Agreement are accurate and true in all respects and not misleading and that there is no breach of the respective Cornerstone Investment Agreement on the part of the relevant Cornerstone Investor.

### RESTRICTIONS ON THE CORNERSTONE INVESTORS

Each Cornerstone Investor has agreed that without the prior written consent of the Company, the Joint Sponsors and the Overall Coordinators, it will not, and will cause its affiliates not to, whether directly or indirectly, at any time during the period of six months following the Listing Date (the “**Lock-up Period**”), dispose of, in any way, any of the Offer Shares it has purchased, pursuant to the respective Cornerstone Investment Agreement, save for certain limited circumstances, such as transfers to any of its wholly-owned subsidiaries who will be bound by the same obligations of the Cornerstone Investor, including the Lock-up Period restriction.

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## FUTURE PLANS AND USE OF PROCEEDS

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### FUTURE PLANS

For a detailed description of our future plans, see “Business — Strategies.”

### USE OF PROCEEDS

Assuming an Offer Price of HK\$58.00 per Offer Share (being the midpoint of the range of the Offer Price stated in this prospectus), we estimate that we will receive net proceeds of approximately HK\$1,294 million from the Global Offering after deducting the underwriting commissions and other estimated expenses in connection with the Global Offering (assuming the Offer Size Adjustment Option and the Over-allotment Option are not exercised). We intend to use our proceeds for the purposes and in the amounts set forth below.

- Approximately 25%, or HK\$323 million, will be used to enhance our research and development capabilities in relation to product design and development. Our efficient research and development laid a solid foundation for our product strength, and enabled us to obtain an extensive patent portfolio which includes but not limited to patents related to our production techniques, toy assembly structure and toy connecting mechanism. Having strong research and development capabilities is therefore crucial to the future expansion of our product offering. As of June 30, 2024, approximately 64% of our employees were engaged in research and development, of which approximately 84% were focused on product-related research and development functions. We follow a consumer-centric research and development philosophy, with a particular focus on consumer feedback and consumer experience, and we apply our consumer insights throughout the entire process, from product design to launch. Going forward, we plan to continue to strengthen and enhance our research and development capabilities in areas including product conceptualization, toy mechanical design, commercialization planning and production technologies such as multi-color molding techniques and packaging automation, and recruit, retain and train talents for product research and development. In particular, we plan to expand our research and development team to include product design talents such as those who are experienced in toy or relevant product structural design or proficient in various design software, and product development talents such as those who are experienced in the development of IP-based toys, as well as international talents that have a combination of experiences in product research and development and overseas markets, so as to better support our overseas business expansion. In particular, we plan to hire an additional of approximately 400 research and development employees by 2027 with competitive compensation package. See “Business — Strategies — Build a team of high quality global talents.”
- Approximately 25%, or HK\$323 million, will be used to invest in core production resources such as molds and our own scaled factories specializing in the production of assembly character toys to implement our growth strategy of capturing all demographics, all price segments and global consumers and to expand and optimize

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## FUTURE PLANS AND USE OF PROCEEDS

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our production resources. See “Business — Strategies — Solidify our leadership position in assembly character toys by continuously capturing growth opportunities across all demographics, all price segments and global consumers.” In particular:

- o Approximately 15%, or HK\$194 million, will be used to invest in molds, a core production resource. Molds are essential and key tools for producing the various standard and customized components of assembly character toys. The quality of components and production efficiency largely depend on molding accuracy and the technique, and our past capital expenditure were mainly for molds. As such, we consider investment in molds to be important in ensuring the high quality standard, consistency in quality and consumer experience, efficiency of product launch and cost advantages of our products. We plan to procure more molds (particularly molds with high accuracy and multi-cavity molds), so as to satisfy the growing market demand for our quality-for-money products brought by our business expansion.
- o Approximately 10%, or HK\$129 million, will be used to partially fund the establishment of our own production capacity. Having our own production capacity is important for us to solidify the efficiency and cost advantages of scaled production. We plan to realize the best business and financial returns with the optimal balance between the self-operated production capacity and partner factories’ production capacity. Specifically, we seek to achieve economies of scale efficiently by considering a range of factors related to the potential self-operated factory, including cost, quality control, production capacity, production delivery and logistics. We expect to complete the self-operated factory by or around the end of 2026 with a designed capacity of approximately nine million units per month. We will provide our self-operated factory with advanced toy production equipment, and realize a high degree of standardization and automation. Our own factories help establish our own production capabilities for products, and would effectively complement our partner factory network.
- Approximately 20%, or HK\$259 million, will be used to further enrich our IP portfolio to carry out our growth strategies. See “Business — Strategies — Solidify our leadership position in assembly character toys by continuously capturing growth opportunities across all demographics, all price segments and global consumers.” In particular:
  - o Character toy market is the largest segment of the global toy market by form, which has a market size of RMB345.8 billion in 2023, and is expected to grow at a CAGR of 9.3% from 2023 to 2028, much higher than the 1.2% CAGR of non-character toy segment during the same period. Wide application of IPs is one of the key factors driving the growth of character toy segment, particularly

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## FUTURE PLANS AND USE OF PROCEEDS

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the assembly character toy segment. As assembly character toys can efficiently commercialize the IPs with products covering wide demographics, price segments and global consumers, IP proprietors are increasingly attracted to this product category.

- o We plan to meet the needs of diverse consumers and fans and reach global consumers across different age groups through in-house IP development and extensive cooperation with proprietors of renowned IPs. In particular, we plan to (i) continue to invest in content production relating to our self-developed IPs, primarily in the form of animation, including for existing self-developed IPs (Magic Blocks and Hero Infinity) and other potential self-developed IPs in the future. Approximately 5%, or HK\$65 million, will be used in this respect; (ii) strengthen our efforts in IP development through collaboration, including jointly investing in IP contents to deepen cooperation with selected proprietors of renowned IPs who are experienced in IP development and commercialization. Through such joint investment, we aim to establish and enhance strategic cooperation with IP proprietors and create and develop IPs that we can use at more favorable commercial terms. Approximately 10%, or HK\$129 million, will be used in this respect; and (iii) solidify and expand our licensed IP portfolio by forming new licensing arrangements for high quality and renowned IPs, as well as solidifying our existing collaboration with proprietors of renowned IPs through extending the license periods and expanding product categories and geographic coverage of the IPs. Approximately 5%, or HK\$65 million, will be used in this respect. We look for IPs that are widely popular and can potentially complement our current product offering and further expand our target consumer groups. Particularly, we take into account factors including popularity, consumer preference, product adaptability and product offering expansion potential when selecting IPs.
- Approximately 20%, or HK\$259 million, will be used for sales and marketing efforts, especially content-driven marketing activities, to improve brand recognition and product popularity. See “Business — Strategies — Solidify our leadership position in assembly character toys by continuously capturing growth opportunities across all demographics, all price segments and global consumers” and “— Build a team of high quality global talents.” In particular:
  - o Approximately 10%, or HK\$129 million, will be used for marketing and promotion in China and overseas markets. We plan to establish and enhance our overseas presence in the United States, European and Southeast Asian countries such as Singapore, Malaysia, and Thailand. We plan to conduct more content-driven online marketing activities to reach and maintain our large base of consumers, fans and BFCs, thereby establishing a deeply resonant brand image and capturing consumers’ mind. In addition, we plan to continuously expand domestic and overseas distribution and direct sales channels and invest in sales network. For example, we plan to set up more product display and



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## FUTURE PLANS AND USE OF PROCEEDS

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promotion counters, host and participate in more model and toy exhibitions, and strengthen collaboration with major e-commerce and social media platforms. We also plan to open a few flagship stores in selected major cities in the near future. Particularly, we plan to open one flagship store in 2025 and two to four flagship stores in 2026 in selected first-tier cities. These stores can serve as physical touchpoints where customers can experience our products firsthand and provide immediate reactions and opinions. Additionally, flagship stores create a space for building stronger relationships with loyal customers, fostering a deeper sense of community.

- o Approximately 10%, or HK\$129 million, will be used for expanding the sales and marketing team and other purposes in relation to sales, marketing and promotion. We plan to recruit and retain talents with experience in sales and marketing, particularly those who have expertise in offline channel and overseas market expansion, to support our further efficient expansion in China (especially in lower-tier cities) and overseas in terms of number of retail outlets and geographic coverage, so as to realize growth in the sales of our diverse, quality-for-money and fun products in the global market. In particular, we plan to hire at least an additional of 50 sales and marketing employees by 2025 with competitive compensation package.
- Approximately 10%, or HK\$129 million, will be used for working capital and other general corporate purposes.

In the event that the Offer Price is set at the maximum Offer Price or the minimum Offer Price of the indicative Offer Price range, the net proceeds of the Global Offering will increase or decrease by approximately HK\$54 million, respectively. We intend to apply the additional or reduced net proceeds to the above uses on a pro rata basis.

The additional net proceeds that we would receive if the Over-allotment Option and the Offer Size Adjustment Option were exercised in full would be (i) HK\$449 million (assuming an Offer Price of HK\$60.35 per Share, being the maximum Offer Price of the indicative Offer Price range), (ii) HK\$432 million (assuming an Offer Price of HK\$58.00 per Share, being the mid-point of the indicative Offer Price range) and (iii) HK\$414 million (assuming an Offer Price of HK\$55.65 per Share, being the minimum Offer Price of the indicative Offer Price range). We intend to apply the additional net proceeds to the above uses on a pro rata basis.

To the extent that the net proceeds of the Global Offering are not immediately used for the above purposes or if we are unable to effect any part of our future development plans as intended, we may hold such funds in short-term interest-bearing accounts at licensed commercial banks and/or other authorized financial institutions (as defined under the Securities and Futures Ordinance or applicable laws and regulations in other jurisdictions). In such event, we will comply with the appropriate disclosure requirements under the Listing Rules.

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## UNDERWRITING

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### HONG KONG UNDERWRITERS

Goldman Sachs (Asia) L.L.C.

Huatai Financial Holdings (Hong Kong) Limited

Futu Securities International (Hong Kong) Limited

### UNDERWRITING

This prospectus is published solely in connection with the Hong Kong Public Offering. The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters on a conditional basis. The International Offering is expected to be fully underwritten by the International Underwriters.

The Global Offering comprises the Hong Kong Public Offering of initially 2,412,300 Hong Kong Offer Shares and the International Offering of initially 21,708,000 International Offering Shares, subject, in each case, to reallocation on the basis as described in the section headed “Structure of the Global Offering” in this prospectus as well as to the Offer Size Adjustment Option and the Over-allotment Option (in the case of the International Offering).

### UNDERWRITING ARRANGEMENTS AND EXPENSES

#### Hong Kong Public Offering

##### *Hong Kong Underwriting Agreement*

Pursuant to the Hong Kong Underwriting Agreement, the Company is offering the Hong Kong Offer Shares for subscription on the terms and conditions set out in this prospectus and the Hong Kong Underwriting Agreement at the Offer Price.

Subject to (a) the Listing Committee granting approval for the listing of, and permission to deal in, the Shares (including any additional Shares that may be issued pursuant to the exercise of the Offer Size Adjustment Option and the Over-allotment Option) on the Main Board of the Stock Exchange and such approval not having been subsequently revoked prior to the commencement of trading of the Shares on the Stock Exchange and (b) certain other conditions set out in the Hong Kong Underwriting Agreement, the Hong Kong Underwriters have agreed severally but not jointly to procure subscribers for, or themselves to subscribe for, their respective applicable proportions of the Hong Kong Offer Shares being offered which are not taken up under the Hong Kong Public Offering on the terms and conditions set out in this prospectus and the Hong Kong Underwriting Agreement.

The Hong Kong Underwriting Agreement is conditional on, among other things, the International Underwriting Agreement having been executed and becoming unconditional and not having been terminated in accordance with its terms.

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## UNDERWRITING

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### *Grounds for termination*

If any of the events set out below occur at any time prior to 8:00 a.m. on the Listing Date, the Overall Coordinators (for themselves and on behalf of the Hong Kong Underwriters) shall be entitled by written notice to the Company to terminate the Hong Kong Underwriting Agreement with immediate effect:

- (i) there develops, occurs, exists or comes into force:
  - (a) any new law or regulation or any change or development involving a prospective change in existing law or regulation, or any change or development involving a prospective change in the interpretation or application thereof by any court or other competent authority in or affecting Hong Kong, the PRC, Cayman Islands, BVI, Singapore, the United States, the United Kingdom, the European Union (or any member thereof), Japan or any other jurisdictions relevant to the Group (each a “**Relevant Jurisdiction**”); or
  - (b) any change or development involving a prospective change or development, or any event or series of events likely to result in or representing a change or development, or prospective change or development, in local, national, regional or international financial, political, military, industrial, economic, currency market, fiscal or regulatory or market conditions or any monetary or trading settlement system (including, without limitation, conditions in stock and bond markets, money and foreign exchange markets and inter-bank markets, a change in the system under which the value of the Hong Kong currency is linked to that of the currency of the United States or a change of the Hong Kong dollars or of the Renminbi against any foreign currencies) in or affecting any Relevant Jurisdiction; or
  - (c) any event or series of events in the nature of force majeure (including, without limitation, acts of government, labour disputes, strikes, lock-outs, fire, explosion, earthquake, flooding, tsunami, civil commotion, riots, public disorder, acts of war, acts of terrorism (whether or not responsibility has been claimed), acts of God, accident or interruption in transportation, destruction of power plant, outbreak of diseases or epidemics including, but not limited to, SARS, swine or avian flu, H5N1, H1N1, H1N7, H7N9, Ebola virus, Middle East respiratory syndrome (MERS), COVID-19 and such related/mutated forms, economic sanction) in or directly or indirectly affecting any Relevant Jurisdiction; or
  - (d) any local, national, regional or international outbreak or escalation of hostilities (whether or not war is or has been declared) or other state of emergency or calamity or crisis in whatever form, political change, paralysis of government operations, interruption or delay in transportation, other industry action in or directly or indirectly affecting any Relevant Jurisdiction; or

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## UNDERWRITING

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- (e) any moratorium, suspension or restriction (including, without limitation, any imposition of or requirement for any minimum or maximum price limit or price range) in or on trading in securities generally on the Stock Exchange, the New York Stock Exchange, the NASDAQ Global Market, the London Stock Exchange, the Tokyo Stock Exchange, the Singapore Stock Exchange, the Shanghai Stock Exchange, or the Shenzhen Stock Exchange; or
- (f) any general moratorium on commercial banking activities in Hong Kong (imposed by the Financial Secretary or the Hong Kong Monetary Authority or other competent governmental authority), New York (imposed at Federal or New York State level or other competent governmental authority), London, Singapore, the PRC, the European Union (or any member thereof), Japan, Cayman Islands or any Relevant Jurisdiction or any disruption in commercial banking or foreign exchange trading or securities settlement or clearance services, procedures or matters in any Relevant Jurisdiction; or
- (g) any (A) change or prospective change in exchange controls, currency exchange rates or foreign investment regulations (including, without limitation, a change of the Hong Kong dollars or RMB against any foreign currencies, a change in the system under which the value of the Hong Kong dollars is linked to that of the United States dollars or RMB is linked to any foreign currency or currencies), or (B) any change or prospective change in taxation in any Relevant Jurisdiction adversely affecting an investment in the Shares; or
- (h) the issue or requirement to issue by the Company of a supplemental or amendment to this prospectus, preliminary offering circular or offering circular or other documents in connection with the offer and sale of the Shares pursuant to the Companies Ordinance or the Listing Rules or upon any requirement or request of the Stock Exchange, the SFC or the CSRC; or
- (i) any change or development involving a prospective change which has the effect of materialisation of any of the risks set out in the section headed “Risk Factors” in this prospectus; or
- (j) any order or petition for, or any demand by creditors for repayment of indebtedness or a petition being presented for the winding-up or liquidation of any member of the Group, or any member of the Group making any composition or arrangement with its creditors or entering into a scheme of arrangement or any resolution being passed for the winding-up of any member of the Group or a provisional liquidator, receiver or manager being appointed over all or part of the assets or undertaking of any member of the Group or anything analogous thereto occurs in respect of any member of the Group; or

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## UNDERWRITING

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- (k) any proceedings of any third party being threatened or instigated against any member of the Group or chairman, chief executive officer, president or Director of the Company; or
- (l) any of the chairman, chief executive officer, president or Director of the Company vacating his/her office; or
- (m) any contravention by any Group member or any Director of the Companies Ordinance, the PRC Company Law, the Listing Rules or any other Law; or
- (n) non-compliance of this prospectus, the CSRC Filings or any other documents used in connection with the contemplated subscription and sale of the Offer Shares or any aspect of the Global Offering with the Listing Rules, the CSRC Rules or any other applicable Law; or
- (o) the imposition of economic sanctions, in whatever form, directly or indirectly, by, or for, any other Relevant Jurisdiction on the Company or any member of the Group.

which, in any such case individually or in the aggregate, in the sole and absolute opinion of the Overall Coordinators (for themselves and on behalf of the Hong Kong Underwriters: (A) is or will be or may be materially adverse to, or materially and prejudicially affects, the assets, liabilities, business, general affairs, management, shareholder's equity, profit, losses, results of operations, position or condition (financial or otherwise), or prospects of the Company or the Group as a whole; or (B) has or will have or may have a material adverse effect on the success of the Global Offering or the level of Offer Shares being applied for or accepted or subscribed for or purchased or the distribution of Offer Shares and/or has made or is likely to make or may make it impracticable or inadvisable or incapable for any material part of the Hong Kong Underwriting Agreement, the Hong Kong Public Offering or the Global Offering to be performed or implemented as envisaged; or (C) makes or will make it or may make it impracticable or inadvisable or incapable to proceed with the Hong Kong Public Offering and/or the Global Offering or the delivery of the Offer Shares on the terms and in the manner contemplated by this prospectus, the formal notice, the preliminary offering circular or the offering circular; or (D) would have or may have the effect of making a part of the Hong Kong Underwriting Agreement (including underwriting) incapable of performance in accordance with its terms or which prevents the processing of applications and/or payments pursuant to the Global Offering or pursuant to the underwriting thereof.

- (ii) there has come to the notice of the Joint Sponsors and the Overall Coordinators (for themselves and on behalf of the Hong Kong Underwriters):
  - (a) a prohibition on the Company for whatever reason from allotting, issuing or selling the Shares (including the Offer Size Adjustment Option Shares and the Over-allotment Option Shares) pursuant to the terms of the Global Offering; or

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## UNDERWRITING

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- (b) that any statement contained in the Hong Kong Public Offering Documents (as defined in the Hong Kong Underwriting Agreement), the Operative Documents (as defined in the Hong Kong Underwriting Agreement), the preliminary offering circular and/or any notices, announcements, advertisements, communications issued or used by or on behalf of the Company in connection with the Hong Kong Public Offering (including any supplement or amendment thereto) was or has become untrue, incomplete, incorrect in any material respects or misleading or any forecasts, estimate, expressions of opinion, intention or expectation expressed in the Offering Documents and/or any notices, announcements, advertisements, communications so issued or used by or on behalf of the Company are not fair and honest and made on reasonable grounds or, where appropriate, based on reasonable assumptions, when taken as a whole; or
- (c) any matter has arisen or has been discovered which would, had it arisen or been discovered immediately before the date of this prospectus, not having been disclosed in the Offering Documents, constitutes a material omission therefrom; or
- (d) either (i) there has been a breach of any of the representations and warranties, of either the Hong Kong Underwriting Agreement or the International Underwriting Agreement by any of the Company or the Controlling Shareholders or (ii) any of the representations and warranties given by the Company and the Controlling Shareholders in the Hong Kong Underwriting Agreement or the International Underwriting Agreement, as applicable, is (or would when repeated be) untrue, incorrect or misleading; or
- (e) any experts (other than the Joint Sponsors) has withdrawn its respective consent to the issue of this prospectus with the inclusion of its reports, letters, summaries of valuations and/or legal opinions (as the case may be) and references to its name included in the form and context in which it respectively appears; or
- (f) any event, act or omission which gives or is likely to give rise to any liability of the Company and the Controlling Shareholders pursuant to the indemnities given by the Company and the Controlling Shareholders under the Hong Kong Underwriting Agreement; or
- (g) any material breach of any of the obligations of the Company and the Controlling Shareholders under the Hong Kong Underwriting Agreement or the International Underwriting Agreement; or

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## UNDERWRITING

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- (h) any material adverse change or prospective material adverse change in the earnings, results of operations, business, business prospects, financial or trading position, conditions (financial or otherwise) or prospects of any Group Company; or
- (i) a significant portion of the orders in the book-building process at the time of the International Underwriting Agreement is entered into, or the investment commitments by any cornerstone investors after signing of agreements with such cornerstone investors, have been withdrawn, terminated or cancelled; or
- (j) any person (other than the Joint Sponsors) has withdrawn or subject to withdraw its consent to being named in any of the Hong Kong Public Offering Documents or to the issue of any of the Hong Kong Public Offering Documents; or
- (k) Admission (as defined in the Hong Kong Underwriting Agreement) is refused or not granted, other than subject to customary conditions, on or before the Listing Date, or if granted, the Admission is subsequently withdrawn, cancelled, qualified (other than by customary conditions), revoked or withheld; or
- (l) the Company has withdrawn the Offering Documents (and/or any other documents issued or used in connection with the Global Offering) or the Global Offering,

then the Overall Coordinators may (for themselves and on behalf of the Hong Kong Underwriters), in their sole and absolute discretion and upon giving notice in writing to the Company, terminate the Hong Kong Underwriting Agreement with immediate effect.

### ***Undertakings to the Stock Exchange pursuant to the Listing Rules***

#### *Undertakings by the Company*

Pursuant to Rule 10.08 of the Listing Rules, the Company has undertaken to the Stock Exchange that it will not issue any further Shares or securities convertible into equity securities of the Company (whether or not of a class already listed) or enter into any agreement to such issue within six months from the Listing Date (whether or not such issue of Shares or securities will be completed within six months from the Listing Date), except pursuant to the Global Offering, the exercise of the Offer Size Adjustment Option and the Over-allotment Option or for the circumstances permitted under Rule 10.08 of the Listing Rules.

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## UNDERWRITING

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### *Undertakings by Our Controlling Shareholders*

Pursuant to Rule 10.07(1) of the Listing Rules, each member of our Controlling Shareholders has undertaken to the Stock Exchange and to the Company that, he/she shall not and shall procure that the relevant registered holder(s) shall not:

- (a) in the period commencing on the date by reference to which disclosure of his/her shareholding in the Company is made in this prospectus and ending on the date which is six months from the Listing Date, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the securities in respect of which its/his/her is shown by this prospectus to be the beneficial owner(s); and
- (b) In the period of six months commencing on the date on which the period referred to in paragraph (a) above expires, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the securities referred to in paragraph (a) above if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, that its/his/her would cease to be a controlling shareholder.

Note (2) to Rule 10.07(2) of the Listing Rules provides that Rule 10.07 does not prevent a Controlling Shareholder from using the Shares beneficially owned by him/her as security (including a charge or pledge) in favor of an authorized institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)) for a bona fide commercial loan.

Pursuant to Note (3) to Rule 10.07(2) of the Listing Rules, each of our Controlling Shareholders has further undertaken to the Stock Exchange and to the Company that within the period commencing on the date by reference to which disclosure of its/his/her shareholding in the Company is made in this prospectus and ending on the date which is six months from the Listing Date, he/she shall:

- (i) when it/he/she pledges or charges any securities of the Company beneficially owned by it/him/her in favor of an authorized institution (as defined in the Banking Ordinance, Chapter 155 of the Laws of Hong Kong) for a bona fide commercial loan pursuant to Note (2) to Rule 10.07(2) of the Listing Rules, immediately inform the Company of such pledge/charge together with the number of securities so pledged/charged; and
- (ii) when it/he/she receives indications, either verbal or written, from the pledgee/chargee that any of the pledged/charged securities of the Company will be disposed of, immediately inform the Company of such indications.

We will inform the Stock Exchange as soon as we have been informed of the matters referred to in paragraph (i) and (ii) above (if any) by any Controlling Shareholder and subject to the requirements of the Listing Rules disclose such matters by way of an announcement which is published in accordance with Rule 2.07C of the Listing Rules as soon as possible.



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## UNDERWRITING

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### Undertakings pursuant to the Hong Kong Underwriting Agreement

#### (A) *Undertakings by the Company*

Except for the offer and sale of the Offer Shares pursuant to the Global Offering (including pursuant to the Offer Size Adjustment Option and the Over-allotment Option), during the period commencing on the date of the Hong Kong Underwriting Agreement and ending on, and including, the date that is six months after the Listing Date (the “**First Six-Month Period**”), the Company has undertaken to each of the Overall Coordinators, the Sponsor-OC, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Hong Kong Underwriters, the Capital Market Intermediaries and the Joint Sponsors not to without the prior written consent of the Joint Sponsors and the Overall Coordinators (for themselves and on behalf of the Hong Kong Underwriters) and unless in compliance with the requirements of the Listing Rules:

- (i) allot, issue, sell, accept subscription for, offer to allot, issue or sell, contract or agree to allot, issue or sell, assign, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to subscribe for or purchase, grant or purchase any option, warrant, contract or right to allot, issue or sell, or otherwise transfer or dispose of or create an encumbrance over, or agree to transfer or dispose of or create an encumbrance over, either directly or indirectly, conditionally or unconditionally, or repurchase, any legal or beneficial interest in the share capital or any other equity securities of the Company or any interest in any of the foregoing (including, without limitation, any equity securities convertible into or exchangeable or exercisable for or that represents the right to receive, or any warrants or other rights to purchase, any share capital or other equity securities of the Company, as applicable), or deposit any share capital or other equity securities of the Company, as applicable, with a depository in connection with the issue of depository receipts; or
- (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership (legal or beneficial) of Shares or any other equity securities of the Company or any interest in any of the foregoing (including, without limitation, any equity securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares or any other equity securities of the Company); or
- (iii) enter into any transaction with the same economic effect as any transaction described in paragraphs (i) or (ii) above; or
- (iv) offer to or agree to or announce any intention to effect any transaction specified in paragraphs (i), (ii) or (iii) above, in each case, whether any of the transactions specified in paragraphs (i), (ii) or (iii) above is to be settled by delivery of share capital or such other equity securities, in cash or otherwise (whether or not the issue of such share capital or equity other securities will be completed within the First Six-Month Period).

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## UNDERWRITING

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During the period of six months commencing on the date on which the First Six-Month Period expires (the “**Second Six-Month Period**”), the Company shall not enter into any of the transactions specified in paragraphs (i), (ii) or (iii). In the event that the Company enters into any of the transactions specified in paragraphs (i), (ii) or (iii) above or offers to or agrees to or announces any intention to effect any such transaction, the Company shall take all reasonable steps to ensure that it will not create a disorderly or false market in the securities of the Company.

***(B) Undertakings by Our Controlling Shareholders***

Each of our Controlling Shareholders has undertaken to each of the Company, the Joint Sponsors, the Overall Coordinators, the Sponsor-OC, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Hong Kong Underwriters and the Capital Market Intermediaries that, without the prior written consent of the Joint Sponsors and the Overall Coordinators (for themselves and on behalf of the Hong Kong Underwriters) that except pursuant to the Global Offering (including pursuant to the Offer Size Adjustment Option and the Over-allotment Option) and the Stock Borrowing Agreement, and except as otherwise and unless in compliance with the requirements of the Listing Rules (including as permitted by Note 2 and 3 to Rule 10.07 of the Listing Rules):

- (i) he or she or it will not, and will procure that none of the relevant registered holder(s), any nominee or trustee holding on trust for it and the companies controlled by it will, at any time during the First Six-Month Period, (a) offer, pledge, charge, allot, issue, sell, lend, mortgage, assign, contract to allot, issue or sell, sell any option or contract to purchase, purchase any option, or contract to sell, grant or agree to grant any option, right or warrant to purchase, lend or otherwise transfer or dispose of or create an encumbrance over, or agree to transfer or dispose of either directly or indirectly, conditionally or unconditionally, any of the Shares or other equity securities of the Company or any interest therein (including but not limited to any securities convertible into or exercisable or exchangeable for or that represent the right to receive any such Shares or equity securities or any interest therein) beneficially owned by it/him/her as at the Listing Date; or (b) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership (legal or beneficial) of such Shares or equity securities or any interest beneficially owned by it/him/her as at the Listing Date therein, as applicable, or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares), or (c) enter into any transaction with the same economic effect as any transaction specified in (a) or (b) above, or (d) offer to or agree to do any of the transactions specified in (a), (b) or (c) above or announce any intention to do so, in each case, whether any of the transactions specified in (a), (b) or (c) above transactions is to be settled by delivery of Shares or such other equity securities, in cash or otherwise;

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## UNDERWRITING

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- (ii) he or she or it will not, and will procure that none of the relevant registered holder(s), any nominee or trustee holding on trust for it and the companies controlled by it will, during the Second Six-Month Period, enter into any transaction described in paragraph (i) (a), (b), (c) or (d) above or offer to or agree to or announce any intention to effect any such transaction, if immediately following such transaction, it will cease to be a controlling shareholder (as defined in the Listing Rules) of the Company; and
- (iii) until the expiry of the Second Six-Month Period, in the event that it enters into any such transactions specified in paragraph (i) (a), (b), (c) or (d) above, or offers to or agrees to or announces any intention to effect any such transaction, it will take all reasonable steps to ensure that it will not create a disorderly or false market in the Shares or other equity securities of the Company.

For the avoidance of doubt, any Share(s) that may be acquired by any of our Controlling Shareholders from the secondary market after Listing shall not fall within the remit of paragraphs (i) to (iii).

### **Undertakings by other existing Shareholders**

Each of other existing Shareholders has undertaken to the Company, the Joint Sponsors and the Overall Coordinators, save for certain customary circumstances, it shall not, at any time during the period ending on, and including, the date that is six months from the Listing Date, dispose of any Relevant Shares or any interest in any company or entity holding or controlling (directly or indirectly) any Relevant Shares or, permit or cause a change in control of any company or entity holding or controlling (directly or indirectly) any Relevant Shares, and it shall procure that no company or entity holding or controlling (directly or indirectly) any Relevant Shares or any nominee or trustee holding in trust for the Shareholder will dispose of any Relevant Shares.

For the purpose of the above undertaking, “Relevant Shares” means any and all Shares, as reclassified, redesignated and subdivided from the Shares as held by the Shareholder on the date thereof in the manner as set out in this prospectus as if the reclassification, redesignation and subdivision has been completed on the date thereof; “dispose of” means:

- (A) offer, pledge, charge, sell, mortgage, lend, create, transfer, assign or otherwise dispose, grant any option, warrant or right to purchase, sell, lend or otherwise transfer or dispose of, either directly or indirectly, conditionally or unconditionally, or create any third party right of whatever nature over any Relevant Shares or any other securities convertible into or exercisable or exchangeable for such Relevant Shares, or that represent the right to receive, such Relevant Shares, or any interest in them; or

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## UNDERWRITING

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- (B) enter into any option, swap or other arrangement that transfers to another, in whole or in part, any beneficial ownership of the Relevant Shares or any of the economic consequences or incidents of ownership of Relevant Shares or any other securities of the Company or any interest therein or which transfers or derives any significant part of its value from such Relevant Shares; or
- (C) enter into any transaction, directly or indirectly, with the same economic effect as any transaction specified in paragraph (A) or (B) above; or
- (D) offer to or agree or contract to effect or publicly disclose that it will or may enter into any transaction specified in paragraph (A), (B) or (C) above,

in each case, whether any of the transactions specified in paragraph (A), (B) or (C) above is to be settled by delivery of Relevant Shares or such other securities convertible into or exercisable or exchangeable for the Relevant Shares of the Company or in cash or otherwise (whether or not the issue of Relevant Shares or such other securities will be completed within the aforesaid period).

### **Hong Kong Underwriters' interests in the Company**

Save for their respective obligations under the Hong Kong Underwriting Agreement, as of the Latest Practicable Date, none of the Hong Kong Underwriters was interested, legally or beneficially, directly or indirectly, in any Shares or any securities of any member of the Group or had any right or option (whether legally enforceable or not) to subscribe for or purchase, or to nominate persons to subscribe for or purchase, any Shares or any securities of any member of the Group.

Following the completion of the Global Offering, the Hong Kong Underwriters and their affiliated companies may hold a certain portion of the Shares as a result of fulfilling their respective obligations under the Hong Kong Underwriting Agreement.

### **International Offering**

#### ***International Underwriting Agreement***

In connection with the International Offering, the Company and the Controlling Shareholders expect to enter into the International Underwriting Agreement with, among others, the International Underwriters. Under the International Underwriting Agreement and subject to the Offer Size Adjustment Option and the Over-allotment Option, the International Underwriters would, subject to certain conditions set out therein, agree severally but not jointly to procure subscribers for, or themselves to subscribe for, their respective applicable proportions of the International Offering Shares initially being offered pursuant to the International Offering. It is expected that the International Underwriting Agreement may be terminated on similar grounds as the Hong Kong Underwriting Agreement. Potential investors

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## UNDERWRITING

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should note that in the event that the International Underwriting Agreement is not entered into, the Global Offering will not proceed. See “Structure of the Global Offering — The International Offering” in this prospectus.

### *Offer Size Adjustment Option*

The Company is expected to grant to the Overall Coordinators the Offer Size Adjustment Option, exercisable by the Overall Coordinators (for themselves and on behalf of the International Underwriters) on or before the second Business Day prior to the Listing Date and will lapse immediately thereafter, whichever is earlier, in writing, to require our Company to allot and issue up to an aggregate of 3,618,000 additional Shares, representing approximately 15% of the initial Offer Shares in aggregate, at the same price per Share under the International Offering to cover, among other things, any excess demand in the International Offering at the absolute discretion of the Overall Coordinators. The Offer Size Adjustment Option provides flexibility for the Overall Coordinators to increase the number of Offer Shares available for purchase under the International Offering to cover additional market demand. See “Structure of the Global Offering — Offer Size Adjustment Option.”

### *Over-allotment Option*

The Company is expected to grant to the International Underwriters the Over-allotment Option, exercisable by the Overall Coordinators on behalf of the International Underwriters at any time from the Listing Date until 30 days after the last day for lodging applications under the Hong Kong Public Offering, pursuant to which the Company may be required to issue up to an aggregate of 4,160,700 Shares (representing not more than 15% of the number of Offer Shares initially available under the Global Offering assuming the Offer Size Adjustment Option is exercised in full) or up to an aggregate of 3,618,000 Shares (representing not more than 15% of the number of Offer Shares being offered under the Global Offering assuming the Offer Size Adjustment Option is not exercised), at the Offer Price, to cover over-allocations in the International Offering, if any. See “Structure of the Global Offering — Over-allotment Option” in this prospectus.

### *Commissions and Expenses*

The Underwriters will receive an underwriting commission of approximately 2.7625% of the aggregate Offer Price of all the Offer Shares (including any Offer Shares to be issued pursuant to the exercise of the Offer Size Adjustment Option and the Over-allotment Option) (the “**Gross Proceeds**”), according to the offering size based on the indicative Offer Price range (the “**Underwriting Commission**”).

The Company may, at its sole discretion, pay to any one or more of the Underwriters a discretionary incentive fee of an aggregate of up to 1.4875% of the Offer Price for all the Offer Shares (including any Offer Shares to be issued pursuant to the exercise of the Offer Size Adjustment Option and the Over-allotment Option) (the “**Discretionary Fees**”). Assuming that

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## UNDERWRITING

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the Discretionary Fees are paid in full, the ratio of the Fixed Fees and Discretionary Fees payable therefore is expected to be approximately 65:35, according to the offering size based on the indicative Offer Price range.

For any unsubscribed Hong Kong Offer Shares reallocated to the International Offering, the underwriting commission will not be paid to the Hong Kong Underwriters but will instead be paid, at the rate applicable to the International Offering, and such commission will be paid to the relevant International Underwriters.

The aggregate underwriting commissions and fees together with the Stock Exchange listing fees, the SFC transaction levy, AFRC transaction levy and the Stock Exchange trading fee, legal and other professional fees and printing and all other expenses relating to the Global Offering (collectively, the “**Commissions and Fees**”) are estimated to be approximately HK\$105.2 million (assuming (i) the Offer Size Adjustment Option and the Over-allotment Option are not exercised and (ii) an Offer Price of HK\$58.00 per Offer Share, being the mid-point of the indicative Offer Price range stated in this prospectus).

### *Indemnity*

The Company has agreed to indemnify the Joint Sponsors, the Overall Coordinators, the Sponsor-OC, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Hong Kong Underwriters and the Capital Market Intermediaries for certain losses which they may suffer or incur, including losses arising from their performance of their obligations under the Hong Kong Underwriting Agreement and any breach by the Company of the Hong Kong Underwriting Agreement.

### **ACTIVITIES BY SYNDICATE MEMBERS**

The underwriters of the Hong Kong Public Offering and the International Offering (together, the “**Syndicate Members**”) and their affiliates may each individually undertake a variety of activities (as further described below) which do not form part of the underwriting or stabilizing process.

The Syndicate Members and their affiliates are diversified financial institutions with relationships in countries around the world. These entities engage in a wide range of commercial and investment banking, brokerage, funds management, trading, hedging, investing and other activities for their own account and for the account of others. In the ordinary course of their various business activities, the Syndicate Members and their respective affiliates may purchase, sell or hold a broad array of investments and actively trade securities, derivatives, loans, commodities, currencies, credit default swaps and other financial instruments for their own account and for the accounts of their customers. Such investment and trading activities may involve or relate to assets, securities and/or instruments of the Company and/or persons and entities with relationships with the Company and may also include swaps and other financial instruments entered into for hedging purposes in connection with the Group’s loans and other debt.

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## UNDERWRITING

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In relation to the Shares, the activities of the Syndicate Members and their affiliates could include acting as agent for buyers and sellers of the Shares, entering into transactions with those buyers and sellers in a principal capacity, including as a lender to initial purchasers of the Shares (which financing may be secured by the Shares) in the Global Offering, proprietary trading in the Shares, and entering into over the counter or listed derivative transactions or listed or unlisted securities transactions (including issuing securities such as derivative warrants listed on a stock exchange) which have as their underlying assets, assets including the Shares. Such transactions may be carried out as bilateral agreements or trades with selected counterparties. Those activities may require hedging activity by those entities involving, directly or indirectly, the buying and selling of the Shares, which may have a negative impact on the trading price of the Shares. All such activities could occur in Hong Kong and elsewhere in the world and may result in the Syndicate Members and their affiliates holding long and/or short positions in the Shares, in baskets of securities or indices including the Shares, in units of funds that may purchase the Shares, or in derivatives related to any of the foregoing.

In relation to issues by Syndicate Members or their affiliates of any listed securities having the Shares as their underlying securities, whether on the Stock Exchange or on any other stock exchange, the rules of the stock exchange may require the issuer of those securities (or one of its affiliates or agents) to act as a market maker or liquidity provider in the security, and this will also result in hedging activity in the Shares in most cases.

All such activities may occur both during and after the end of the stabilizing period described in the section headed “Structure of the Global Offering” in this prospectus. Such activities may affect the market price or value of the Shares, the liquidity or trading volume in the Shares and the volatility of the price of the Shares, and the extent to which this occurs from day to day cannot be estimated.

It should be noted that when engaging in any of these activities, the Syndicate Members will be subject to certain restrictions, including the following:

- (a) the Syndicate Members (other than the Stabilizing Manager or any person acting for it) must not, in connection with the distribution of the Offer Shares, effect any transactions (including issuing or entering into any option or other derivative transactions relating to the Offer Shares), whether in the open market or otherwise, with a view to stabilizing or maintaining the market price of any of the Offer Shares at levels other than those which might otherwise prevail in the open market; and
- (b) the Syndicate Members must comply with all applicable laws and regulations, including the market misconduct provisions of the SFO, including the provisions prohibiting insider dealing, false trading, price rigging and stock market manipulation.

Certain of the Syndicate Members or their respective affiliates have provided from time to time, and expect to provide in the future, investment banking and other services to the Company and each of its affiliates for which such Syndicate Members or their respective affiliates have received or will receive customary fees and commissions.

In addition, the Syndicate Members or their respective affiliates may provide financing to investors to finance their subscriptions of Offer Shares in the Global Offering.

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## STRUCTURE OF THE GLOBAL OFFERING

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### THE GLOBAL OFFERING

This prospectus is published in connection with the Hong Kong Public Offering as part of the Global Offering. Goldman Sachs (Asia) L.L.C. and Huatai Financial Holdings (Hong Kong) Limited are the Overall Coordinators of the Global Offering.

The listing of the Shares on the Stock Exchange is sponsored by the Joint Sponsors. The Joint Sponsors have made an application on behalf of the Company to the Stock Exchange for the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus.

24,120,300 Offer Shares will initially be made available under the Global Offering comprising:

- (a) the Hong Kong Public Offering of initially 2,412,300 Shares (subject to reallocation) in Hong Kong as described in “— The Hong Kong Public Offering” in this section below; and
- (b) the International Offering of initially 21,708,000 Shares (subject to reallocation, the Offer Size Adjustment Option and the Over-allotment Option) outside the United States (including to professional and institutional investors within Hong Kong) in offshore transactions in reliance on Regulation S and in the United States only to QIBs in reliance of Rule 144A or any other available exemption from registration under the U.S. Securities Act, as described in the sub-section headed “— The International Offering” in this section below.

Investors may either:

- (i) apply for Hong Kong Offer Shares under the Hong Kong Public Offering; or
- (ii) apply for or indicate an interest for International Offering Shares under the International Offering, but may not do both.

The Offer Shares will represent approximately 10.0% of the total Shares in issue immediately following the completion of the Global Offering, assuming the Offer Size Adjustment Option and the Over-allotment Option are not exercised. If the Over-allotment Option is exercised in full, the Offer Shares (including Shares issued pursuant to the full exercise of the Over-allotment Option) will represent approximately 11.3% of the total Shares in issue (assuming the Offer Size Adjustment Option is not exercised at all) or approximately 12.8% of the total Shares in issue (assuming the Offer Size Adjustment Option is exercised in full) immediately following the completion of the Global Offering and the issue of Offer Shares pursuant to the Over-allotment Option.

References in this prospectus to applications, application monies or the procedure for applications relate solely to the Hong Kong Public Offering.



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## STRUCTURE OF THE GLOBAL OFFERING

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### THE HONG KONG PUBLIC OFFERING

#### Number of Offer Shares Initially Offered

The Company is initially offering 2,412,300 Shares for subscription by the public in Hong Kong at the Offer Price, representing approximately 10% of the total number of Offer Shares initially available under the Global Offering. The number of Offer Shares initially offered under the Hong Kong Public Offering, subject to any reallocation of Offer Shares between the International Offering and the Hong Kong Public Offering, will represent approximately 1.0% of the total Shares in issue immediately following the completion of the Global Offering (assuming the Offer Size Adjustment Option and the Over-allotment Option are not exercised).

The Hong Kong Public Offering is open to members of the public in Hong Kong as well as to institutional and professional investors in Hong Kong. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities that regularly invest in shares and other securities.

Completion of the Hong Kong Public Offering is subject to the conditions set out in “— Conditions of the Global Offering” in this section.

#### Allocation

Allocation of Offer Shares to investors under the Hong Kong Public Offering will be based solely on the level of valid applications received under the Hong Kong Public Offering. The basis of allocation may vary, depending on the number of Hong Kong Offer Shares validly applied for by applicants. Such allocation could, where appropriate, consist of balloting, which could mean that some applicants may receive a higher allocation than others who have applied for the same number of Hong Kong Offer Shares, and those applicants who are not successful in the ballot may not receive any Hong Kong Offer Shares.

For allocation purposes only, the total number of Hong Kong Offer Shares available under the Hong Kong Public Offering (after taking into account any reallocation referred to below) will be divided equally into two pools: pool A and pool B (with any odd lot being allocated to pool A). The Hong Kong Offer Shares in pool A will be allocated on an equitable basis to applicants who have applied for Hong Kong Offer Shares with an aggregate price of HK\$5 million (excluding the brokerage, the SFC transaction levy, AFRC transaction levy and the Stock Exchange trading fee payable) or less. The Hong Kong Offer Shares in pool B will be allocated on an equitable basis to applicants who have applied for Hong Kong Offer Shares with an aggregate price of more than HK\$5 million (excluding the brokerage, the SFC transaction levy, AFRC transaction levy and the Stock Exchange trading fee payable) and up to the total value in pool B.

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## STRUCTURE OF THE GLOBAL OFFERING

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Investors should be aware that applications in pool A and applications in pool B may receive different allocation ratios. If any Hong Kong Offer Shares in one (but not both) of the pools are unsubscribed, such unsubscribed Hong Kong Offer Shares will be transferred to the other pool to satisfy demand in that other pool and be allocated accordingly. For the purpose of the immediately preceding paragraph only, the “price” for Hong Kong Offer Shares means the price payable on application therefor (without regard to the Offer Price as finally determined). Applicants can only receive an allocation of Hong Kong Offer Shares from either pool A or pool B and not from both pools. Multiple or suspected multiple applications under the Hong Kong Public Offering and any application for more than 1,206,000 Hong Kong Offer Shares (being approximately 50% of the 2,412,300 Offer Shares initially available under the Hong Kong Public Offering) is liable to be rejected.

### **Reallocation and clawback**

The allocation of the Offer Shares between the Hong Kong Public Offering and the International Offering is subject to reallocation. Paragraph 4.2 of Practice Note 18 of the Listing Rules requires a clawback mechanism to be put in place which would have the effect of increasing the number of Offer Shares under the Hong Kong Public Offering to a certain percentage of the total number of Offer Shares offered under the Global Offering if certain prescribed total demand levels are reached.

If the International Offering is fully subscribed or oversubscribed and the number of Offer Shares validly applied for under the Hong Kong Public Offering represents (a) 15 times or more but less than 50 times; (b) 50 times or more but less than 100 times; and (c) 100 times or more of the total number of Offer Shares initially available under the Hong Kong Public Offering, then Offer Shares will be reallocated to the Hong Kong Public Offering from the International Offering. As a result of such reallocation, the total number of Offer Shares available under the Hong Kong Public Offering will be increased to 7,236,300 Offer Shares (in the case of (a)), 9,648,300 Offer Shares (in the case of (b)) and 12,060,300 Offer Shares (in the case of (c)), representing approximately 30%, approximately 40% and 50% of the total number of Offer Shares initially available under the Global Offering, respectively (before any exercise of the Offer Size Adjustment Option and the Over-allotment Option) (the “**PN18 Clawback**”). In each case, the additional Offer Shares reallocated to the Hong Kong Public Offering will be allocated between pool A and pool B and the number of Offer Shares allocated to the International Offering will be correspondingly reduced in such manner as the Overall Coordinators deem appropriate.

If the Hong Kong Public Offering is not fully subscribed for, the Overall Coordinators have the authority to reallocate all or any unsubscribed Hong Kong Offer Shares to the International Offering, in such proportions as the Overall Coordinators deem appropriate. In addition, the Overall Coordinators may in their sole discretion reallocate Offer Shares from the International Offering to the Hong Kong Public Offering to satisfy valid applications under the Hong Kong Public Offering. In particular, if (i) the International Offering is not fully subscribed and the Hong Kong Public Offering is fully subscribed or oversubscribed irrespective of the number of times; or (ii) the International Offering is fully subscribed or

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## STRUCTURE OF THE GLOBAL OFFERING

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oversubscribed and the Hong Kong Public Offering is fully subscribed or oversubscribed with the number of Offer Shares validly applied for in the Hong Kong Public Offering representing less than 15 times of the number of Shares initially available for subscription under the Hong Kong Public Offering, the Overall Coordinators have the authority to reallocate International Offer Shares originally included in the International Offering to the Hong Kong Public Offering in such number as they deem appropriate, provided that in accordance with Chapter 4.14 of the Guide for New Listing Applicants issued by the Stock Exchange, the number of International Offer Shares reallocated to the Hong Kong Public Offering should not exceed 2,412,300 Shares, increasing the total number of Offer Shares available under the Hong Kong Public Offering to 4,824,600 Shares, representing twice the number of the Offer Shares initially available under the Hong Kong Public Offering and the final Offer Price shall be fixed at the bottom end of the indicative price range (i.e. HK\$55.65 per Offer Share).

In each case, the additional Offer Shares reallocated to the Hong Kong Public Offering will be allocated between pool A and pool B and the number of Offer Shares allocated to the International Offering will be correspondingly reduced in such manner as the Overall Coordinators deem appropriate.

Details of any reallocation of Offer Shares between the Hong Kong Public Offering and the International Offering will be disclosed in the results announcement of the Global Offering, which is expected to be published on Thursday, January 9, 2025.

In the event of a reduction in the number of Offer Shares being offered under the Global Offering, the Overall Coordinators may at their discretion reallocate the number of Offer Shares to be offered under the Hong Kong Public Offering and the International Offering.

### **Applications**

Each applicant under the Hong Kong Public Offering will be required to give an undertaking and confirmation in the application submitted by him that he and any person(s) for whose benefit he is making the application has not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any International Offering Shares under the International Offering. Such applicant's application is liable to be rejected if such undertaking and/or confirmation is/are breached and/or untrue (as the case may be) or if he has been or will be placed or allocated International Offering Shares under the International Offering.

Applicants under the Hong Kong Public Offering are required to pay, on application (subject to application channel), the Offer Price of HK\$60.35 per Offer Share in addition to the brokerage, the SFC transaction levy, AFRC transaction levy and the Stock Exchange trading fee payable on each Offer Share, amounting to a total of HK\$18,287.59 for one board lot of 300 Shares. Further details are set out in the section headed "How to Apply for Hong Kong Offer Shares" in this prospectus.

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## STRUCTURE OF THE GLOBAL OFFERING

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### THE INTERNATIONAL OFFERING

#### Number of Offer Shares Initially Offered

The International Offering will consist of an offering of initially 21,708,000 Shares, representing approximately 90% of the total number of Offer Shares initially available under the Global Offering (subject to reallocation, the Offer Size Adjustment Option and the Over-allotment Option). The number of Offer Shares initially offered under the International Offering, subject to any reallocation of Offer Shares between the International Offering and the Hong Kong Public Offering, will represent approximately 9.0% of the total Shares in issue immediately following the completion of the Global Offering (assuming the Offer Size Adjustment Option and the Over-allotment Option are not exercised).

#### Allocation

The International Offering will include selective marketing of Offer Shares to QIBs in the United States and institutional and professional investors and other investors anticipated to have a sizeable demand for such Offer Shares. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities that regularly invest in shares and other securities. Allocation of Offer Shares pursuant to the International Offering will be effected in accordance with the “book-building” process described in “— Pricing of the Global Offering” in this section and based on a number of factors, including the level and timing of demand, the total size of the relevant investor’s invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further Shares and/or hold or sell its Shares after the Listing. Such allocation is intended to result in a distribution of the Shares on a basis which would lead to the establishment of a solid professional and institutional shareholder base to the benefit of the Group and the Shareholders as a whole.

The Overall Coordinators (on behalf of the International Underwriters) may require any investor who has been offered Offer Shares under the International Offering and who has made an application under the Hong Kong Public Offering to provide sufficient information to the Overall Coordinators so as to allow it to identify the relevant applications under the Hong Kong Public Offering and to ensure that they are excluded from any allocation of Offer Shares under the Hong Kong Public Offering.

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## STRUCTURE OF THE GLOBAL OFFERING

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### **Reallocation**

The total number of Offer Shares to be issued or sold pursuant to the International Offering may change as a result of the clawback arrangement described in “— The Hong Kong Public Offering — Reallocation and clawback” in this section above, the exercise of the Offer Size Adjustment Option and the Over-allotment Option in whole or in part and/or any reallocation of unsubscribed Offer Shares originally included in the Hong Kong Public Offering.

### **OFFER SIZE ADJUSTMENT OPTION**

In order to provide flexibility for the Overall Coordinators to increase the number of Offer Shares available for purchase under the International Offering to cover additional market demand, the Company is expected to grant to the Overall Coordinators the Offer Size Adjustment Option, exercisable by the Overall Coordinators (for themselves and on behalf of the International Underwriters) on or before the second Business Day prior to the Listing Date and will lapse immediately thereafter, whichever is earlier, in writing, to require our Company to allot and issue up to an aggregate of 3,618,000 additional Shares, representing approximately 15% of the initial Offer Shares in aggregate, at the same price per Share under the International Offering to cover, among other things, any excess demand in the International Offering at the absolute discretion of the Overall Coordinators. If the Offer Size Adjustment Option is exercised in full, the shareholding of the Shareholders will be diluted by approximately 13.0%.

The Offer Size Adjustment Option will not be associated with any price stabilisation activities of our Shares in the secondary market after the listing of our Shares on the Stock Exchange and will not be subject to the Securities and Futures (Price Stabilizing) Rules of the SFO (Chapter 571W of the Laws of Hong Kong). No purchase of our Shares in the secondary market will be effected to cover any excess demand in the International Offering which will only be satisfied by the exercise of the Offer Size Adjustment Option in full or in part.

If the Offer Size Adjustment Option is exercised in full, the additional net proceeds received from the placing of the additional Shares allotted and issued will be allocated in accordance with the allocations as disclosed in the section headed “Future Plans and Use of Proceeds” in this prospectus, on a pro rata basis.

Our Company will disclose in the allotment results announcement whether and to what extent the Offer Size Adjustment Option has been exercised, and will confirm in the announcement that, if the Offer Size Adjustment Option is not exercised by then, the Offer Size Adjustment Option will lapse and cannot be exercised on any future date.

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## STRUCTURE OF THE GLOBAL OFFERING

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### OVER-ALLOTMENT OPTION

In connection with the Global Offering, the Company is expected to grant the Over-allotment Option to the International Underwriters, exercisable by the Overall Coordinators (for themselves and on behalf of the International Underwriters).

Pursuant to the Over-allotment Option, the International Underwriters will have the right, exercisable by the Overall Coordinators at their sole and absolute discretion (on behalf of the International Underwriters) at any time from the Listing Date until 30 days after the last day for lodging applications under the Hong Kong Public Offering, to require the Company to issue up to an aggregate of 4,160,700 additional Shares (representing not more than 15% of the total number of Offer Shares initially available under the Global Offering assuming the Offer Size Adjustment Option is exercised in full) or up to an aggregate of 3,618,000 Shares (representing not more than 15% of the number of Offer Shares being offered under the Global Offering assuming the Offer Size Adjustment Option is not exercised), at the Offer Price under the International Offering to, among other things, cover over-allocations in the International Offering, if any.

If the Over-allotment Option is exercised in full, the additional Offer Shares to be issued pursuant thereto will represent approximately 1.7% of the total Shares in issue immediately following the completion of the Global Offering and the issue of Offer Shares pursuant to the Over-allotment Option. If the Over-allotment Option is exercised, an announcement will be made.

### Stock Borrowing Agreement

In order to facilitate the settlement of over-allocation in connection with the Global Offering, the Stabilizing Manager, or any person acting for it may choose to borrow up to 4,160,700 Shares (representing not more than 15% of the total number of the Offer Shares initially available under the Global Offering assuming the Offer Size Adjustment Option is exercised in full) or up to an aggregate of 3,618,000 Shares (representing not more than 15% of the number of Offer Shares being offered under the Global Offering assuming the Offer Size Adjustment Option is not exercised), from Smart Bloks pursuant to the Stock Borrowing Agreement.

The stock borrowing arrangement is not subject to the restrictions of Rule 10.07(1)(a) of the Listing Rules, provided that the requirements set forth in Rule 10.07(3) of the Listing Rules are complied with as follows:

- such stock borrowing arrangement is fully described in this prospectus and must be for the sole purpose of covering any short position prior to the exercise of the Over-allotment Option;
- the maximum number of Shares to be borrowed from Smart Bloks by the Stabilizing Manager (or any person acting for it) is the maximum number of Shares that may be issued upon full exercise of the Over-allotment Option;

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## STRUCTURE OF THE GLOBAL OFFERING

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- the same number of Shares so borrowed must be returned to Smart Bloks or its nominee(s) within three business days following the earlier of (a) the last day on which the Over-allotment Option may be exercised, (b) the day on which the Over-allotment Option is exercised in full, and (c) such earlier time as the parties to the Stock Borrowing Agreement may from time to time agree in writing;
- the stock borrowing arrangement will be effected in compliance with all applicable listing rules, laws and other regulatory requirements; and
- no consideration will be paid to Smart Bloks by the Stabilizing Manager (or any person acting for it) in relation to such stock borrowing arrangement.

### STABILIZATION

Stabilization is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilize, the underwriters may bid for, or purchase, the securities in the secondary market during a specified period of time, to retard and, if possible, prevent a decline in the initial public market price of the securities below the offer price. Such transactions may be effected in all jurisdictions where it is permissible to do so, in each case in compliance with all applicable laws and regulatory requirements, including those of Hong Kong. In Hong Kong, the price at which stabilization is effected is not permitted to exceed the offer price.

In connection with the Global Offering, the Stabilizing Manager (or any person acting for it), on behalf of the Underwriters, may over-allocate or effect transactions with a view to stabilizing or supporting the market price of the Shares at a level higher than that which might otherwise prevail for a limited period after the Listing Date. However, there is no obligation on the Stabilizing Manager (or any person acting for it) to conduct any such stabilizing action. Such stabilizing action, if taken, (a) will be conducted at the absolute discretion of the Stabilizing Manager (or any person acting for it) and in what the Stabilizing Manager reasonably regards as the best interest of the Company; (b) may be discontinued at any time; and (c) is required to be brought to an end within 30 days of the last day for lodging applications under the Hong Kong Public Offering. The number of Shares that may be over-allocated will not exceed the number of Shares that may be sold under the Over-allotment Option, being 4,160,700 Shares (representing approximately 15% of the Offer Shares initially available under the Global Offering assuming the Offer Size Adjustment Option is exercised in full) or being 3,618,000 Shares (representing approximately 15% of the number of Offer Shares being offered under the Global Offering assuming the Offer Size Adjustment Option is not exercised).

Stabilization action will be entered into in accordance with the laws, rules and regulations in place in Hong Kong. Stabilization action permitted in Hong Kong pursuant to the Securities and Futures (Price Stabilizing) Rules of the SFO includes (a) over-allocating for the purpose of preventing or minimizing any reduction in the market price of the Shares; (b) selling or agreeing to sell the Shares so as to establish a short position in them for the purpose of preventing or minimizing any reduction in the market price of the Shares; (c) purchasing, or

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## STRUCTURE OF THE GLOBAL OFFERING

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agreeing to purchase, the Shares pursuant to the Over-allotment Option in order to close out any position established under paragraph (a) or (b) above, (d) purchasing, or agreeing to purchase, any of the Shares for the sole purpose of preventing or minimizing any reduction in the market price of the Shares, (e) selling or agreeing to sell any Shares in order to liquidate any position established as a result of those purchases, and (f) offering or attempting to do anything as described in paragraph (b), (c), (d) or (e) above.

Specifically, prospective applicants for and investors in the Offer Shares should note that:

- (a) the Stabilizing Manager (or any person acting for it) may, in connection with the stabilizing action, maintain a long position in the Shares;
- (b) there is no certainty as to the extent to which and the time or period for which the Stabilizing Manager (or any person acting for it) will maintain such a long position;
- (c) liquidation of any such long position by the Stabilizing Manager (or any person acting for it) and selling in the open market may have an adverse impact on the market price of the Shares;
- (d) no stabilizing action can be taken to support the price of the Shares for longer than the stabilization period, which will begin on the Listing Date, and is expected to expire on Thursday, February 6, 2025, being the 30th day after the last day for lodging applications under the Hong Kong Public Offering. After this date, when no further stabilizing action may be taken, demand for the Shares, and therefore the price of the Shares, could fall;
- (e) the price of the Shares cannot be assured to stay at or above the Offer Price either during or after the stabilization period by the taking of any stabilizing action; and
- (f) stabilizing bids or transactions effected in the course of the stabilizing action may be made at any price at or below the Offer Price and can, therefore, be done at a price below the price paid by applicants for, or investors in, the Offer Shares.

In order to effect stabilization actions, the Stabilizing Manager will arrange cover of up to an aggregate of 4,160,700 Shares (representing up to approximately 15% of the initial Offer Shares assuming the Offer Size Adjustment Option is exercised in full) or up to an aggregate of 3,618,000 Shares (representing up to approximately 15% of the number of Offer Shares being offered under the Global Offering assuming the Offer Size Adjustment Option is not exercised), through borrowing of Shares from the Shareholders and/or delayed delivery arrangements with investors who have been allocated Offer Shares in the International Offering. The delayed delivery arrangements (if specifically agreed by an investor) relate only to the delay in the delivery of the Offer Shares to such investor and the Offer Price for the Offer Shares allocated to such investor will be paid on the Listing Date.

The Company will ensure or procure that an announcement in compliance with the Securities and Futures (Price Stabilizing) Rules of the SFO will be made within seven days of the expiration of the stabilization period.



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## STRUCTURE OF THE GLOBAL OFFERING

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### **Over-Allocation**

Following any over-allocation of Shares in connection with the Global Offering, the Stabilizing Manager (or any person acting for it) may cover such over-allocations by exercising the Over-allotment Option in full or in part, by using Shares purchased by the Stabilizing Manager (or any person acting for it) in the secondary market at prices that do not exceed the Offer Price or through stock borrowing arrangements or a combination of these means.

### **PRICING OF THE GLOBAL OFFERING**

#### **Determining the Offer Price**

The International Underwriters will be soliciting from prospective investors' indications of interest in acquiring Offer Shares in the International Offering. Prospective professional and institutional investors will be required to specify the number of Offer Shares under the International Offering they would be prepared to acquire either at different prices or at a particular price. This process, known as "book-building," is expected to continue up to, and to cease on or around, the last day for lodging applications under the Hong Kong Public Offering. Pricing for the Offer Shares for the purpose of the various offerings under the Global Offering will be agreed on the Price Determination Date, which is expected to be on or before Wednesday, January 8, 2025, by agreement between the Overall Coordinators (for themselves and on behalf of the Underwriters) and our Company and the number of Offer Shares to be allocated under the various offerings will be determined shortly thereafter.

#### **Offer Price Range**

The Offer Price per Offer Share under the Hong Kong Public Offering will be identical to the Offer Price per Offer Share under the International Offering based on the Hong Kong dollar price per Offer Share, as determined by the Overall Coordinators (for themselves and on behalf of the Underwriters) and our Company.

The Offer Price will not be more than HK\$60.35 per Offer Share and is expected to be not less than HK\$55.65 per Offer Share, unless otherwise announced by the Company no later than the morning of the last day for lodging applications under the Hong Kong Public Offering, as further explained below. Prospective investors should be aware that the Offer Price to be determined on the Price Determination Date may be, but is not expected to be, lower than the indicative Offer Price range stated in this prospectus.

#### **Price Payable on Application**

Applicants under the Hong Kong Public Offering are required to pay, on application (subject to application channel), the maximum Offer Price of HK\$60.35 per each Hong Kong Offer Share (plus 1% brokerage, 0.0027% SFC transaction levy, 0.00565% Stock Exchange trading fee and 0.00015% AFRC transaction levy). If the Offer Price is less than HK\$60.35, appropriate refund payments (including the brokerage, SFC transaction levy, the Hong Kong Stock Exchange trading fee and AFRC transaction levy attributable to the surplus application monies, without any interest) will be made to successful applicants.

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## STRUCTURE OF THE GLOBAL OFFERING

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If, for any reason, our Company and the Overall Coordinators (for themselves and on behalf of the Underwriters) are unable to reach agreement on the Offer Price by 12:00 noon on Wednesday, January 8, 2025, the Global Offering will not proceed and will lapse.

### **Reduction in Indicative Offer Price Range and/or Number of Offer Shares**

The Overall Coordinators (for themselves and on behalf of the Underwriters) may, where considered appropriate, based on the level of interest expressed by prospective professional and institutional investors during the book-building process, and with the consent of our Company, reduce the number of Offer Shares and/or the indicative Offer Price range as stated in this prospectus at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such case, we will, as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the day which is the last day for lodging applications under the Hong Kong Public Offering, cause to be published on the websites of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) and the Company at <https://www.bloks.com/>, notices of the reduction. Upon issue of such a notice, the revised number of Offer Shares and/or indicative Offer Price range will be final and conclusive and the Offer Price, if agreed upon by the Overall Coordinators, for themselves and on behalf of the Underwriters, and our Company, will be fixed within such a revised Offer Price range. Such notice will also include confirmation or revision, as appropriate, of the working capital statement and the Global Offering statistics as currently set out in the prospectus and any other financial information which may change materially as a result of such reduction. Our Company will also, as soon as practicable following the decision to make such change, issue a supplemental prospectus updating investors of the change in the number of Offer Shares being offered under the Global Offering and/or the Offer Price. The Global Offering must first be canceled and subsequently relaunched on FINI pursuant to the supplemental prospectus.

Before submitting applications for the Hong Kong Offer Shares, applicants should have regard to the possibility that any announcement of a reduction in the number of Offer Shares and/or the indicative Offer Price range may not be made until the day which is the last day for lodging applications under the Hong Kong Public Offering. In the absence of any such notice so published, the number of Offer Shares will not be reduced and/or the Offer Price, if agreed upon by the Overall Coordinators, for themselves and on behalf of the Underwriters, and our Company, will under no circumstances be set outside the Offer Price range as stated in this prospectus.

In the event of a reduction in the number of Offer Shares, the Overall Coordinators (for themselves and on behalf of the Underwriters) may, at their discretion, reallocate the number of Offer Shares to be offered in the Hong Kong Public Offering and the International Offering. The Offer Shares to be offered in the Hong Kong Public Offering and the Offer Shares to be offered in the International Offering may, in certain circumstances, be reallocated between these offerings at the discretion of the Overall Coordinators (for themselves and on behalf of the Underwriters).

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## STRUCTURE OF THE GLOBAL OFFERING

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If there is any change to the offer size due to change in the number of Offer Shares offered in the Global Offering (other than pursuant to the exercise of the Offer Size Adjustment Option and the Over-allotment Option and/or the reallocation mechanism as disclosed in this prospectus), or change to the Offer Price, or if the Company becomes aware that there has been a significant change affecting any matter contained in this prospectus or a significant new matter has arisen, the inclusion of information in respect of which would have been required to be in this prospectus if it had arisen before this prospectus was issued, after the issue of this prospectus and before the commencement of dealings in our Shares as prescribed under Rule 11.13 of the Listing Rules, we are required to cancel the Global Offering and relaunch the offer on FINI and issue a supplemental prospectus or a new prospectus.

### **Announcement of Offer Price and Basis of Allocations**

The final Offer Price, the level of indications of interest in the Global Offering, the results of allocations and the basis of allotment of the Hong Kong Offer Shares are expected to be announced by no later than 11:00 p.m. on Thursday, January 9, 2025 on the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) and on the website of our Company at <https://www.bloks.com/>.

### **UNDERWRITING**

The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters under the terms and conditions of the Hong Kong Underwriting Agreement and is subject to, among other things, the Overall Coordinators (for themselves and on behalf of the Underwriters) and the Company agreeing on the Offer Price.

The Company expects to enter into the International Underwriting Agreement relating to the International Offering on or around the Price Determination Date.

These underwriting arrangements, including the Underwriting Agreements, are summarized in the section headed “Underwriting” in this prospectus.

### **CONDITIONS OF THE GLOBAL OFFERING**

Acceptance of all applications for Offer Shares will be conditional on, among other things:

- (a) the Listing Committee granting approval for the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Global Offering on the Main Board of the Stock Exchange and such approval not subsequently having been withdrawn or revoked prior to the commencement of trading of the Shares on the Stock Exchange;
- (b) the Offer Price having been agreed between the Overall Coordinators (for themselves and on behalf of the Underwriters) and our Company;

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## STRUCTURE OF THE GLOBAL OFFERING

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- (c) the execution and delivery of the International Underwriting Agreement on or about the Price Determination Date; and
- (d) the obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement and the obligations of the International Underwriters under the International Underwriting Agreement becoming and remaining unconditional and not having been terminated in accordance with the terms of the respective agreements or otherwise,

in each case on or before the dates and times specified in the respective Underwriting Agreements (unless and to the extent such conditions are validly waived on or before such dates and times).

The consummation of each of the Hong Kong Public Offering and the International Offering is conditional upon, among other things, the other offering becoming unconditional and not having been terminated in accordance with its terms.

If the above conditions are not fulfilled or waived prior to the dates and times specified, the Global Offering will lapse and the Stock Exchange will be notified immediately. Notice of the lapse of the Hong Kong Public Offering will be published on the websites of the Company and the Stock Exchange at <https://www.bloks.com/> and [www.hkexnews.hk](http://www.hkexnews.hk), respectively, on the next day following such lapse. In such a situation, all application monies will be returned, without interest, on the terms set out in the section headed “How to Apply for Hong Kong Offer Shares – D. Despatch/Collection of Share Certificates and Refund of Application Monies” in this prospectus. In the meantime, all application monies will be held in separate bank account(s) with the receiving banks or other bank(s) in Hong Kong licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong).

Share certificates for the Offer Shares will only become valid evidence of title at 8:00 a.m. on Friday, January 10, 2025, provided that the Global Offering has become unconditional in all respects at or before that time.

### DEALINGS IN THE SHARES

Assuming that the Hong Kong Public Offering becomes unconditional at or before 8:00 a.m. in Hong Kong on Friday, January 10, 2025, it is expected that dealings in the Shares on the Stock Exchange will commence at 9:00 a.m. on Friday, January 10, 2025.

The Shares will be traded in board lots of 300 Shares each and the stock code of the Shares will be 0325.

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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### IMPORTANT NOTICE TO INVESTORS OF HONG KONG OFFER SHARES

#### FULLY ELECTRONIC APPLICATION PROCESS

We have adopted a fully electronic application process for the Hong Kong Public Offering and below are the procedures for application.

This prospectus is available at the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) under the “HKEXnews > New Listings > New Listing Information” section, and our website at <https://www.bloks.com/>.

The contents of this prospectus are identical to the prospectus as registered with the Registrar of Companies in Hong Kong pursuant to Section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

#### A. APPLICATION FOR HONG KONG OFFER SHARES

##### 1. Who Can Apply

You can apply for Hong Kong Offer Shares if you or the person(s) for whose benefit you are applying for:

- are 18 years of age or older; and
- have a Hong Kong address (*for the White Form eIPO service only*).

Unless permitted by the Listing Rules or a waiver and/or consent has been granted by the Stock Exchange to us, you cannot apply for any Hong Kong Offer Shares if you or the person(s) for whose benefit you are applying for:

- are an existing Shareholder or close associates; or
- are a Director or any of his/her close associates.

##### 2. Application Channels

The Hong Kong Public Offering period will begin at 9:00 am on Tuesday, December 31, 2024 and end at 12:00 noon on Tuesday, January 7, 2025 (Hong Kong time).

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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To apply for Hong Kong Offer Shares, you may use one of the following application channels:

Application Channel	Platform	Target Investors	Application Time
<b>White Form eIPO service</b>	<a href="http://www.eipo.com.hk">www.eipo.com.hk</a>	Applicants who would like to receive a physical Share certificate. Hong Kong Offer Shares successfully applied for will be allotted and issued in your own name.	From 9:00 am on Tuesday, December 31, 2024 to 11:30 a.m. on Tuesday, January 7, 2025, Hong Kong time. The latest time for completing full payment of application monies will be 12:00 noon on Tuesday, January 7, 2025, Hong Kong time.
<b>HKSCC EIPO channel</b>	Your <b>broker</b> or <b>custodian</b> who is a HKSCC Participant will submit <b>electronic application instruction(s)</b> on your behalf through HKSCC's FINI system in accordance with your instruction	Applicants who would not like to receive a physical Share certificate. Hong Kong Offer Shares successfully applied for will be allotted and issued in the name of HKSCC Nominees, deposited directly into CCASS and credited to your designated HKSCC Participant's stock account.	Contact your <b>broker</b> or <b>custodian</b> for the earliest and latest time for giving such instructions, as this may vary by <b>broker</b> or <b>custodian</b> .

The **White Form eIPO** service and the **HKSCC EIPO** channel are facilities subject to capacity limitations and potential service interruptions and you are advised not to wait until the last day of the application period to apply for Hong Kong Offer Shares.

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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For those applying through the **White Form eIPO** service, once you complete payment in respect of any application instructions given by you or for your benefit through the **White Form eIPO** service to make an application for Hong Kong Offer Shares, an actual application shall be deemed to have been made. If you are a person for whose benefit the electronic application instructions are given, you shall be deemed to have declared that only one set of electronic application instructions has been given for your benefit. If you are an agent for another person, you shall be deemed to have declared that you have only given one set of electronic application instructions for the benefit of the person for whom you are an agent and that you are duly authorized to give those instructions as an agent.

For the avoidance of doubt, giving an application instruction under the **White Form eIPO** service more than once and obtaining different application reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

If you apply through the **White Form eIPO** service, you are deemed to have authorized the **White Form eIPO** service provider to apply on the terms and conditions in this prospectus, as supplemented and amended by the terms and conditions of the **White Form eIPO** service.

By instructing your **broker** or **custodian** to apply for the Hong Kong Offer Shares on your behalf through the **HKSCC EIPO** channel, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have instructed and authorized HKSCC to cause HKSCC Nominees (acting as nominee for the relevant HKSCC Participants) to apply for Hong Kong Offer Shares on your behalf and to do on your behalf all the things stated in this prospectus and any supplement to it.

For those applying through **HKSCC EIPO** channel, an actual application will be deemed to have been made for any application instructions given by you or for your benefit to HKSCC (in which case an application will be made by HKSCC Nominees on your behalf) provided such application instruction has not been withdrawn or otherwise invalidated before the closing time of the Hong Kong Public Offering.

HKSCC Nominees will only be acting as a nominee for you and neither HKSCC nor HKSCC Nominees shall be liable to you or any other person in respect of any actions taken by HKSCC or HKSCC Nominees on your behalf to apply for Hong Kong Offer Shares or for any breach of the terms and conditions of this prospectus.

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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### 3. Information Required to Apply

You must provide the following information with your application:

<u>For Individual/Joint Applicants</u>	<u>For Corporate Applicants</u>
<ul style="list-style-type: none"><li>• Full name(s)<sup>2</sup> as shown on your identity document</li><li>• Identity document's issuing country or jurisdiction</li><li>• Identity document type, with order of priority:<ul style="list-style-type: none"><li>i. HKID card; or</li><li>ii. National identification document; or</li><li>iii. Passport; and</li></ul></li><li>• Identity document number</li></ul>	<ul style="list-style-type: none"><li>• Full name(s)<sup>2</sup> as shown on your identity document</li><li>• Identity document's issuing country or jurisdiction</li><li>• Identity document type, with order of priority:<ul style="list-style-type: none"><li>i. LEI registration document; or</li><li>ii. Certificate of incorporation; or</li><li>iii. Business registration certificate; or</li><li>iv. Other equivalent document; and</li></ul></li><li>• Identity document number</li></ul>

*Notes:*

1. If you are applying through the **White Form eIPO** service, you are required to provide a valid e-mail address, a contact telephone number and a Hong Kong address. You are also required to declare that the identity information provided by you follows the requirements as described in Note 2 below. In particular, where you cannot provide a HKID number, you must confirm that you do not hold a HKID card.
2. The applicant's full name as shown on their identity document must be used. If an applicant's identity document contains both an English and Chinese name, both English and Chinese names must be used. Otherwise, either English or Chinese names will be accepted. The order of priority of the applicant's identity document type must be strictly followed and where an individual applicant has a valid HKID card, the HKID number must be used when making an application to subscribe for Hong Kong Offer Shares. Similarly for corporate applicants, a LEI number must be used if an entity has a LEI certificate.
3. If the applicant is a trustee, the client identification data ("CID") of the trustee, as set out above, will be required. If the applicant is an investment fund (i.e. a collective investment scheme, or CIS), the CID of the asset management company or the individual fund, as appropriate, which has opened a trading account with the broker will be required, as above.
4. The maximum number of joint applicants on FINI is capped at 4 in accordance with market practice.



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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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5. If you are applying as a nominee, you must provide: (i) the full name (as shown on the identity document), the identity document's issuing country or jurisdiction, the identity document type; and (ii), the identity document number, for each of the beneficial owners or, in the case(s) of joint beneficial owners, for each joint beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.
  
6. If you are applying as an unlisted company and (i) the principal business of that company is dealing in securities; and (ii) you exercise statutory control over that company, then the application will be treated as being for your benefit and you should provide the required information in your application as stated above.

“Unlisted company” means a company with no equity securities listed on the Stock Exchange or any other stock exchange.

“Statutory control” means you:

- control the composition of the board of directors of the company;
- control more than half of the voting power of the company; or
- hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

For those applying through **HKSCC EIPO** channel, and making an application under a power of attorney, we and the Overall Coordinators, as our agent, have discretion to consider whether to accept it on any conditions we think fit, including evidence of the attorney's authority.

Failing to provide any required information may result in your application being rejected.

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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### 4. Permitted Number of Hong Kong Offer Shares for Application

Board lot size : 300 Shares

**Permitted number of Hong Kong Offer Shares for application and amount payable on application/successful allotment** : Hong Kong Offer Shares are available for application in specified board lot sizes only. Please refer to the amount payable associated with each specified board lot size in the table below.

The maximum Offer Price is HK\$60.35 per Share.

If you are applying through the **HKSCC EIPO** channel, you are required to pre-fund your application based on the amount specified by your **broker** or **custodian**, as determined based on the applicable laws and regulations in Hong Kong. By instructing your **broker** or **custodian** to apply for the Hong Kong Offer Shares on your behalf through the **HKSCC EIPO** channel, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have instructed and authorized HKSCC to cause HKSCC Nominees (acting as nominee for the relevant HKSCC Participants) to arrange payment of the final Offer Price, brokerage, SFC transaction levy, the Stock Exchange trading fee and the AFRC transaction levy by debiting the relevant nominee bank account at the Designated Bank for your **broker** or **custodian**.

If you are applying through the **White Form eIPO** service, you may refer to the table below for the amount payable for the number of Shares you have selected. You must pay the respective maximum amount payable on application in full upon application for Hong Kong Offer Shares.

## HOW TO APPLY FOR HONG KONG OFFER SHARES

**Bloks Group Limited**  
**(HK\$60.35 per Hong Kong Offer Share)**  
**NUMBER OF HONG KONG OFFER SHARES THAT MAY BE APPLIED**  
**FOR AND PAYMENTS**

No. of Hong Kong Offer Shares applied for	Amount payable <sup>(2)</sup> on application	No. of Hong Kong Offer Shares applied for	Amount payable <sup>(2)</sup> on application	No. of Hong Kong Offer Shares applied for	Amount payable <sup>(2)</sup> on application	No. of Hong Kong Offer Shares applied for	Amount payable <sup>(2)</sup> on application
	HK\$		HK\$		HK\$		HK\$
300	18,287.59	4,500	274,313.83	24,000	1,463,007.11	150,000	9,143,794.47
600	36,575.18	6,000	365,751.78	27,000	1,645,883.00	180,000	10,972,553.35
900	54,862.77	7,500	457,189.72	30,000	1,828,758.89	210,000	12,801,312.24
1,200	73,150.36	9,000	548,627.67	45,000	2,743,138.34	240,000	14,630,071.15
1,500	91,437.94	10,500	640,065.61	60,000	3,657,517.79	270,000	16,458,830.03
1,800	109,725.53	12,000	731,503.56	75,000	4,571,897.23	300,000	18,287,588.93
2,100	128,013.12	13,500	822,941.50	90,000	5,486,276.68	600,000	36,575,177.86
2,400	146,300.71	15,000	914,379.45	105,000	6,400,656.13	900,000	54,862,766.78
2,700	164,588.30	18,000	1,097,255.34	120,000	7,315,035.56	1,206,000 <sup>(1)</sup>	73,516,107.48
3,000	182,875.89	21,000	1,280,131.23	135,000	8,229,415.02		

(1) Maximum number of Hong Kong Offer Share you may apply for.

(2) The amount payable is inclusive of brokerage, SFC transaction levy, the Stock Exchange trading fee and AFRC transaction levy. If your application is successful, brokerage will be paid to the Exchange Participants (as defined in the Listing Rules) and the SFC transaction levy, the Stock Exchange trading fee and AFRC transaction levy are paid to the Stock Exchange (in the case of the SFC transaction levy, collected by the Stock Exchange on behalf of the SFC; and in the case of the AFRC transaction levy, collected by the Stock Exchange on behalf of the AFRC).

### 5. Multiple Applications Prohibited

You or your joint applicant(s) shall not make more than one application for your own benefit, except where you are a nominee and provide the information of the underlying investor in your application as required under the paragraph headed “— A. Application for Hong Kong Offer Shares — 3. Information Required to Apply” in this section. If you are suspected of submitting or cause to submit more than one application, all of your applications will be rejected.

Multiple applications made either through (i) the **White Form eIPO** service, (ii) **HKSCC EIPO** channel, or (iii) both channels concurrently are prohibited and will be rejected. If you have made an application through the **White Form eIPO** service or **HKSCC EIPO** channel, you or the person(s) for whose benefit you have made the application shall not apply for any International Offer Shares.

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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### 6. Terms and Conditions of An Application

By applying for Hong Kong Offer Shares through the **White Form eIPO** service or **HKSCC EIPO** channel, you (or as the case may be, HKSCC Nominees will do the following things on your behalf):

- (i) undertake to execute all relevant documents and instruct and authorise us and/or the Overall Coordinators, as our agents, to execute any documents for you and to do on your behalf all things necessary to register any Hong Kong Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles of Association, and (if you are applying through the **HKSCC EIPO** channel) to deposit the allotted Hong Kong Offer Shares directly into CCASS for the credit of your designated HKSCC Participant's stock account on your behalf;
- (ii) confirm that you have read and understand the terms and conditions and application procedures set out in this prospectus and the designated website of the **White Form eIPO** service (or as the case may be, the agreement you entered into with your **broker** or **custodian**), and agree to be bound by them;
- (iii) (if you are applying through the **HKSCC EIPO** channel) agree to the arrangements, undertakings and warranties under the participant agreement between your **broker** or **custodian** and HKSCC and observe the General Rules of HKSCC and the HKSCC Operational Procedures for giving application instructions to apply for Hong Kong Offer Shares;
- (iv) confirm that you are aware of the restrictions on offers and sales of shares set out in this prospectus and they do not apply to you, or the person(s) for whose benefit you have made the application;
- (v) confirm that you have read this prospectus and any supplement to it and have relied only on the information and representations contained therein in making your application (or as the case may be, causing your application to be made) and will not rely on any other information or representations;
- (vi) agree that the Relevant Persons<sup>1</sup>, the Hong Kong Share Registrar and HKSCC will not be liable for any information and representations not in this prospectus and any supplement to it;

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<sup>1</sup> Relevant Persons would include the Joint Sponsors, the Overall Coordinators, the Sponsor-OC, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of their or the Company's respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Global Offering.

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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- (vii) agree to disclose the details of your application and your personal data and any other personal data which may be required about you and the person(s) for whose benefit you have made the application to us, the Relevant Persons, the Hong Kong Share Registrar, HKSCC, HKSCC Nominees, the Stock Exchange, the SFC and any other statutory regulatory or governmental bodies or otherwise as required by laws, rules or regulations, for the purposes under the paragraph headed “— *G. Personal Data* — 3. *Purposes* and 4. *Transfer of personal data*” in this section;
- (viii) agree (without prejudice to any other rights which you may have once your application (or as the case may be, HKSCC Nominees’ application) has been accepted) that you will not rescind it because of an innocent misrepresentation;
- (ix) agree that subject to Section 44A(6) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, any application made by you or HKSCC Nominees on your behalf cannot be revoked once it is accepted, which will be evidenced by the notification of the result of the ballot by the Hong Kong Share Registrar by way of publication of the results at the time and in the manner as specified in the paragraph headed “— B. Publication of Results” in this section;
- (x) confirm that you are aware of the situations specified in the paragraph headed “— *C. Circumstances In Which You Will Not Be Allocated Hong Kong Offer Shares*” in this section;
- (xi) agree that your application or HKSCC Nominees’ application, any acceptance of it and the resulting contract will be governed by and construed in accordance with the laws of Hong Kong;
- (xii) agree to comply with the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Articles of Association and laws of any place outside Hong Kong that apply to your application and that neither we nor the Relevant Persons will breach any law inside and/or outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this prospectus;
- (xiii) confirm that (a) your application or HKSCC Nominees’ application on your behalf is not financed directly or indirectly by the Company, any of the directors, chief executives, substantial Shareholder(s) or existing shareholder(s) of the Company or any of its subsidiaries or any of their respective close associates; and (b) you are not accustomed or will not be accustomed to taking instructions from the Company, any of the directors, chief executives, substantial shareholder(s) or existing shareholder(s) of the Company or any of its subsidiaries or any of their respective close associates in relation to the acquisition, disposal, voting or other disposition of the Shares registered in your name or otherwise held by you;

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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- (xiv) warrant that the information you have provided is true and accurate;
- (xv) confirm that you understand that we and the Overall Coordinators will rely on your declarations and representations in deciding whether or not to allocate any Hong Kong Offer Shares to you and that you may be prosecuted for making a false declaration;
- (xvi) agree to accept Hong Kong Offer Shares applied for or any lesser number allocated to you under the application;
- (xvii) declare and represent that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;
- (xviii) (if the application is made for your own benefit) warrant that no other application has been or will be made for your benefit by giving electronic application instructions to HKSCC directly or indirectly or through the application channel of the Hong Kong Share Registrar or by any one as your agent or by any other person; and
- (xix) (if you are making the application as an agent for the benefit of another person) warrant that (1) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person by giving electronic application instructions to HKSCC and (2) you have due authority to give electronic application instructions on behalf of that other person as its agent.

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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### B. PUBLICATION OF RESULTS

#### Results of Allocation

You can check whether you are successfully allocated any Hong Kong Offer Shares through:

<u>Platform</u>	<u>Date/Time</u>
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Applying through **White Form eIPO** service or **HKSCC EIPO** channel:

Website	<p>The designated results of allocation at <a href="http://www.iporeresults.com.hk">www.iporeresults.com.hk</a> (alternatively: <a href="http://www.eipo.com.hk/eIPOAllotment">www.eipo.com.hk/eIPOAllotment</a>) with a “search by ID” function.</p> <p>The full list of (i) wholly or partially successful applicants using the <b>White Form eIPO</b> service and <b>HKSCC EIPO</b> channel, and (ii) the number of Hong Kong Offer Shares conditionally allotted to them, among other things, will be displayed on the “Allotment Results” page of the <b>White Form eIPO</b> service at <a href="http://www.iporeresults.com.hk">www.iporeresults.com.hk</a> (alternatively: <a href="http://www.eipo.com.hk/eIPOAllotment">www.eipo.com.hk/eIPOAllotment</a>).</p>	24 hours, from 11:00 p.m. on Thursday, January 9, 2025 to 12:00 midnight on Wednesday, January 15, 2025 (Hong Kong time)
	<p>The Stock Exchange’s website at <a href="http://www.hkexnews.hk">www.hkexnews.hk</a> and our website at <a href="https://www.bloks.com/">https://www.bloks.com/</a> which will provide links to the above mentioned websites of the Hong Kong Share Registrar.</p>	No later than 11:00 p.m. on Thursday, January 9, 2025 (Hong Kong time).

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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<u>Platform</u>		<u>Date/Time</u>
Telephone	+852 2862 8555 — the allocation results telephone enquiry line provided by the Hong Kong Share Registrar	between 9:00 a.m. and 6:00 p.m., from Friday, January 10, 2025 to Wednesday, January 15, 2025 (Hong Kong time) (except weekend and public holiday in Hong Kong)

For those applying through **HKSCC EIPO** channel, you may also check with your **broker** or **custodian** from 6:00 p.m. on Wednesday, January 8, 2025 (Hong Kong time).

HKSCC Participants can log into FINI and review the allotment result from 6:00 p.m. on Wednesday, January 8, 2025 (Hong Kong time) on a 24-hour basis and should report any discrepancies on allotments to HKSCC as soon as practicable.

### **Allocation Announcement**

We expect to announce the results of the final Offer Price, the level of indications of interest in the International Offering, the level of applications in the Hong Kong Public Offering and the basis of allocations of Hong Kong Offer Shares on the Stock Exchange's website at [www.hkexnews.hk](http://www.hkexnews.hk) and our website at <https://www.bloks.com/> by no later than 11:00 p.m. on Thursday, January 9, 2025 (Hong Kong time).

### **C. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOCATED HONG KONG OFFER SHARES**

You should note the following situations in which Hong Kong Offer Shares will not be allocated to you or the person(s) for whose benefit you are applying for:

#### **1. If your application is revoked:**

Your application or the application made by HKSCC Nominees on your behalf may be revoked pursuant to Section 44A(6) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

#### **2. If we or our agents exercise our discretion to reject your application:**

We, the Overall Coordinators, the Hong Kong Share Registrar and their respective agents and nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.



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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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### 3. If the allocation of Hong Kong Offer Shares is void:

The allocation of Hong Kong Offer Shares will be void if the Stock Exchange does not grant permission to list the Shares either:

- within three weeks from the closing date of the application lists; or
- within a longer period of up to six weeks if the Stock Exchange notifies us of that longer period within three weeks of the closing date of the application lists.

### 4. If:

- you make multiple applications or suspected multiple applications. You may refer to the paragraph headed “— A. Application for Hong Kong Offer Shares — 5. Multiple Applications Prohibited” in this section on what constitutes multiple applications;
- your application instruction is incomplete;
- your payment (or confirmation of funds, as the case may be) is not made correctly;
- the Underwriting Agreements do not become unconditional or are terminated;
- we or the Overall Coordinators believe that by accepting your application, it or we would violate applicable securities or other laws, rules or regulations.

### 5. If there is money settlement failure for allotted Shares:

Based on the arrangements between HKSCC Participants and HKSCC, HKSCC Participants will be required to hold sufficient application funds on deposit with their Designated Bank before balloting. After balloting of Hong Kong Offer Shares, the Receiving Bank will collect the portion of these funds required to settle each HKSCC Participant’s actual Hong Kong Offer Share allotment from their Designated Bank.

**There is a risk of money settlement failure.** In the extreme event of money settlement failure by a HKSCC Participant (or its Designated Bank), who is acting on your behalf in settling payment for your allotted shares, HKSCC will contact the defaulting HKSCC Participant and its Designated Bank to determine the cause of failure and request such defaulting HKSCC Participant to rectify or procure to rectify the failure.

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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However, if it is determined that such settlement obligation cannot be met, the affected Hong Kong Offer Shares will be reallocated to the International Offering. Hong Kong Offer Shares applied for by you through the **broker** or **custodian** may be affected to the extent of the settlement failure. In the extreme case, you will not be allocated any Hong Kong Offer Shares due to the money settlement failure by such HKSCC Participant. None of us, the Relevant Persons, the Hong Kong Share Registrar and HKSCC is or will be liable if Hong Kong Offer Shares are not allocated to you due to the money settlement failure.

### **D. DESPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND OF APPLICATION MONIES**

You will receive one Share certificate for all Hong Kong Offer Shares allotted to you under the Hong Kong Public Offering (except pursuant to applications made through the **HKSCC EIPO** channel where the Share certificates will be deposited into CCASS as described below).

No temporary document of title will be issued in respect of the Shares. No receipt will be issued for sums paid on application.

Share certificates will only become valid evidence of title at 8:00 a.m. on Friday, January 10, 2025 (Hong Kong time), provided that the Global Offering has become unconditional and the right of termination described in the section headed “Underwriting” has not been exercised. Investors who trade Shares prior to the receipt of Share certificates or the Share certificates becoming valid do so entirely at their own risk.

The right is reserved to retain any Share certificate(s) and (if applicable) any surplus application monies pending clearance of application monies.

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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The following sets out the relevant procedures and time:

	<u>White Form eIPO service</u>	<u>HKSCC EIPO channel</u>
<b>Despatch/collection of Share certificate<sup>2</sup></b>		
<b>For physical share certificates of 1,000,000 or more Offer Shares issued under your own name</b>	<p>Collection in person from the Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.</p> <p><b>Time:</b> from 9:00 a.m. to 1:00 p.m. on Friday, January 10, 2025 (Hong Kong time).</p> <p>If you are an individual, you must not authorise any other person to collect for you. If you are a corporate applicant, your authorised representative must bear a letter of authorization from your corporation stamped with your corporation's chop.</p> <p>Both individuals and authorised representatives must produce, at the time of collection, evidence of identity acceptable to the Hong Kong Share Registrar.</p> <p><b>Note:</b> If you do not collect your Share certificate(s) personally within the time above, it/they will be sent to the address specified in your application instructions by ordinary post at your own risk</p>	<p>Share certificate(s) will be issued in the name of HKSCC Nominees, deposited into CCASS and credited to your designated HKSCC Participant's stock account.</p> <p>No action by you is required.</p>
<b>For physical share certificates of less than 1,000,000 Offer Shares issued under your own name</b>	<p>Your Share certificate(s) will be sent to the address specified in your application instructions by ordinary post at your own risk</p> <p><b>Time:</b> Thursday, January 9, 2025</p>	

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<sup>2</sup> Except in the event of any Severe Weather Signals (as defined below) in force in Hong Kong in the morning on the business day before the Listing Date rendering it impossible for the relevant share certificates to be dispatched to HKSCC in a timely manner, the Company shall procure the Hong Kong Share Registrar to arrange for delivery of the supporting documents and share certificates in accordance with the contingency arrangements as agreed between them. You may refer to “— E. Severe Weather Arrangements” in this section.

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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### Refund mechanism for surplus application monies paid by you

<b>Date</b>	Friday, January 10, 2025	Subject to the arrangement between you and your <b>broker or custodian</b>
<b>Responsible party</b>	Hong Kong Share Registrar	Your <b>broker or custodian</b>
<b>Application monies paid through single bank account</b>	White Form e-Refund payment instructions to your designated bank account	Your <b>broker or custodian</b> will arrange refund to your designated bank account subject to the arrangement between you and it
<b>Application monies paid through multiple bank accounts</b>	Refund check(s) will be despatched to the address as specified in your application instructions by ordinary post at your own risk	

### E. SEVERE WEATHER ARRANGEMENTS

#### The Opening and Closing of the Application Lists

The application lists will not open or close on Tuesday, January 7, 2025 if, there is/are:

- a tropical cyclone warning signal number 8 or above;
- a black rainstorm warning; and/or
- Extreme Conditions, (collectively, “**Severe Weather Signals**”),

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Tuesday, January 7, 2025.

Instead they will open between 11:45 a.m. and 12:00 noon and/or close at 12:00 noon on the next business day which does not have Severe Weather Signals in force at any time between 9:00 a.m. and 12:00 noon.

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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Prospective investors should be aware that a postponement of the opening/closing of the application lists may result in a delay in the listing date. Should there be any changes to the dates mentioned in the section headed “Expected Timetable” in this prospectus, an announcement will be made and published on the Stock Exchange’s website at [www.hkexnews.hk](http://www.hkexnews.hk) and our website at <https://www.bloks.com/> of the revised timetable.

If a Severe Weather Signal is hoisted on Thursday, January 9, 2025, the Hong Kong Share Registrar will make appropriate arrangements for the delivery of the share certificates to the CCASS Depository’s service counter so that they would be available for trading on Friday, January 10, 2025.

If a Severe Weather Signal is hoisted on Thursday, January 9, 2025:

- for physical share certificates of less than 1,000,000 Offer Shares issued under your own name, despatch will be made by ordinary post when the post office re-opens after the **Severe** Weather Signal is lowered or cancelled (e.g. in the afternoon of Thursday, January 9, 2025 or on Friday, January 10, 2025).

If a Severe Weather Signal is hoisted on Friday, January 10, 2025:

- for physical share certificates of 1,000,000 or more Offer Shares issued under your own name, you may collect the physical Share certificates from the Hong Kong Share Registrar’s office after the Severe Weather Signal is lowered or cancelled (e.g. in the afternoon of Friday, January 10, 2025 or on Monday, January 13, 2025).

**Prospective investors should be aware that if they choose to receive physical share certificates issued in their own name, there may be a delay in receiving the share certificates.**

### F. ADMISSION OF THE SHARES INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, the Shares on the Stock Exchange and we comply with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares or any other date HKSCC chooses. Settlement of transactions between Exchange Participants is required to take place in CCASS on the second settlement day after any trading day.

All activities under CCASS are subject to the General Rules of HKSCC and HKSCC Operational Procedures in effect from time to time.

All necessary arrangements have been made enabling the Shares to be admitted into CCASS.

You should seek the advice of your broker or other professional advisor for details of the settlement arrangement as such arrangements may affect your rights and interests.

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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### **G. PERSONAL DATA**

The following Personal Information Collection Statement applies to any personal data collected and held by the Company, the Hong Kong Share Registrar, the receiving bank and the Relevant Persons about you in the same way as it applies to personal data about applicants other than HKSCC Nominees. This personal data may include client identifier(s) and your identification information. By giving application instructions to HKSCC, you acknowledge that you have read, understood and agree to all of the terms of the Personal Information Collection Statement below.

#### **1. Personal Information Collection Statement**

This Personal Information Collection Statement informs the applicant for, and holder of, Hong Kong Offer Shares, of the policies and practices of the Company and the Hong Kong Share Registrar in relation to personal data and the Personal Data (Privacy) Ordinance (Chapter 486 of the Laws of Hong Kong).

#### **2. Reasons for the collection of your personal data**

It is necessary for applicants and registered holders of Hong Kong Offer Shares to ensure that personal data supplied to the Company or its agents and the Hong Kong Share Registrar is accurate and up-to-date when applying for Hong Kong Offer Shares or transferring Hong Kong Offer Shares into or out of their names or in procuring the services of the Hong Kong Share Registrar.

Failure to supply the requested data or supplying inaccurate data may result in your application for Hong Kong Offer Shares being rejected, or in the delay or the inability of the Company or the Hong Kong Share Registrar to effect transfers or otherwise render their services. It may also prevent or delay registration or transfers of Hong Kong Offer Shares which you have successfully applied for and/or the despatch of Share certificate(s) to which you are entitled.

It is important that applicants for and holders of Hong Kong Offer Shares inform the Company and the Hong Kong Share Registrar immediately of any inaccuracies in the personal data supplied.

#### **3. Purposes**

Your personal data may be used, held, processed, and/or stored (by whatever means) for the following purposes:

- a. processing your application and refund check and White Form e-Refund payment instruction(s), where applicable, verification of compliance with the terms and application procedures set out in this prospectus and announcing results of allocation of Hong Kong Offer Shares;

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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- b. compliance with applicable laws and regulations in Hong Kong and elsewhere;
- c. registering new issues or transfers into or out of the names of the holders of the Shares including, where applicable, HKSCC Nominees;
- d. maintaining or updating the register of members of the Company;
- e. verifying identities of applicants for and holders of the Shares and identifying any duplicate applications for the Shares;
- f. facilitating Hong Kong Offer Shares balloting;
- g. establishing benefit entitlements of holders of the Shares, such as dividends, rights issues, bonus issues, etc.;
- h. distributing communications from the Company and its subsidiaries;
- i. compiling statistical information and profiles of the holder of the Shares;
- j. disclosing relevant information to facilitate claims on entitlements; and
- k. any other incidental or associated purposes relating to the above and/or to enable the Company and the Hong Kong Share Registrar to discharge their obligations to applicants and holders of the Shares and/or regulators and/or any other purposes to which applicants and holders of the Shares may from time to time agree.

#### **4. Transfer of personal data**

Personal data held by the Company and the Hong Kong Share Registrar relating to the applicants for and holders of Hong Kong Offer Shares will be kept confidential but the Company and the Hong Kong Share Registrar may, to the extent necessary for achieving any of the above purposes, disclose, obtain or transfer (whether within or outside Hong Kong) the personal data to, from or with any of the following:

- a. the Company's appointed agents such as financial advisers, receiving bank and overseas principal share registrar;
- b. HKSCC or HKSCC Nominees, who will use the personal data and may transfer the personal data to the Hong Kong Share Registrar for the purposes of providing its services or facilities or performing its functions in accordance with its rules or procedures and operating FINI and CCASS (including where applicants for the Hong Kong Offer Shares request a deposit into CCASS);

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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- c. any agents, contractors or third-party service providers who offer administrative, telecommunications, computer, payment or other services to the Company or the Hong Kong Share Registrar in connection with their respective business operation;
- d. the Stock Exchange, the SFC and any other statutory regulatory or governmental bodies or otherwise as required by laws, rules or regulations, including for the purpose of the Stock Exchange's administration of the Listing Rules and the SFC's performance of its statutory functions; and
- e. any persons or institutions with which the holders of Hong Kong Offer Shares have or propose to have dealings, such as their bankers, solicitors, accountants or brokers etc.

### **5. Retention of personal data**

The Company and the Hong Kong Share Registrar will keep the personal data of the applicants and holders of Hong Kong Offer Shares for as long as necessary to fulfil the purposes for which the personal data were collected. Personal data which is no longer required will be destroyed or dealt with in accordance with the Personal Data (Privacy) Ordinance (Chapter 486 of the Laws of Hong Kong).

### **6. Access to and correction of personal data**

Applicants for and holders of Hong Kong Offer Shares have the right to ascertain whether the Company or the Hong Kong Share Registrar hold their personal data, to obtain a copy of that data, and to correct any data that is inaccurate. The Company and the Hong Kong Share Registrar have the right to charge a reasonable fee for the processing of such requests. All requests for access to data or correction of data should be addressed to the Company and the Hong Kong Share Registrar, at their registered address disclosed in the section headed "Corporate Information" in this prospectus or as notified from time to time, for the attention of the company secretary, or the Hong Kong Share Registrar for the attention of the privacy compliance officer.



*The following is the text of a report received from the independent reporting accountants, Ernst & Young, Certified Public Accountants, Hong Kong, prepared for the purpose of incorporation in this prospectus.*



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## ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF BLOKS GROUP LIMITED, GOLDMAN SACHS (ASIA) L.L.C. AND HUATAI FINANCIAL HOLDINGS (HONG KONG) LIMITED

### Introduction

We report on the historical financial information of Bloks Group Limited (the “Company”) and its subsidiaries (together, the “Group”) set out on pages I-4 to I-88, which comprises the consolidated statements of profit or loss, statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group for each of the years ended 31 December 2021, 2022 and 2023, and the six months ended 30 June 2024 (the “**Relevant Periods**”), and the consolidated statements of financial position of the Group and the statements of financial position of the Company as at 31 December 2021, 2022 and 2023 and 30 June 2024, and material accounting policy information and other explanatory information (together, the “**Historical Financial Information**”). The Historical Financial Information set out on pages I-4 to I-88 forms an integral part of this report, which has been prepared for inclusion in the prospectus of the Company dated 31 December 2024 (the “**Prospectus**”) in connection with the initial listing of the 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 presentation and preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information, respectively, and for such internal control as the directors determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

### Reporting accountants' responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 *Accountants' Reports on Historical Financial*

*Information in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants’ judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity’s preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information, respectively, in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Opinion**

In our opinion, the Historical Financial Information gives, for the purposes of the accountants’ report, a true and fair view of the financial position of the Group and the Company as at 31 December 2021, 2022 and 2023 and 30 June 2024, and of the financial performance and cash flows of the Group for each of the Relevant Periods in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information, respectively.

### **Review of interim comparative financial information**

We have reviewed the interim comparative financial information of the Group which comprises the consolidated statements of profit or loss, statements of comprehensive income, statements of changes in equity and statements of cash flows for the six months ended 30 June 2023 and other explanatory information (the “**Interim Comparative Financial Information**”). The directors of the Company are responsible for the presentation and preparation of the Interim Financial Information in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information, respectively. Our responsibility is to express a conclusion on the Interim Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the HKICPA. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit

conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Interim Comparative Financial Information, for the purposes of the accountants' report, is not prepared, in all material respects, in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information, respectively.

**Report on matters under the Rules Governing the Listing of Securities on the Stock Exchange and the Companies (Winding Up and Miscellaneous Provisions) Ordinance**

*Adjustments*

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I-4 have been made.

*Dividends*

We refer to note 13 to the Historical Financial Information which states that no dividends have been paid by the Company in respect of the Relevant Periods.

**Ernst & Young**

*Certified Public Accountants*

Hong Kong

31 December 2024

**I HISTORICAL FINANCIAL INFORMATION****Preparation of Historical Financial Information**

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The financial statements of the Group for the Relevant Periods, on which the Historical Financial Information is based, were audited by Ernst & Young in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") (the "**Underlying Financial Statements**").

The Historical Financial Information is presented in Renminbi ("**RMB**") and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

## CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

	Notes	Year ended 31 December			Six months ended 30 June	
		2021	2022	2023	2023	2024
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
						(unaudited)
Revenue	5	329,772	325,574	876,686	309,939	1,046,203
Cost of sales		(206,371)	(202,155)	(461,764)	(173,731)	(492,467)
Gross profit		123,401	123,419	414,922	136,208	553,736
Selling and distribution expenses		(388,646)	(232,885)	(189,280)	(86,401)	(120,764)
Research and development expenses		(83,016)	(98,444)	(94,657)	(41,953)	(76,016)
Administrative expenses		(58,287)	(51,002)	(49,230)	(22,069)	(403,946)
Other income, other gains and losses, net	6	9,507	12,416	5,987	2,499	3,905
Other expenses	7	(20,938)	(17,896)	(695)	(221)	(1,241)
Reversal of/(Provision for) impairment losses on financial assets, net		669	226	(1,100)	(389)	(506)
Finance costs	8	(2,323)	(1,574)	(1,654)	(1,323)	(891)
Fair value changes on convertible redeemable preferred shares	29	(144,201)	(191,031)	(274,132)	(188,611)	(157,033)
LOSS BEFORE TAX		(563,834)	(456,771)	(189,839)	(202,260)	(202,756)
Income tax expense	12	56,981	34,066	(17,642)	(528)	(52,135)
LOSS FOR THE YEAR/PERIOD		<u>(506,853)</u>	<u>(422,705)</u>	<u>(207,481)</u>	<u>(202,788)</u>	<u>(254,891)</u>
<b>Attributable to:</b>						
Owners of the parent		(502,594)	(419,886)	(206,100)	(201,866)	(257,894)
Non-controlling interests		(4,259)	(2,819)	(1,381)	(922)	3,003
		<u>(506,853)</u>	<u>(422,705)</u>	<u>(207,481)</u>	<u>(202,788)</u>	<u>(254,891)</u>
<b>LOSS PER SHARE</b>						
<b>ATTRIBUTABLE TO</b>						
<b>ORDINARY EQUITY</b>						
<b>HOLDERS OF THE PARENT</b>						
Basic and diluted (RMB)	14	<u>(3.31)</u>	<u>(2.82)</u>	<u>(1.38)</u>	<u>(1.36)</u>	<u>(1.73)</u>

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Year ended 31 December			Six months ended	
	2021	2022	2023	30 June	
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
				<i>(unaudited)</i>	
<b>LOSS FOR THE YEAR/PERIOD</b>	<u>(506,853)</u>	<u>(422,705)</u>	<u>(207,481)</u>	<u>(202,788)</u>	<u>(254,891)</u>
<b>OTHER COMPREHENSIVE INCOME/(LOSS)</b>					
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:					
Exchange differences on translation of foreign operations	<u>(37)</u>	<u>4</u>	<u>(12)</u>	<u>(36)</u>	<u>744</u>
Other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods:					
Exchange differences on translation of the financial statements of the Company and its subsidiaries other than those are foreign operations*	<u>354</u>	<u>(2,132)</u>	<u>90</u>	<u>(745)</u>	<u>(1,305)</u>
<b>OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR/PERIOD, NET OF TAX</b>	<u>317</u>	<u>(2,128)</u>	<u>78</u>	<u>(781)</u>	<u>(561)</u>
<b>TOTAL COMPREHENSIVE LOSS FOR THE YEAR/PERIOD</b>	<u>(506,536)</u>	<u>(424,833)</u>	<u>(207,403)</u>	<u>(203,569)</u>	<u>(255,452)</u>
Attributable to:					
Owners of the parent	<u>(502,277)</u>	<u>(422,014)</u>	<u>(206,022)</u>	<u>(202,647)</u>	<u>(258,455)</u>
Non-controlling interests	<u>(4,259)</u>	<u>(2,819)</u>	<u>(1,381)</u>	<u>(922)</u>	<u>3,003</u>
	<u>(506,536)</u>	<u>(424,833)</u>	<u>(207,403)</u>	<u>(203,569)</u>	<u>(255,452)</u>

\* The Company and its subsidiaries whose activities are based or conducted in a country or currency same as the Company are not foreign operations.

## CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Notes	As at 31 December			As at
		2021	2022	2023	30 June
		RMB'000	RMB'000	RMB'000	2024
				RMB'000	
<b>NON-CURRENT ASSETS</b>					
Property, plant and equipment	15	11,146	22,785	47,672	73,328
Right-of-use assets	16(a)	44,146	27,238	58,442	49,357
Intangible assets	17	4,832	4,319	5,773	15,050
Deferred tax assets	19	187,212	221,283	203,795	160,850
Prepayments, other receivables and other non-current assets	22	6,871	6,531	14,718	11,951
Total non-current assets		254,207	282,156	330,400	310,536
<b>CURRENT ASSETS</b>					
Inventories	20	69,769	61,208	76,294	151,334
Trade and notes receivables	21	24,917	15,299	38,256	63,298
Prepayments, other receivables and other current assets	22	23,946	10,901	14,477	37,686
Financial assets at fair value through profit or loss	18	272,785	1,251	1,251	–
Pledged deposits	23	4,719	9,064	8,141	8,587
Cash and cash equivalents	23	76,153	188,972	360,837	554,092
Receivables in connection with the Reorganization	28	1,759,480	1,377,000	183,000	–
Total current assets		2,231,769	1,663,695	682,256	814,997
<b>CURRENT LIABILITIES</b>					
Trade and notes payables	24	92,879	118,533	259,671	514,705
Interest-bearing bank borrowings	26	–	5,000	–	–
Contract liabilities	27	29,569	30,629	66,325	84,144
Other payables and accruals	25	109,298	112,655	169,373	144,603
Tax payables		–	–	118	6,228
Amounts due to related parties	36	18,735	44,694	25,913	–
Lease liabilities	16(b)	27,289	19,168	21,969	21,442
Payables in connection with the Reorganization	28	1,759,480	1,407,338	187,520	–
Total current liabilities		2,037,250	1,738,017	730,889	771,122

	<i>Notes</i>	As at 31 December			As at
		2021	2022	2023	30 June
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	2024
NET CURRENT ASSETS/(LIABILITIES)		194,519	(74,322)	(48,633)	43,875
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>448,726</u>	<u>207,834</u>	<u>281,767</u>	<u>354,411</u>
NON-CURRENT LIABILITIES					
Convertible redeemable preferred shares	29	1,382,853	1,573,884	1,848,016	1,822,049
Lease liabilities	16(b)	18,116	4,100	34,962	24,824
Other payables and accruals	25	6,376	6,965	7,083	–
Total non-current liabilities		<u>1,407,345</u>	<u>1,584,949</u>	<u>1,890,061</u>	<u>1,846,873</u>
Net liabilities		<u>(958,619)</u>	<u>(1,377,115)</u>	<u>(1,608,294)</u>	<u>(1,492,462)</u>
EQUITY					
<b>Equity attributable to owners of the parent</b>					
Share capital	30	–	112	128	128
Deficits	31	(950,528)	(1,366,317)	(1,606,385)	(1,492,590)
		<u>(950,528)</u>	<u>(1,366,205)</u>	<u>(1,606,257)</u>	<u>(1,492,462)</u>
Non-controlling interests		<u>(8,091)</u>	<u>(10,910)</u>	<u>(2,037)</u>	<u>–</u>
Total equity		<u>(958,619)</u>	<u>(1,377,115)</u>	<u>(1,608,294)</u>	<u>(1,492,462)</u>



## CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

Notes	Attributable to owners of the parent							
	Share capital	Share premium*	Share option reserve*	Other reserve*	Accumulated losses*	Total	Non-controlling interests	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2021	-	917,000	8,851	79	(1,043,559)	(117,629)	(4,465)	(122,094)
Loss for the year	-	-	-	-	(502,594)	(502,594)	(4,259)	(506,853)
Other comprehensive income for the year, net of tax	-	-	-	317	-	317	-	317
Total comprehensive income/(loss) for the year	-	-	-	317	(502,594)	(502,277)	(4,259)	(506,536)
Transactions with non-controlling interests	35	-	-	1,167	-	1,167	633	1,800
Recognition of share-based payment expenses	32	-	6,863	-	-	6,863	-	6,863
Redemption rights granted to capital swap	29	-	(215,407)	(123,245)	-	(338,652)	-	(338,652)
At 31 December 2021	-	701,593	15,714	(121,682)	(1,546,153)	(950,528)	(8,091)	(958,619)
At 1 January 2022	-	701,593	15,714	(121,682)	(1,546,153)	(950,528)	(8,091)	(958,619)
Loss for the year	-	-	-	-	(419,886)	(419,886)	(2,819)	(422,705)
Other comprehensive loss for the year, net of tax	-	-	-	(2,128)	-	(2,128)	-	(2,128)
Total comprehensive loss for the year	-	-	-	(2,128)	(419,886)	(422,014)	(2,819)	(424,833)
Issue of shares	112	(112)	-	-	-	-	-	-
Recognition of share-based payment expenses	32	-	6,337	-	-	6,337	-	6,337
At 31 December 2022	112	701,481	22,051	(123,810)	(1,966,039)	(1,366,205)	(10,910)	(1,377,115)

		Attributable to owners of the parent								
		Share	Share	Share	Other	Accumulated			Non-	Total
Notes		capital	premium*	option	reserve*	losses*	Total	controlling	interests	equity
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	At 1 January 2023	112	701,481	22,051	(123,810)	(1,966,039)	(1,366,205)	(10,910)	(1,377,115)	
	Loss for the year	-	-	-	-	(206,100)	(206,100)	(1,381)	(207,481)	
	Other comprehensive									
	income for the year, net									
	of tax	-	-	-	78	-	78	-	78	
	Total comprehensive									
	income/(loss) for the year	-	-	-	78	(206,100)	(206,022)	(1,381)	(207,403)	
	Issue of shares	16	(16)	-	-	-	-	-	-	
	Transaction with									
	non-controlling interests	35	-	-	(40,261)	-	(40,261)	10,254	(30,007)	
	Recognition of share-based									
	payment expenses	32	-	-	6,231	-	6,231	-	6,231	
	At 31 December 2023	<u>128</u>	<u>701,465</u>	<u>28,282</u>	<u>(163,993)</u>	<u>(2,172,139)</u>	<u>(1,606,257)</u>	<u>(2,037)</u>	<u>(1,608,294)</u>	
	At 1 January 2023	112	701,481	22,051	(123,810)	(1,966,039)	(1,366,205)	(10,910)	(1,377,115)	
	Loss for the period									
	(unaudited)	-	-	-	-	(201,866)	(201,866)	(922)	(202,788)	
	Other comprehensive loss									
	for the period, net of tax									
	(unaudited)	-	-	-	(781)	-	(781)	-	(781)	
	Total comprehensive loss									
	for the period (unaudited)	-	-	-	(781)	(201,866)	(202,647)	(922)	(203,569)	
	Issue of shares (unaudited)	16	(16)	-	-	-	-	-	-	
	Recognition of share-based									
	payment expenses									
	(unaudited)	32	-	-	3,071	-	3,071	-	3,071	
	At 30 June 2023									
	(unaudited)	<u>128</u>	<u>701,465</u>	<u>25,122</u>	<u>(124,591)</u>	<u>(2,167,905)</u>	<u>(1,565,781)</u>	<u>(11,832)</u>	<u>(1,577,613)</u>	

		Attributable to owners of the parent							
		Share	Share	Share	Other	Accumulated	Non-		Total
		capital	premium*	option	reserve*	losses*	Total	controlling	equity
Notes		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	At 1 January 2024	128	701,465	28,282	(163,993)	(2,172,139)	(1,606,257)	(2,037)	(1,608,294)
	Profit/(Loss) for the period	-	-	-	-	(257,894)	(257,894)	3,003	(254,891)
	Other comprehensive loss for the period, net of tax	-	-	-	(561)	-	(561)	-	(561)
	Total comprehensive income/(loss) for the period	-	-	-	(561)	(257,894)	(258,455)	3,003	(255,452)
	Transaction with non-controlling interests	35	-	-	(2,420)	-	(2,420)	20	(2,400)
	Recognition of share-based payment expenses	32	-	-	374,670	-	374,670	-	374,670
	Others	-	-	-	-	-	-	(986)	(986)
	At 30 June 2024	<u>128</u>	<u>701,465</u>	<u>402,952</u>	<u>(166,974)</u>	<u>(2,430,033)</u>	<u>(1,492,462)</u>	<u>-</u>	<u>(1,492,462)</u>

\* These reserve accounts comprised of deficits RMB950,528,000, RMB1,366,317,000, RMB1,606,385,000 and RMB1,492,590,000 in the consolidated statements of financial position as at the end of each of the Relevant Periods.

## CONSOLIDATED STATEMENTS OF CASH FLOWS

	Notes	Year ended 31 December			Six months ended 30 June	
		2021	2022	2023	2023	2024
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
						(unaudited)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>						
Loss before tax		(563,834)	(456,771)	(189,839)	(202,260)	(202,756)
Adjustments for:						
Depreciation of property, plant and equipment	15	14,106	10,488	13,837	6,151	12,333
Impairment of property, plant and equipment	15	20,634	6,159	–	–	–
Depreciation of right-of-use assets	16(a)	21,304	22,060	21,237	10,715	10,074
Amortisation of intangible assets	17	3,252	6,329	9,618	5,399	14,854
Impairment of inventories		2,474	5,752	152	–	430
Impairment/(reversal of impairment) of trade and notes receivables, net	9	(149)	(197)	871	59	58
(Gain)/loss on disposal of items of property, plant and equipment	9	107	(2)	22	(3)	(270)
Gain on early termination of leases		–	–	(77)	(77)	–
Fair value losses on convertible redeemable preferred shares	9	144,201	191,031	274,132	188,611	157,033
Fair value changes of cash management products	9	(6,680)	(1,695)	(27)	(14)	(2)
Share-based payment expenses	9	6,863	6,337	6,231	3,071	374,670
Finance costs	8	2,323	1,574	1,654	1,323	891
Others		(520)	(29)	229	330	278
		(355,919)	(208,964)	138,040	13,305	367,593
Decrease/(increase) in inventories		6,964	2,809	(15,238)	7,540	(76,024)
Decrease/(increase) in trade and notes receivables		3,723	9,815	(23,828)	(8,151)	(27,705)
Decrease/(increase) in prepayments, other receivables and other assets		2,048	13,074	(3,610)	(9,668)	(25,938)
(Increase)/decrease in pledged deposits		(4,719)	(4,345)	923	(917)	(446)
(Decrease)/increase in trade and notes payables		(12,995)	25,654	141,138	62,838	255,034
Increase/(decrease) in other payables and accruals		64,047	(7,835)	11,807	(8,909)	768
Increase in contract liabilities		3,523	1,060	35,696	4,881	17,832

Notes	Year ended 31 December			Six months ended 30 June	
	2021	2022	2023	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
Cash (used in)/from operations	(293,328)	(168,732)	284,928	60,919	511,114
Income tax paid	(5)	(5)	(36)	(8)	(3,082)
Net cash flows (used in)/from operating activities	(293,333)	(168,737)	284,892	60,911	508,032
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Proceeds from disposal of items of property, plant and equipment	85	22	45	32	360
Purchases of items of property, plant and equipment	(23,852)	(16,889)	(24,311)	(12,642)	(22,068)
Purchases of items of intangible assets	(7,815)	(5,700)	(19,030)	(3,701)	(20,762)
Purchase of financial assets at fair value through profit or loss	(1,199,080)	–	(10,000)	(10,000)	–
Proceeds from disposal of financial assets at fair value through profit or loss	999,979	273,229	10,027	10,014	1,253
Net cash flows (used in)/from investing activities	(230,683)	250,662	(43,269)	(16,297)	(41,217)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>					
Issue of ordinary shares	–	31,553	–	–	–
Proceeds from issuance of Preferred Shares	–	350,597	1,194,000	1,117,000	–
Payment in connection with the Reorganization in Chinese Mainland	–	(351,812)	(1,219,818)	(1,142,818)	(4,520)
Payment for Warrant settlement	29	–	–	–	(183,000)
Lease payments	(22,368)	(28,853)	(19,300)	(6,695)	(12,545)
Proceeds from bank borrowings	–	5,000	884,247	884,247	–
Repayment of bank borrowings	–	–	(889,247)	(889,247)	–
Repayment of loan payable to a third party	–	–	–	–	(7,095)
Borrowings from a related party	–	25,000	–	–	–
Capital contribution from series A preferred shareholders	600,000	–	–	–	–
Capital contribution from a non-controlling interest	1,800	–	–	–	–
Repayment of amounts due to related parties	–	–	(18,974)	–	(25,914)

	Notes	Year ended 31 December			Six months ended 30 June	
		2021	2022	2023	2023	2024
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
					(unaudited)	
Acquisition of non-controlling interest equity	35	-	-	-	-	(32,400)
Issuance costs paid		-	-	-	-	(7,540)
Interest paid		-	(10)	(1,054)	(937)	-
Net cash flows from/(used in) financing activities		579,432	31,475	(70,146)	(38,450)	(273,014)
NET INCREASE IN CASH AND CASH EQUIVALENTS		55,416	113,400	171,477	6,164	193,801
Cash and cash equivalents at beginning of year/period		20,813	76,153	188,972	188,972	360,837
Effects of foreign exchange rate changes, net		(76)	(581)	388	(91)	(546)
CASH AND CASH EQUIVALENTS AT END OF YEAR/PERIOD	23	76,153	188,972	360,837	195,045	554,092
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS						
Cash and cash equivalents as stated in the consolidated statements of financial position and statements of cash flows		76,153	188,972	360,837	195,045	554,092

## STATEMENTS OF FINANCIAL POSITION OF THE COMPANY

	Notes	As at 31 December			As at
		2021	2022	2023	30 June
		RMB'000	RMB'000	RMB'000	2024
<b>NON-CURRENT ASSETS</b>					
Investment in a subsidiary	*	1,774,864	1,781,201	1,787,432	1,802,794
Total non-current assets		1,774,864	1,781,201	1,787,432	1,802,794
<b>CURRENT ASSETS</b>					
Prepayments, other receivables and other current assets	22	–	–	10,626	40,508
Receivables in connection with the Reorganization	28	1,759,150	1,377,000	183,000	–
Cash and cash equivalents	23	–	11,015	62,290	22,055
Total current assets		1,759,150	1,388,015	255,916	62,563
<b>CURRENT LIABILITIES</b>					
Other payables and accruals	25	1,759,150	1,388,264	256,328	262,106
Total current liabilities		1,759,150	1,388,264	256,328	262,106
NET CURRENT LIABILITIES		–	(249)	(412)	(199,543)
TOTAL ASSETS LESS CURRENT LIABILITIES		1,774,864	1,780,952	1,787,020	1,603,251
<b>NON-CURRENT LIABILITIES</b>					
Convertible redeemable preferred shares	29	1,382,853	1,573,884	1,848,016	1,822,049
Total non-current liabilities		1,382,853	1,573,884	1,848,016	1,822,049
Net assets/(liabilities)		392,011	207,068	(60,996)	(218,798)

	<i>Notes</i>	As at 31 December			As at
		2021	2022	2023	30 June
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	2024
					<i>RMB'000</i>
<b>EQUITY</b>					
Share capital		–	112	128	128
Reserves/(Deficits)	31	392,011	206,956	(61,124)	(218,926)
Total equity		392,011	207,068	(60,996)	(218,798)

\* As at the end of each of the Relevant Periods, the Company has direct interest in Bloks Holding Limited, the balances of the Company's investment in a subsidiary are as follows:

	As at 31 December			As at
	2021	2022	2023	30 June
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	2024
				<i>RMB'000</i>
Investment, at cost	1,759,150	1,759,150	1,759,150	1,759,150
Investment arising from share-based payment relating to intra-group transactions	15,714	22,051	28,282	43,644
	1,774,864	1,781,201	1,787,432	1,802,794



## II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

### 1. CORPORATE INFORMATION

Bloks Group Limited (the “Company”) was incorporated in the Cayman Islands on 28 July 2021 as an exempted company with limited liability under the Companies Act (Cap. 22, Law 3 of 1961 as consolidated and revised) of the Cayman Islands. The address of the Company’s registered office is Floor 4, Willow House, Cricket Square, Grand Cayman KY1-9010, Cayman Islands.

The Company is an investment holding company. The Company and its subsidiaries now comprising the Group underwent the reorganization as set out in the paragraph headed “Reorganization” in the section headed “History, Development and Reorganization” in the Prospectus (the “Reorganization”). During the Relevant Periods, the Company’s subsidiaries were principally engaged in the design, development and sales of toys.

As at the date of this report, the Company had direct and indirect interests in its subsidiaries, the principal subsidiaries are as follows:

Name	Place and date of incorporation/ registration and place of operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Bloks Holding Limited (a)	BVI 10 August 2021	USD50,000	100.00%	–	Investment holding
China Bloks Holding Limited (a)	Hong Kong 31 August 2021	HK\$10,000	–	100.00%	Investment holding
Shanghai Bloks Technology Group Co., Ltd.* (上海布魯可科技集團 有限公司) (b)	Shanghai, PRC 24 December 2014	RMB300,000,000	–	100.00%	Design, development and sales of toys
Shanghai Bloks Bricks Technology Co., Ltd.* (上海布魯可積木科技 有限公司) (b)	Shanghai, PRC 1 March 2019	RMB100,000,000	–	100.00%	Design, development and sales of toys
Shanghai Puti Culture Communication Limited* (上海葡緹文化傳播有限公司) (a)	Shanghai, PRC 27 July 2016	RMB5,000,000	–	100.00%	Sales of toys
Shanghai Bloks Trading Limited* (上海布魯可貿易有限公司) (a)	Shanghai, PRC 1 September 2022	RMB10,000,000	–	100.00%	Sales of toys

*Notes:*

- (a) No audited financial statements have been prepared for these entities for the years ended 31 December 2021, 2022 and 2023 and the six months ended 30 June 2024.
- (b) The statutory financial statements of these entities for the years ended 31 December 2021, 2022 and 2023 prepared in accordance with Accounting Standards for Business Enterprises were audited by Dahua Certified Public Accountants LLP, certified public accountants registered in the PRC.

\* The English names of the companies registered in the PRC represent the best efforts made by the management of the Company to translate the Chinese names of these companies as no English names have been registered.

## 2.1 BASIS OF PRESENTATION

The Historical Financial Information has been prepared on a going concern basis notwithstanding the Group has recorded net liabilities of RMB1,492,462,000 as at 30 June 2024. There was RMB1,822,049,000 convertible redeemable preferred shares recorded as non-current liabilities as at 30 June 2024. The original redemption right of these convertible redeemable preferred shares was provided in the failure to consummate a Qualified IPO by 30 June 2026 as repurchase event (as defined and detailed in Accountants' Report, note 29). In addition, special rights granted to convertible redeemable preferred shares have been terminated immediately before the submission of the listing application for the Global Offering (the "Listing Application") provided that the rights so terminated shall resume in the event that the Listing Application is withdrawn or rejected by the Stock Exchange or the Listing has not completed within 12 months after the Listing Application, and all other special rights will be terminated automatically upon the Listing. Therefore, such holders will not require the Company to redeem such preferred shares within the next 12 months from 30 June 2024.

The directors are of the opinion that the Group will have sufficient working capital to meet its financial liabilities and obligations as and when they fall due and to sustain its operations for the next 12 months.

Pursuant to the Reorganization, as more fully explained in the sub-section headed "Our History" in the section headed "History, Development and Reorganization" in the Prospectus, the Company was incorporated on 28 July 2021 and became the holding company of the companies now comprising the Group on 7 November 2022 after the completion of reorganization.

The companies now comprising the Group were under the common control of the Controlling Shareholder before and after the Reorganization. Accordingly, for the purpose of this report, the Historical Financial Information has been prepared on a consolidated basis by applying the principles of merger accounting as if the Reorganization had been completed on the date of the incorporation of the Company.

The consolidated statements of profit or loss, statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group for the Relevant Periods and the six months ended 30 June 2023 include the consolidated results and cash flows of the Company and its subsidiaries now comprising the Group as if the current group structure had been in existence throughout the Relevant Periods. The consolidated statements of financial position of the Group at the end of each of the Relevant Periods have been prepared to present the assets and liabilities of the subsidiaries and/or businesses using the existing book values from the controlling shareholders' perspective. No adjustments are made to reflect fair values or recognise any new assets or liabilities as a result of the Reorganization.

### **Basis of consolidation**

The Historical Financial Information includes the financial statements of the Company and its subsidiaries for the Relevant Periods and the six months ended 30 June 2023. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

Generally, there is a presumption that a majority of voting rights results in control. When the Company has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- (a) the contractual arrangement with the other vote holders of the investee;
- (b) rights arising from other contractual arrangements; and
- (c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, any non-controlling interest and the exchange fluctuation reserve; and recognises the fair value of any investment retained and any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

As foreign investors were prohibited from holding legal ownership over certain licenses and permits held by Shanghai Information Technology Co., Ltd. and its subsidiaries under the Special Management Measures (Negative List) for the Access of Foreign Investment (2021 Version). A wholly-owned subsidiary of the Company, Shanghai Bloks Technology Group Co., Ltd. has entered into a series of contractual arrangements (the "Contractual Arrangements") with Shanghai Information Technology Co., Ltd. and its subsidiaries (the "Consolidated Affiliated Entity") and its respective shareholders. The Contractual Arrangements enable Shanghai Bloks Technology Group Co., Ltd. to exercise effective control over the Consolidated Affiliated Entity and obtain substantially all economic benefits of the Consolidated Affiliated Entity. Accordingly, Consolidated Affiliated Entity was owned through Contractual Arrangements, while, through the period of Contractual Arrangements, the Company regards the Consolidated Affiliated Entity as indirect subsidiary and consolidated the assets, liabilities and results of operations of the Consolidated Affiliated Entity in the financial statements of the Group. These entities were owned through effective period of the Contractual Arrangements, which has been terminated on 31 March 2024.

All intra-group transactions and balances have been eliminated on consolidation.

## 2.2 BASIS OF PREPARATION

The Historical Financial Information has been prepared in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB"), which comprise all standards and interpretations approved by the IASB.

All IFRSs effective for the accounting period commencing from 1 January 2024, including relevant transitional provisions, have been early adopted by the Group in the preparation of the Historical Financial Information throughout the Relevant Periods.

The Historical Financial Information has been prepared under the historical cost convention, except for financial assets at fair value through profit or loss and convertible redeemable preferred shares, which have been measured at fair value.

### 2.3 ISSUED BUT NOT YET EFFECTIVE IFRSs

The Group has not applied the following revised IFRSs, that have been issued but are not yet effective, in the Historical Financial Information. The Group intends to apply these revised IFRSs, if applicable, when they become effective.

Amendments to IFRS 10 and IAS 28	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> <sup>1</sup>
Amendments to IAS 21	<i>Lack of Exchangeability</i> <sup>2</sup>
IFRS 18	<i>Presentation and Disclosure in Financial Statements</i> <sup>3</sup>
IFRS 19	<i>Subsidiaries without Public Accountability: Disclosures</i> <sup>3</sup>
Amendments to IFRS 9 and IFRS 7	<i>Amendments to the Classification and Measurement of Financial Instruments</i> <sup>4</sup>
Annual Improvements to IFRS Accounting Standards — Volume 11	<i>Amendments to:</i> IFRS 1 <i>First-time Adoption of International Financial Reporting Standards</i> IFRS 7 <i>Financial Instruments: Disclosures Guidance on Implementing IFRS 7 Financial Instruments: Disclosures</i> IFRS 9 <i>Financial Instruments</i> IFRS 10 <i>Consolidated Financial Statements</i> IAS 7 <i>Statement of Cash Flows</i> <sup>4</sup>

<sup>1</sup> No mandatory effective date yet determined but available for adoption

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2025

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2027

<sup>4</sup> Effective for annual periods beginning on or after 1 January 2026

The application of IFRS 18 has no impact on the consolidated statements of financial position of the Group, but has impact on presentation of the consolidated statements of profit or loss. Except for the IFRS 18, the directors of the Company anticipate that the application of these amendments to IFRSs will have no material impact on the Group's financial performance and financial position in foreseeable future.

### 2.4 MATERIAL ACCOUNTING POLICIES

#### Fair value measurement

The Group measures its financial products at fair value through profit or loss and convertible redeemable preferred shares at fair value at the end of each of the Relevant Periods. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the Historical Financial Information are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly
- Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the Historical Financial Information on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each of the Relevant Periods.

#### **Impairment of non-financial assets**

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, deferred tax assets and financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. 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. An impairment loss is charged to profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each of the Relevant Periods as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to profit or loss in the period in which it arises.

#### **Related parties**

A party is considered to be related to the Group if:

- (a) the party is a person or a close member of that person's family and that person
  - (i) has control or joint control over the Group;
  - (ii) has significant influence over the Group; or
  - (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

- (b) the party is an entity where any of the following conditions applies:
  - (i) the entity and the Group are members of the same group;
  - (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
  - (iii) the entity and the Group are joint ventures of the same third party;

- (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
- (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group; and the sponsoring employers of the post-employment benefit plan;
- (vi) the entity is controlled or jointly controlled by a person identified in (a);
- (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and
- (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

### Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalized in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation of property, plant and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives as follows:

Category	Estimated useful lives
Electronic equipment	3 years
Mold equipment	3 years
Furniture	2 to 5 years
Transportation equipment	4 years
Leasehold improvements	Over the shorter of lease terms and estimated useful lives

Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at the end of each of the Relevant Periods.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

### Intangible assets (other than goodwill)

Intangible assets mainly include licensed intellectual property ("IP"), sponsorship and software. They are initially recognised and measured at cost. Intangible assets with finite lives are subsequently amortised when ready for use and on the straight-line basis over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired.

#### *Licensed intellectual property ("Licensed IP")*

License rights are stated at historical cost less accumulated amortisation and accumulated impairment losses. The historical costs of license rights are measured at the present values of the fixed minimum payments at the date of purchase of the respective license rights. Variable consideration in relation to license rights that depend on sales or production is recognised in profit or loss in the period in which the condition that triggers those payments occurs.

The useful lives of items of the licensed IP are determined based on shorter of the expected lifecycle of the items of IP, and the contractual term of the respective license agreements, during which such assets can bring economic benefits to the Group.

#### *Amortisation methods and periods*

The Group amortises intangible assets with a limited useful life using the straight-line method over the following periods:

Category	Estimated useful lives
Licensed IP	1 to 3 years
Sponsorship	2 years
Software	3 to 10 years

#### **Research and development expenses**

All research costs are charged to the statements of profit or loss as incurred. Expenditure incurred on projects to develop new products is capitalised and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Product development expenditure which does not meet these criteria is expensed when incurred.

#### **Leases**

The Group assesses at contract inception whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

#### *Group as a lessee*

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

##### *(a) Right-of-use assets*

Right-of-use assets are recognised at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets as follows:

Properties	1 to 3 years
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If ownership of the leased asset transfers to the Group by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

##### *(b) Lease liabilities*

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate the lease. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (e.g., a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

*(c) Short-term leases and leases of low-value assets*

The Group applies the short-term lease recognition exemption to its short-term leases of office premises (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the recognition exemption for leases of low-value assets to leases that are considered to be of low value.

Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

***Group as a lessor***

When the Group acts as a lessor, it classifies at lease inception (or when there is a lease modification) each of its leases as either an operating lease or a finance lease.

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. Rental income is accounted for on a straight-line basis over the lease terms and is included in other income in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Leases that transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee are accounted for as finance leases.

When the Group is an intermediate lessor, a sublease is classified as a finance lease or operating lease with reference to the right-of-use asset arising from the head lease. If the head lease is a short-term lease to which the Group applies the on-balance sheet recognition exemption, the Group classifies the sublease as an operating lease.

**Investments and other financial assets**

***Initial recognition and measurement***

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income, and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15 in accordance with the policies set out for "Revenue recognition" below.

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.



The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

Purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset.

#### ***Subsequent measurement***

The subsequent measurement of financial assets depends on their classification as follows:

##### *Financial assets at amortised cost (debt instruments)*

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in the statements of profit or loss when the asset is derecognised, modified or impaired.

##### *Financial assets at fair value through profit or loss*

Financial assets at fair value through profit or loss are carried in the statements of financial position at fair value with net changes in fair value recognised in the statements of profit or loss.

#### **Derecognition of financial assets**

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statements of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

#### **Impairment of financial assets**

The Group recognises an allowance for expected credit losses ("ECLs") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

***General approach***

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, 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 and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information.

The Group may consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables and contract assets which apply the simplified approach as detailed below.

- Stage 1 – Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs
- Stage 2 – Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs
- Stage 3 – Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

***Simplified approach***

For trade receivables that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward looking factors specific to the debtors and the economic environment.

**Financial liabilities*****Initial recognition and measurement***

Financial liabilities are classified, at initial recognition, as convertible redeemable preferred shares, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and notes payables, other payables and accruals, amounts due to related parties, convertible redeemable preferred shares and interest-bearing bank borrowings.

***Subsequent measurement***

The subsequent measurement of financial liabilities depends on their classification as follows:

***Financial liabilities at amortised cost (trade and other payables, and borrowings)***

After initial recognition, trade and other payables, and interest-bearing borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the statements of profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the statements of profit or loss.

**Financial liabilities at fair value through profit or loss**

Financial liabilities at fair value through profit or loss include financial liabilities designated upon initial recognition as at fair value through profit or loss. The convertible redeemable preferred shares issued by the Company were designated upon initial recognition at fair value through profit or loss. They are initially recognised at fair value. Any directly attributable transaction costs are recognised as finance costs in profit or loss. Gains or losses on the convertible redeemable preferred shares are recognised in the statements of profit or loss, except for the gains or losses arising from the Company's own credit risk which are presented in other comprehensive income with no subsequent reclassification to the statements of profit or loss. The net fair value gain or loss recognised in the statements of profit or loss does not include any interest charged on these financial liabilities.

**Derecognition of financial liabilities**

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in profit or loss.

**Inventories**

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average cost basis. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

**Cash and cash equivalents**

For the purpose of the consolidated statements of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statements of financial position, cash and cash equivalents comprise cash on hand and at banks, including short-term deposits, and assets similar in nature to cash, which are not restricted as to use.

**Provisions**

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of Relevant Periods and the six months ended 30 June 2023 of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the statements of profit or loss.

#### Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of Relevant Periods and the six months ended 30 June 2023, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of Relevant Periods and the six months ended 30 June 2023 between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences; and
- in respect of taxable temporary differences associated with investments in subsidiaries, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, and the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences; and
- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each of the Relevant Periods and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each of the Relevant Periods and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the end of Relevant Periods and the six months ended 30 June 2023.

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

**Government grants**

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, for which it is intended to compensate, are expensed.

**Revenue recognition*****Revenue from contracts with customers***

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

When the contract contains a financing component which provides the customer with a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. When the contract contains a financing component which provides the Group with a significant financial benefit for more than one year, revenue recognised under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in IFRS 15.

***(a) Sale of goods***

Revenue from the sale of goods is recognised at the point in time when control of the assets is transferred to the customer, generally on receipt of the goods by customer or upon the confirmation from customer. For consignment sales, the consignment sales partners obtain goods from the Group at the same time when they complete the sales transaction with end-customers. Revenue is recognised upon sales to end-consumers from consignment sales partners.

***(b) Rights of return***

For contracts which provide a customer with a right to return the goods within a specified period, the expected value method is used to estimate the goods that will not be returned because this method best predicts the amount of variable consideration to which the Group will be entitled. The requirements in IFRS 15 on constraining estimates of variable consideration are applied in order to determine the amount of variable consideration that can be included in the transaction price. For goods that are expected to be returned, instead of revenue, a liability is recognised. A right-of-return asset (and the corresponding adjustment to cost of sales) is also recognised for the right to recover products from a customer.

***(c) Variable consideration: volume-based rebates***

Retrospective volume rebates may be provided to certain customers once the quantity of products purchased during the period exceeds a threshold specified in the contract. Rebates are offset against the amounts payable by the customer. To estimate the variable consideration for the expected future rebates, the most likely amount method is used for contracts with a single-volume threshold. The selected method that best predicts the amount of variable consideration is primarily driven by the number of volume thresholds contained in the contract. The requirements on constraining estimates of variable consideration are applied and a liability for the expected future rebates is recognised.

(d) *Customer loyalty programme*

The Group operates a loyalty programme where retail and online customers accumulate points for purchases made which entitle them to discounts on future purchases. A contract liability for the award points is recognised at the time of the sale. Revenue from the award points is recognised when the points are redeemed or expired.

***Revenue from other sources***

Other non-toy revenue associated with our self-developed IPs is recognized when the customer simultaneously receives and consumes the benefits provided by the Group.

**Other income**

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

**Contract liabilities**

A contract liability is recognised when a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

**Other employee benefits**

***Pension scheme***

The employees of the Group's subsidiaries which operate in Chinese Mainland are required to participate in a central pension scheme operated by the local municipal government. The subsidiaries operating in Chinese Mainland are required to contribute a certain percentage of their payroll costs to the central pension scheme. The contributions are charged to profit or loss as they become payable in accordance with the rules of the central pension scheme.

***Housing fund and other social insurances***

The Group has participated in defined social security contribution schemes for its employees pursuant to the relevant laws and regulations of the PRC. These include housing fund, basic medical insurance, unemployment insurance, injury insurance and maternity insurance. The Group makes monthly contributions to the housing fund and other social insurances. The contributions are charged to profit or loss on an accrual basis. The Group has no further obligations beyond the contributions made.

**Borrowing costs**

All borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

**Share-based payments**

The Company operates a share award scheme. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees (including directors) and consultants render services in exchange for equity instruments ("equity-settled transactions"). The cost of equity-settled transactions with employees is measured by reference to the fair values of the Group's shares at the grant date, further details of which are given in note 32 to the Historical Financial Information.

The cost of equity-settled transactions is recognised in employee benefit expense or the expenses for the services provided by the consultants, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of each of the Relevant Periods and the six months ended 30 June 2023 until the vesting date

reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognised. Where awards include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

#### **Foreign currencies**

The Historical Financial Information is presented in RMB, which is different from the Company's functional currency, the USD. As the major assets of the Group are derived from operations in Chinese Mainland, RMB is chosen as the presentation currency to present the Historical Financial Information. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the each of the Relevant Periods and the six months ended 30 June 2023. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

The functional currencies of certain overseas subsidiaries are currencies other than RMB. As at the end of the reporting period, the assets and liabilities of these entities are translated into RMB at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss are translated into RMB at the exchange rates that approximate to those prevailing at the dates of the transactions.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve, except to the extent that the differences are attributable to non-controlling interests. On disposal of a foreign operation, the cumulative amount in the reserve relating to that particular foreign operation is recognised in profit or loss.

### 3. SIGNIFICANT ACCOUNTING JUDGEMENT AND ESTIMATES

The preparation of the Group's Historical Financial Information requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

#### **Estimation uncertainty**

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of each of the Relevant Periods, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

#### *Fair values of convertible redeemable preferred shares*

The fair values of the convertible redeemable preferred shares measured at fair value through profit or loss are determined using the valuation techniques, including the discounted cash flow method and the option-pricing method. Such valuation is based on key parameters about risk-free rate, discounts for lack of marketability ("DLOM") and volatility, which are subject to uncertainty and might materially differ from the actual results. The fair values of convertible redeemable preferred shares at the end of each of the Relevant Periods were RMB1,382,853,000, RMB1,573,884,000, RMB1,848,016,000 and RMB1,822,049,000, respectively. Further details are included in note 29 to the Historical Financial Information.

#### *Leases — Estimating the incremental borrowing rate*

The Group cannot readily determine the interest rate implicit in a lease, and therefore, it uses an incremental borrowing rate ("IBR") to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group "would have to pay", which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when it needs to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

#### *Deferred tax assets*

Deferred tax assets are recognised for unused tax losses and deductible temporary differences to the extent that it is probable that taxable profit will be available against which the losses and deductible temporary difference can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. Further details are included in note 19 to the Historical Financial Information.

#### *Variable consideration for volume rebates*

The Group estimates variable consideration to be included in the transaction price for the sale of products with volume rebates.

The Group's expected volume rebates are analysed on a per customer basis for contracts that are subject to the volume threshold. Determining whether a customer will likely be entitled to a rebate depends on the customer's historical rebate entitlement and accumulated purchases to date.

The Group updates its assessment of expected volume rebates accordingly. Estimates of expected volume rebates are sensitive to changes in circumstances and the Group's past experience regarding rebate entitlements may not be representative of actual rebate entitlements in the future.



*Provision for expected credit losses of trade and notes receivables*

The Group uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by geography, product type, customer type and rating).

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions are expected to deteriorate over the next year which can lead to an increased number of defaults, the historical default rates are adjusted. At the end of each of the Relevant Periods, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The historical credit loss experience and forecast of economic conditions may also not be representative of a customer's actual default in the future. The information about the ECLs on the Group's trade and notes receivables is disclosed in Note 21 to the Historical Financial Information.

**4. OPERATING SEGMENT INFORMATION**

Management has determined the operating segments based on the reports reviewed by the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segment, has been identified as the executive directors of the Company. During the Relevant Periods and the six months ended 30 June 2023, the Group was principally engaged in the design, development and sales of toys products. Management reviews the operating results of the Group's business as one operating segment for the purpose of making decisions about resource allocation and performance assessment. Therefore, the chief operating decision maker of the Company regards that there is only one segment which is used to make strategic decisions.

**Geographical information**

No geographical information is presented as the Group's revenue from the external customers is mainly derived from its operations in Chinese Mainland and no non-current assets of the Group are located outside Chinese Mainland.

**Information about major customers**

Revenue of approximately RMB40,195,000 was derived from sales to a single customer, accounting for approximately 12.2% of the total revenue for the year ended 31 December 2021. Other than this customer, no revenue from sales to a single customer or a group of customers under common control accounted for 10.0% or more of the Group's revenue for each of the Relevant Periods and the six months ended 30 June 2023.

## 5. REVENUE

Revenue primarily represents income from sales of toys during the Relevant Periods and the six months ended 30 June 2023.

An analysis of revenue is as follows:

	Year ended 31 December			Six months ended 30 June	
	2021	2022	2023	2023	2024
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
				<i>(unaudited)</i>	
<b>Revenue from contracts with customers</b>					
Offline sales	150,706	189,912	769,071	257,558	971,431
Distribution sales*	112,837	157,004	732,700	238,111	957,859
Consignment sales	37,869	32,908	36,371	19,447	13,572
Online sales	170,957	134,412	106,249	51,946	74,616
Others	8,109	1,250	1,366	435	156
	<u>329,772</u>	<u>325,574</u>	<u>876,686</u>	<u>309,939</u>	<u>1,046,203</u>

\* Distribution sales primarily include sales transactions to distributors.

The Group derives revenues at a point in time:

	Year ended 31 December			Six months ended 30 June	
	2021	2022	2023	2023	2024
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
				<i>(unaudited)</i>	
<b>Timing of revenue recognition</b>					
Revenue recognised at a point in time	<u>329,772</u>	<u>325,574</u>	<u>876,686</u>	<u>309,939</u>	<u>1,046,203</u>

The following table shows the amounts of revenue recognised in the Relevant Periods and the six months ended 30 June 2023 that were included in the contract liabilities at the beginning of each of the Relevant Periods and the six months ended 30 June 2023:

	Year ended 31 December			Six months ended 30 June	
	2021	2022	2023	2023	2024
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
				<i>(unaudited)</i>	
<b>Revenue recognised that was included in contract liabilities at the beginning of the reporting period:</b>					
Sale of goods	<u>26,046</u>	<u>29,569</u>	<u>30,629</u>	<u>19,797</u>	<u>54,655</u>

Performance obligations:

The performance obligation of the sale of goods is recognised at the point in time when control of the assets is transferred to the customer, generally on receipt of the goods by customer or upon the confirmation from customer and payment in advance is normally required, except for customers with credit terms where payment is generally due within 1 to 3 months.

#### 6. OTHER INCOME, OTHER GAINS AND LOSSES, NET

	Year ended 31 December			Six months ended 30 June	
	2021	2022	2023	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				<i>(unaudited)</i>	
Other income					
Bank interest income	2,233	4,911	3,864	900	3,020
Government grants (i)	365	5,644	1,379	752	210
Others	336	164	662	414	233
	<u>2,934</u>	<u>10,719</u>	<u>5,905</u>	<u>2,066</u>	<u>3,463</u>
Other gains and losses, net					
Fair value changes of cash management products	6,680	1,695	27	14	2
Gain/(loss) on disposal of items of property, plant and equipment	(107)	2	(22)	3	270
Others	–	–	77	416	170
	<u>6,573</u>	<u>1,697</u>	<u>82</u>	<u>433</u>	<u>442</u>
	<u>9,507</u>	<u>12,416</u>	<u>5,987</u>	<u>2,499</u>	<u>3,905</u>

(i) The government grants have been received from the PRC local government authorities to support certain subsidiaries' operating activities. There are no unfulfilled eligibility requirements and conditions relating to these government grants.

#### 7. OTHER EXPENSES

	Year ended 31 December			Six months ended 30 June	
	2021	2022	2023	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				<i>(unaudited)</i>	
Impairment of mold equipment	20,634	6,159	–	–	–
Donation (i)	–	11,553	–	–	–
Others	304	184	695	221	1,241
	<u>20,938</u>	<u>17,896</u>	<u>695</u>	<u>221</u>	<u>1,241</u>

(i) For the year ended 31 December 2022, the Group donated certain toy products of RMB11,553,000, including value-added tax and freight charges, to support the China Employee Development Foundation (中國職工發展基金會).

## 8. FINANCE COSTS

An analysis of finance costs is as follows:

	Year ended 31 December			Six months ended 30 June	
	2021	2022	2023	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Interest on lease liabilities	2,323	1,564	600	386	891
Borrowings costs	–	10	1,054	937	–
	<u>2,323</u>	<u>1,574</u>	<u>1,654</u>	<u>1,323</u>	<u>891</u>

## 9. LOSS BEFORE TAX

The Group's loss before tax is arrived at after charging/(crediting):

	Notes	Year ended 31 December			Six months ended 30 June	
		2021	2022	2023	2023	2024
		RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Cost of inventories sold (i)		206,371	202,155	461,764	173,731	492,467
Marketing and promotion expenses		272,518	120,180	73,706	32,427	48,037
Depreciation of property, plant and equipment	15	14,106	10,488	13,837	6,151	12,333
Impairment of property, plant and equipment	15	20,634	6,159	–	–	–
Depreciation of right-of-use assets	16(a)	21,304	22,060	21,237	10,715	10,074
Amortisation of intangible assets	17	3,252	6,329	9,618	5,399	14,854
Impairment of inventories		2,474	5,752	152	–	430
Lease payments not included in the measurement of lease liabilities		2,278	483	1,173	546	402
Impairment losses recognised/(reversal of impairment losses) on trade and notes receivables, net	21	(149)	(197)	871	59	58
Government grants	6	(365)	(5,644)	(1,379)	(752)	(210)
Donation	7	–	11,553	–	–	–
Employee benefit expense (including directors' and chief executive's remuneration as set out in note 10):						
Wages and salaries		108,558	113,761	113,717	57,543	86,008
Social welfare		941	767	2,026	664	1,269
Pension scheme contributions		25,344	30,278	30,017	14,680	19,421
Share-based payment expenses		6,863	6,337	6,231	3,071	374,670
		<u>141,706</u>	<u>151,143</u>	<u>151,991</u>	<u>75,958</u>	<u>481,368</u>

Notes	Year ended 31 December			Six months ended 30 June	
	2021	2022	2023	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
Foreign exchange differences, net	63	(108)	143	(339)	762
Fair value changes on convertible redeemable preferred shares	29	144,201	191,031	274,132	188,611
Fair value changes of cash management products	6	(6,680)	(1,695)	(27)	(14)
(Gain)/loss on disposal of items of property, plant and equipment	6	107	(2)	22	(3)
Listing expenses		–	–	–	–
					15,355

- (i) Cost of inventories sold include expenses relating to depreciation of mold equipment and amortisation of licensed IP, which are also included in the respective total amounts disclosed separately in depreciation of property, plant and equipment and amortisation of intangible assets above.

#### 10. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

Directors' and chief executive's remuneration for the Relevant Periods and the six months ended 30 June 2023 are as follows:

	Year ended 31 December			Six months ended 30 June	
	2021	2022	2023	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
Fees:					
Directors	–	–	–	–	–
Other emoluments:					
Salaries, bonuses, allowances and benefits in kind	1,100	1,464	2,239	1,103	1,107
Pension scheme contributions	175	238	305	148	134
Share-based payment expenses	–	–	–	–	361,615
Subtotal	1,275	1,702	2,544	1,251	362,856
Total	1,275	1,702	2,544	1,251	362,856

**(a) Independent non-executive directors**

The fees paid to independent non-executive directors during the Relevant Periods and the six months ended 30 June 2023 were as follows:

	Year ended 31 December			Six months ended 30 June	
	2021	2022	2023	2023	2024
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i> <i>(unaudited)</i>	<i>RMB'000</i>
Mr. Gao Pingyang	–	–	–	–	–
Ms. Huang Rong	–	–	–	–	–
Mr. Shang Jian	–	–	–	–	–
Total	–	–	–	–	–

Mr. Gao Pingyang, Ms. Huang Rong and Mr. Shang Jian were appointed as independent non-executive directors on 9 May 2024.

There were no fees and other emoluments payables to the independent non-executive directors during the Relevant Periods.

**(b) Executive directors, non-executive directors and the chief executive**

Year ended 31 December 2021

	Salaries, bonuses, allowances and benefits in kind	Pension scheme contributions	Share-based payment expenses	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Chief executive and executive director: Mr. Zhu Weisong	267	68	–	335
Executive director: Mr. Sheng Xiaofeng	833	107	–	940
Non-executive director: Mr. Chang Kaisi	–	–	–	–
Total	1,100	175	–	1,275

Year ended 31 December 2022

	<b>Salaries, bonuses, allowances and benefits in kind</b>	<b>Pension scheme contributions</b>	<b>Share-based payment expenses</b>	<b>Total</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Chief executive and executive director:				
Mr. Zhu Weisong	267	68	–	335
Executive directors:				
Mr. Sheng Xiaofeng	783	112	–	895
Mr. Huang Zheng (i)	414	58	–	472
Non-executive directors:				
Mr. Chang Kaisi	–	–	–	–
Mr. Shao Zhenxing (ii)	–	–	–	–
Mr. Huang Xin (iii)	–	–	–	–
Total	<u>1,464</u>	<u>238</u>	<u>–</u>	<u>1,702</u>

Year ended 31 December 2023

	<b>Salaries, bonuses, allowances and benefits in kind</b>	<b>Pension scheme contributions</b>	<b>Share-based payment expenses</b>	<b>Total</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Chief executive and executive director:				
Mr. Zhu Weisong	267	67	–	334
Executive directors:				
Mr. Sheng Xiaofeng	1,010	119	–	1,129
Mr. Huang Zheng (i)	962	119	–	1,081
Non-executive directors:				
Mr. Chang Kaisi	–	–	–	–
Mr. Shao Zhenxing (ii)	–	–	–	–
Mr. Huang Xin (iii)	–	–	–	–
Mr. Chen Rui (iv)	–	–	–	–
Total	<u>2,239</u>	<u>305</u>	<u>–</u>	<u>2,544</u>

Six months ended 30 June 2023

	<b>Salaries, bonuses, allowances and benefits in kind</b>	<b>Pension scheme contributions</b>	<b>Share-based payment expenses</b>	<b>Total</b>
	<i>RMB'000</i> <i>(unaudited)</i>	<i>RMB'000</i> <i>(unaudited)</i>	<i>RMB'000</i> <i>(unaudited)</i>	<i>RMB'000</i> <i>(unaudited)</i>
Chief executive and executive director:				
Mr. Zhu Weisong	133	34	–	167
Executive directors:				
Mr. Sheng Xiaofeng	504	57	–	561
Mr. Huang Zheng (i)	466	57	–	523
Non-executive directors:				
Mr. Chang Kaisi	–	–	–	–
Mr. Shao Zhenxing (ii)	–	–	–	–
Mr. Huang Xin (iii)	–	–	–	–
Total	<u>1,103</u>	<u>148</u>	<u>–</u>	<u>1,251</u>

Six months ended 30 June 2024

	<b>Salaries, bonuses, allowances and benefits in kind</b>	<b>Pension scheme contributions</b>	<b>Share-based payment expenses</b>	<b>Total</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Chief executive and executive director:				
Mr. Zhu Weisong	133	33	359,308*	359,474
Executive directors:				
Mr. Sheng Xiaofeng	638	61	2,038	2,737
Mr. Huang Zheng (i)	336	40	269	645
Non-executive directors:				
Mr. Chang Kaisi	–	–	–	–
Mr. Huang Xin (iii)	–	–	–	–
Mr. Chen Rui (iv)	–	–	–	–
Total	<u>1,107</u>	<u>134</u>	<u>361,615</u>	<u>362,856</u>



- (i) Mr. Huang Zheng was appointed as executive director of the Company on 25 July 2022 and resigned on 9 May 2024.
- (ii) Mr. Shao Zhenxing was appointed as non-executive director on 25 July 2022 and resigned on 27 December 2023.
- (iii) Mr. Huang Xin was appointed as non-executive director on 25 July 2022 and resigned on 11 April 2024.
- (iv) Mr. Chen Rui was appointed as non-executive director on 27 December 2023.
- \* Certain share options were granted to the chief executive and executive directors of the Group under a share incentive scheme, in respect of their services to the Group. Further details of which are included in the disclosures in Note 32.

There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the Relevant Periods and the six months ended 30 June 2023.

#### 11. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year ended 31 December 2021, 2022 and 2023 and the six months ended 30 June 2023 and 2024 included nil, nil, nil, nil and two of the then directors including the chief executive, respectively, details of whose remuneration are set out in note 10 above.

Details of the remuneration of the remaining five, five, five, five and three highest paid employees who are neither a director nor chief executive of the Company for the year ended 31 December 2021, 2022 and 2023 and the six months ended 30 June 2023 and 2024 are as follows:

	Year ended 31 December			Six months ended 30 June	
	2021	2022	2023	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				<i>(unaudited)</i>	
Salaries, bonuses, allowances and benefits in kind	3,215	3,439	10,633	2,581	1,669
Pension scheme contributions	513	550	540	273	182
Share-based payment expenses	4,341	4,341	3,693	2,132	3,418
Total	<u>8,069</u>	<u>8,330</u>	<u>14,866</u>	<u>4,986</u>	<u>5,269</u>

The number of non-director and non-chief executive highest paid employees whose remuneration fell within the following bands is as follows:

	Year ended 31 December			Six months ended 30 June	
	2021	2022	2023	2023	2024
				<i>(unaudited)</i>	
Nil to HK\$1,000,000	–	–	–	2	–
HK\$1,000,001 to HK\$2,000,000	3	3	–	3	1
HK\$2,000,001 to HK\$3,000,000	1	1	2	–	2
HK\$3,000,001 to HK\$4,000,000	1	1	2	–	–
HK\$4,000,001 to HK\$5,000,000	–	–	1	–	–
Total	<u>5</u>	<u>5</u>	<u>5</u>	<u>5</u>	<u>3</u>

Certain non-director and non-chief executive highest paid employees were granted shares under a share incentive scheme, in respect of their services to the Group, further details of which are included in the disclosures in Note 32. The fair value of such shares, which has been recognized in profit or loss over the vesting period, was determined as at the date of grant and the amounts included in the Historical Financial Information for the Relevant Periods and the six months ended 30 June 2023 are included in the above non-director and non-chief executive highest paid employees' remuneration disclosures.

## 12. INCOME TAX EXPENSE

The Group is subject to income tax on an entity basis on profits arising in or derived from the tax jurisdictions in which members of the Group are domiciled and operate.

### Chinese Mainland

PRC corporate income tax has been provided at the rate of 25% on the taxable profits of the Group's PRC subsidiaries during the Relevant Periods and the six months ended 30 June 2023.

One of the Group's PRC subsidiaries, Shanghai Bloks Bricks Technology Co., Ltd. was accredited as a "High and New Technology Enterprise" under the relevant tax rules and regulations in November 2021, and accordingly, was entitled to a reduced preferential CIT rate of 15% during the Relevant Periods and the six months ended 30 June 2023. This qualification is subject to review by the relevant tax authority in the PRC for every three years.

### USA

The subsidiary incorporated in the USA is subject to statutory United States federal corporate income tax at a rate of 21%.

### Hong Kong

The subsidiary incorporated in Hong Kong is subject to Hong Kong profits tax at the statutory rate of 16.5% on any estimated assessable profits arising in Hong Kong during the Relevant Periods and the six months ended 30 June 2023, except for two subsidiaries of the Group which are a qualifying entity under the two-tiered profits tax rates regime. The first HK\$2,000,000 of assessable profits of this subsidiary are taxed at 8.25% and the remaining assessable profits are taxed at 16.5%.

### Cayman Islands

Under the current laws of the Cayman Islands, the Company is not subject to tax on income or capital gains. In addition, upon payments of dividends by the Company to its shareholders, no withholding tax is imposed on the Company in the Cayman Islands.

The income tax expense of the Group for the Relevant Periods and the six months ended 30 June 2023 is analysed as follows:

	Year ended 31 December			Six months ended 30 June	
	2021	2022	2023	2023	2024
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Current tax	5	5	154	105	9,190
Deferred tax	(56,986)	(34,071)	17,488	423	42,945
	(56,981)	(34,066)	17,642	528	52,135

A reconciliation of tax expense applicable to loss before tax at the statutory rate for the jurisdictions in which the Company and its subsidiaries are domiciled to the income tax expense at the effective income tax rate for each of the Relevant Periods and the six months ended 30 June 2023 is as follows:

	Year ended 31 December			Six months ended 30 June	
	2021	2022	2023	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Loss before tax	(563,834)	(456,771)	(189,839)	(202,260)	(202,756)
Tax at statutory tax rate of 25%	(140,959)	(114,193)	(47,459)	(50,565)	(50,689)
Impact of different tax rate	107	585	215	178	4,261
Effect of tax concessions	28,204	16,959	(16,197)	(2,593)	(35,486)
Expenses not deductible for tax	2,205	2,350	1,969	973	93,385
Tax losses utilised from previous years	(2)	(49)	(90)	(15)	(78)
Tax losses not recognised	53,464	60,282	79,204	52,550	40,742
Tax (credit)/charge for the year/period	<u>(56,981)</u>	<u>(34,066)</u>	<u>17,642</u>	<u>528</u>	<u>52,135</u>

### 13. DIVIDENDS

No dividends have been paid or declared by the Company since its date of incorporation.

### 14. LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic loss per share amount is based on the loss attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 151,985,664, 148,844,005, 148,844,005, 148,844,005 and 148,844,005 in issue during the Relevant Periods and the six months ended 30 June 2023, after taking into account the retrospective adjustment of Reorganization as disclosed in Note 28, redemption rights granted to capital swap as disclosed in Note 29 and share capital in Note 30.

#### Loss per share

	Year ended 31 December			Six months ended 30 June	
	2021	2022	2023	2023	2024
				(unaudited)	
<b>Loss</b>					
Loss attributable to ordinary equity holders of the parent (RMB'000)	(502,594)	(419,886)	(206,100)	(201,866)	(257,894)
<b>Shares</b>					
Weighted average number of ordinary shares in issue during the year/period used in the basic loss per share calculation ('000)	151,986	148,844	148,844	148,844	148,844
Basic loss per share (RMB)	<u>(3.31)</u>	<u>(2.82)</u>	<u>(1.38)</u>	<u>(1.36)</u>	<u>(1.73)</u>

No adjustment has been made to the basic loss per share amounts presented for the Relevant Periods and the six months ended 30 June 2023 in respect of a dilution as the impact of convertible redeemable preferred shares and equity-settled share-based payment had an anti-dilutive effect on the basic loss per share amounts presented.

#### 15. PROPERTY, PLANT AND EQUIPMENT

	<b>Electronic equipment</b>	<b>Mold equipment</b>	<b>Furniture</b>	<b>Transportation equipment</b>	<b>Leasehold improvements</b>	<b>Total</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>31 December 2021</b>						
At 1 January 2021:						
Cost	9,223	23,320	5,162	2,015	19,570	59,290
Accumulated depreciation and impairment	(7,934)	(4,782)	(4,012)	(1,728)	(18,612)	(37,068)
Net carrying amount	<u>1,289</u>	<u>18,538</u>	<u>1,150</u>	<u>287</u>	<u>958</u>	<u>22,222</u>
At 1 January 2021, net of accumulated depreciation						
	1,289	18,538	1,150	287	958	22,222
Additions	2,170	21,680	2	–	–	23,852
Disposals	(180)	(8)	–	–	–	(188)
Depreciation provided during the year	(724)	(11,883)	(729)	(140)	(630)	(14,106)
Impairment	–	(20,634)	–	–	–	(20,634)
At 31 December 2021, net of accumulated depreciation and impairment	<u>2,555</u>	<u>7,693</u>	<u>423</u>	<u>147</u>	<u>328</u>	<u>11,146</u>
At 31 December 2021:						
Cost	7,946	44,903	5,164	2,015	19,570	79,598
Accumulated depreciation	(5,391)	(16,576)	(4,741)	(1,868)	(19,242)	(47,818)
Impairment	–	(20,634)	–	–	–	(20,634)
Net carrying amount	<u>2,555</u>	<u>7,693</u>	<u>423</u>	<u>147</u>	<u>328</u>	<u>11,146</u>
<b>31 December 2022</b>						
At 1 January 2022:						
Cost	7,946	44,903	5,164	2,015	19,570	79,598
Accumulated depreciation	(5,391)	(16,576)	(4,741)	(1,868)	(19,242)	(47,818)
Impairment	–	(20,634)	–	–	–	(20,634)
Net carrying amount	<u>2,555</u>	<u>7,693</u>	<u>423</u>	<u>147</u>	<u>328</u>	<u>11,146</u>

	Electronic equipment	Mold equipment	Furniture	Transportation equipment	Leasehold improvements	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>
At 1 January 2022, net of accumulated depreciation	2,555	7,693	423	147	328	11,146
Additions	1,048	27,305	24	–	40	28,417
Disposals	(20)	(111)	–	–	–	(131)
Depreciation provided during the year	(1,163)	(8,955)	(135)	(47)	(188)	(10,488)
Impairment	–	(6,159)	–	–	–	(6,159)
At 31 December 2022, net of accumulated depreciation and impairment	<u>2,420</u>	<u>19,773</u>	<u>312</u>	<u>100</u>	<u>180</u>	<u>22,785</u>
At 31 December 2022:						
Cost	8,907	72,098	5,188	2,015	19,610	107,818
Accumulated depreciation	(6,487)	(25,532)	(4,876)	(1,915)	(19,430)	(58,240)
Impairment	–	(26,793)	–	–	–	(26,793)
Net carrying amount	<u>2,420</u>	<u>19,773</u>	<u>312</u>	<u>100</u>	<u>180</u>	<u>22,785</u>
<b>31 December 2023</b>						
At 1 January 2023:						
Cost	8,907	72,098	5,188	2,015	19,610	107,818
Accumulated depreciation	(6,487)	(25,532)	(4,876)	(1,915)	(19,430)	(58,240)
Impairment	–	(26,793)	–	–	–	(26,793)
Net carrying amount	<u>2,420</u>	<u>19,773</u>	<u>312</u>	<u>100</u>	<u>180</u>	<u>22,785</u>
At 1 January 2023, net of accumulated depreciation	2,420	19,773	312	100	180	22,785
Additions	937	37,850	3	–	–	38,790
Disposals	(66)	–	–	–	–	(66)
Depreciation provided during the year	(1,163)	(12,499)	(37)	–	(138)	(13,837)
At 31 December 2023, net of accumulated depreciation and impairment	<u>2,128</u>	<u>45,124</u>	<u>278</u>	<u>100</u>	<u>42</u>	<u>47,672</u>

	Electronic equipment	Mold equipment	Furniture	Transportation equipment	Leasehold improvements	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>
At 31 December 2023:						
Cost	9,050	109,948	5,191	2,015	19,610	145,814
Accumulated depreciation	(6,922)	(38,031)	(4,913)	(1,915)	(19,568)	(71,349)
Impairment	–	(26,793)	–	–	–	(26,793)
Net carrying amount	<u>2,128</u>	<u>45,124</u>	<u>278</u>	<u>100</u>	<u>42</u>	<u>47,672</u>
<b>30 June 2024</b>						
At 1 January 2024:						
Cost	9,050	109,948	5,191	2,015	19,610	145,814
Accumulated depreciation	(6,922)	(38,031)	(4,913)	(1,915)	(19,568)	(71,349)
Impairment	–	(26,793)	–	–	–	(26,793)
Net carrying amount	<u>2,128</u>	<u>45,124</u>	<u>278</u>	<u>100</u>	<u>42</u>	<u>47,672</u>
At 1 January 2024, net of accumulated depreciation						
	2,128	45,124	278	100	42	47,672
Additions	993	36,174	–	1,147	–	38,314
Disposals	(236)	–	–	(70)	(19)	(325)
Depreciation provided during the period	(578)	(11,671)	(16)	(45)	(23)	(12,333)
At 30 June 2024, net of accumulated depreciation and impairment	<u>2,307</u>	<u>69,627</u>	<u>262</u>	<u>1,132</u>	<u>–</u>	<u>73,328</u>
At 30 June 2024:						
Cost	8,797	146,122	5,191	1,772	19,555	181,437
Accumulated depreciation	(6,490)	(49,702)	(4,929)	(640)	(19,555)	(81,316)
Impairment	–	(26,793)	–	–	–	(26,793)
Net carrying amount	<u>2,307</u>	<u>69,627</u>	<u>262</u>	<u>1,132</u>	<u>–</u>	<u>73,328</u>

In the year ended 31 December 2021 and 2022, management identified certain molds no longer in use and assessed the recoverable value of those molds was zero, as such molds were for obsolete brick-based toys. Impairment of RMB20,634,000 and RMB6,159,000 has been provided in 2021 and 2022, respectively. Except above, the Group did not identify impairment indicator may exist during the Relevant Periods.

## 16. LEASES

## The Group as a lessee

The Group has lease contracts for items of office and warehouse properties used in its operations. Leases of the Group generally have lease terms between 1 and 3 years.

	As at 31 December			As at
	2021	2022	2023	30 June
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>2024</i>
				<i>RMB'000</i>
<b>Right-of-use assets</b>				
– Properties	44,146	27,238	58,442	49,357
<b>Lease liabilities</b>				
– Current	27,289	19,168	21,969	21,442
– Non-current	18,116	4,100	34,962	24,824
	45,405	23,268	56,931	46,266

(a) *Right-of-use assets*

The carrying amounts of the Group's right-of-use assets and the movements during the Relevant Periods are as follows:

	As at 31 December			As at
	2021	2022	2023	30 June
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>2024</i>
				<i>RMB'000</i>
At beginning of year/period	65,450	44,146	27,238	58,442
Addition	–	5,152	52,831	989
Disposal	–	–	(390)	–
Depreciation charge	(21,304)	(22,060)	(21,237)	(10,074)
At end of year/period	44,146	27,238	58,442	49,357

**(b) Lease liabilities**

The carrying amounts of the Group's lease liabilities and the movements during the Relevant Periods are as follows:

	As at 31 December			As at
	2021	2022	2023	30 June
	RMB'000	RMB'000	RMB'000	2024
Carrying amount at beginning of year/period	65,450	45,405	23,268	56,931
New leases	–	5,152	52,831	989
Disposals	–	–	(468)	–
Accretion of interest recognised during the year/period	2,323	1,564	600	891
Payments	(22,368)	(28,853)	(19,300)	(12,545)
Carrying amount at end of year/period	<u>45,405</u>	<u>23,268</u>	<u>56,931</u>	<u>46,266</u>
Analysed into:				
Current portion	27,289	19,168	21,969	21,442
Non-current portion	18,116	4,100	34,962	24,824
	<u>45,405</u>	<u>23,268</u>	<u>56,931</u>	<u>46,266</u>

**(c)** The amounts recognised in profit or loss in relation to leases are as follows:

	Year ended 31 December			Six months ended	
	2021	2022	2023	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Depreciation charge of right-of-use assets	21,304	22,060	21,237	10,715	10,074
Interest on lease liabilities	2,323	1,564	600	386	891
Expense relating to short-term leases not included in lease liabilities	2,278	483	1,173	546	402
Gain arising from early termination of leases	–	–	(77)	(77)	–
	<u>25,905</u>	<u>24,107</u>	<u>22,933</u>	<u>11,570</u>	<u>11,367</u>

**(d)** The total cash outflows for leases are disclosed in note 33(c) to the Historical Financial Information.



## 17. INTANGIBLE ASSETS

	<u>Licensed IP</u>	<u>Sponsorship</u>	<u>Software</u>	<u>Total</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>31 December 2021</b>				
At 1 January 2021:				
Cost	–	–	1,316	1,316
Accumulated amortisation	–	–	(1,065)	(1,065)
Net carrying amount	<u>–</u>	<u>–</u>	<u>251</u>	<u>251</u>
Cost at 1 January 2021, net of accumulated amortisation	–	–	251	251
Additions	5,475	2,358	–	7,833
Amortisation provided during the year	<u>(2,501)</u>	<u>(688)</u>	<u>(63)</u>	<u>(3,252)</u>
At 31 December 2021	<u>2,974</u>	<u>1,670</u>	<u>188</u>	<u>4,832</u>
At 31 December 2021:				
Cost	5,475	2,358	502	8,335
Accumulated amortisation	<u>(2,501)</u>	<u>(688)</u>	<u>(314)</u>	<u>(3,503)</u>
Net carrying amount	<u>2,974</u>	<u>1,670</u>	<u>188</u>	<u>4,832</u>
	<u>Licensed IP</u>	<u>Sponsorship</u>	<u>Software</u>	<u>Total</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>31 December 2022</b>				
At 1 January 2022:				
Cost	5,475	2,358	502	8,335
Accumulated amortisation	<u>(2,501)</u>	<u>(688)</u>	<u>(314)</u>	<u>(3,503)</u>
Net carrying amount	<u>2,974</u>	<u>1,670</u>	<u>188</u>	<u>4,832</u>
Cost at 1 January 2022, net of accumulated amortisation	2,974	1,670	188	4,832
Additions	5,513	–	303	5,816
Amortisation provided during the year	<u>(5,073)</u>	<u>(1,179)</u>	<u>(77)</u>	<u>(6,329)</u>
At 31 December 2022	<u>3,414</u>	<u>491</u>	<u>414</u>	<u>4,319</u>
At 31 December 2022:				
Cost	7,276	2,358	805	10,439
Accumulated amortisation	<u>(3,862)</u>	<u>(1,867)</u>	<u>(391)</u>	<u>(6,120)</u>
Net carrying amount	<u>3,414</u>	<u>491</u>	<u>414</u>	<u>4,319</u>

	<u>Licensed IP</u>	<u>Sponsorship</u>	<u>Software</u>	<u>Total</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>31 December 2023</b>				
At 1 January 2023:				
Cost	7,276	2,358	805	10,439
Accumulated amortisation	<u>(3,862)</u>	<u>(1,867)</u>	<u>(391)</u>	<u>(6,120)</u>
Net carrying amount	<u>3,414</u>	<u>491</u>	<u>414</u>	<u>4,319</u>
Cost at 1 January 2023, net of accumulated amortisation				
	3,414	491	414	4,319
Additions	11,072	–	–	11,072
Amortisation provided during the year	<u>(8,989)</u>	<u>(491)</u>	<u>(138)</u>	<u>(9,618)</u>
At 31 December 2023	<u>5,497</u>	<u>–</u>	<u>276</u>	<u>5,773</u>
At 31 December 2023:				
Cost	11,828	–	805	12,633
Accumulated amortisation	<u>(6,331)</u>	<u>–</u>	<u>(529)</u>	<u>(6,860)</u>
Net carrying amount	<u>5,497</u>	<u>–</u>	<u>276</u>	<u>5,773</u>
	<u>Licensed IP</u>	<u>Software</u>	<u>Total</u>	
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	
<b>30 June 2024</b>				
At 1 January 2024:				
Cost	11,828	805	12,633	
Accumulated amortisation	<u>(6,331)</u>	<u>(529)</u>	<u>(6,860)</u>	
Net carrying amount	<u>5,497</u>	<u>276</u>	<u>5,773</u>	
Cost at 1 January 2024, net of accumulated amortisation				
	5,497	276	5,773	
Additions	23,007	1,124	24,131	
Amortisation provided during the period	<u>(14,656)</u>	<u>(198)</u>	<u>(14,854)</u>	
At 30 June 2024	<u>13,848</u>	<u>1,202</u>	<u>15,050</u>	
At 30 June 2024:				
Cost	28,503	1,828	30,331	
Accumulated amortisation	<u>(14,655)</u>	<u>(626)</u>	<u>(15,281)</u>	
Net carrying amount	<u>13,848</u>	<u>1,202</u>	<u>15,050</u>	

## 18. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 31 December			As at
	2021	2022	2023	30 June
	RMB'000	RMB'000	RMB'000	2024
				RMB'000
Current				
– Cash management products	272,785	1,251	1,251	–

The cash management products were issued by banks in Chinese Mainland. They were mandatorily classified as financial assets at fair value through profit or loss as their contractual cash flows are not solely payments of principal and fixed interest.

## 19. DEFERRED TAX

The movements in deferred tax assets during the Relevant Periods are as follows:

	Impairment	Accruals	Losses available	Lease	Total
	of assets		for offsetting	liabilities	
	RMB'000	RMB'000	against future	RMB'000	RMB'000
			taxable profits		
At 1 January 2021	717	21,980	107,555	9,817	140,069
Deferred tax (charged)/credited to profit or loss during the year	3,066	(4,543)	58,932	(3,006)	54,449
Gross deferred tax assets at 31 December 2021	3,783	17,437	166,487	6,811	194,518
At 1 January 2022	3,783	17,437	166,487	6,811	194,518
Deferred tax (charged)/credited to profit or loss during the year	1,752	(2,500)	34,920	(3,321)	30,851
Gross deferred tax assets at 31 December 2022	5,535	14,937	201,407	3,490	225,369
At 1 January 2023	5,535	14,937	201,407	3,490	225,369
Deferred tax (charged)/credited to profit or loss during the year	83	3,594	(21,533)	5,049	(12,807)
Gross deferred tax assets at 31 December 2023	5,618	18,531	179,874	8,539	212,562

	<b>Impairment of assets</b>	<b>Accruals</b>	<b>Losses available for offsetting against future taxable profits</b>	<b>Lease liabilities</b>	<b>Total</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At 1 January 2024	5,618	18,531	179,874	8,539	212,562
Deferred tax (charged)/credited to profit or loss during the period	157	3,217	(46,081)	(1,601)	(44,308)
Gross deferred tax assets at 30 June 2024	<u>5,775</u>	<u>21,748</u>	<u>133,793</u>	<u>6,938</u>	<u>168,254</u>

The movements in deferred tax liabilities during the Relevant Periods are as follows:

	<b>Fair value adjustments of financial assets at fair value through profit or loss</b>	<b>Right-of-use assets</b>	<b>Total</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At 1 January 2021	26	9,817	9,843
Deferred tax charged/(credited) to profit or loss during the year	658	(3,195)	(2,537)
Gross deferred tax liabilities at 31 December 2021	<u>684</u>	<u>6,622</u>	<u>7,306</u>
At 1 January 2022	684	6,622	7,306
Deferred tax credited to profit or loss during the year	(684)	(2,536)	(3,220)
Gross deferred tax liabilities at 31 December 2022	<u>–</u>	<u>4,086</u>	<u>4,086</u>
At 1 January 2023	–	4,086	4,086
Deferred tax charged to profit or loss during the year	–	4,681	4,681
Gross deferred tax liabilities at 31 December 2023	<u>–</u>	<u>8,767</u>	<u>8,767</u>
At 1 January 2024	–	8,767	8,767
Deferred tax credited to profit or loss during the period	–	(1,363)	(1,363)
Gross deferred tax liabilities at 30 June 2024	<u>–</u>	<u>7,404</u>	<u>7,404</u>

For presentation purposes, certain deferred tax assets and liabilities have been offset in the statements of financial position. The following is an analysis of the deferred tax balances for financial reporting purposes:

	As at 31 December			As at
	2021	2022	2023	30 June
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	2024
Net deferred tax assets recognised in the consolidated statements of financial position	187,212	221,283	203,795	160,850

Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

Deferred tax assets have not been recognised in respect of the following item:

	As at 31 December			As at
	2021	2022	2023	30 June
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	2024
Tax losses	293,705	340,634	426,484	132,930

## 20. INVENTORIES

	As at 31 December			As at
	2021	2022	2023	30 June
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	2024
Finished goods	61,288	46,344	55,524	124,941
Raw materials	6,081	10,955	20,207	22,318
Goods in transit	2,400	3,909	563	4,075
	69,769	61,208	76,294	151,334

## 21. TRADE AND NOTES RECEIVABLES

	As at 31 December			As at
	2021	2022	2023	30 June
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	2024
Trade receivables	25,562	15,647	38,964	63,920
Notes receivable	–	100	–	–
	25,562	15,747	38,964	63,920
Less: allowance for impairment	(645)	(448)	(708)	(622)
Net carrying amount	24,917	15,299	38,256	63,298

Advance payment is normally required except for certain customers where credits are granted. The credit period is generally 1 to 3 months. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. The balances of trade receivables are non-interest-bearing.

An aging analysis of the trade and notes receivables as at the end of each of the Relevant Periods, based on the billing date and net of loss allowance, is as follows:

	As at 31 December			As at
	2021	2022	2023	30 June
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>2024</i> <i>RMB'000</i>
Within 3 months	22,812	14,114	36,428	62,635
3 to 6 months	1,563	692	1,600	477
6 to 9 months	322	195	110	43
9 months to 1 year	88	232	34	84
Over 1 year	132	66	84	59
	<u>24,917</u>	<u>15,299</u>	<u>38,256</u>	<u>63,298</u>

The movements in the loss allowance for impairment of trade receivables are as follows:

	As at 31 December			As at
	2021	2022	2023	30 June
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>2024</i> <i>RMB'000</i>
At beginning of year/period	1,074	645	448	708
Impairment losses/(reversal of impairment losses), net	(149)	(197)	871	58
Write-off	(280)	–	(611)	(144)
At end of year/period	<u>645</u>	<u>448</u>	<u>708</u>	<u>622</u>

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

The Group writes off trade receivables when there is information indicating that the counterparty is in severe financial difficulties and there is no realistic prospect of recovery, e.g., when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, whichever occurs sooner, also taking into account legal advice where appropriate.

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix:

	<b>Within 3 months</b>	<b>3 to 6 months</b>	<b>6 to 9 months</b>	<b>9 months to 1 year</b>	<b>Over 1 year</b>	<b>Total</b>
At 31 December 2021						
Expected credit loss rate	0.48%	8.97%	26.82%	35.29%	61.85%	2.52%
Gross carrying amount (RMB'000)	22,923	1,717	440	136	346	25,562
Expected credit losses (RMB'000)	<u>111</u>	<u>154</u>	<u>118</u>	<u>48</u>	<u>214</u>	<u>645</u>
At 31 December 2022						
Expected credit loss rate	0.61%	8.59%	22.31%	33.52%	65.26%	2.86%
Gross carrying amount (RMB'000)	14,100	757	251	349	190	15,647
Expected credit losses (RMB'000)	<u>86</u>	<u>65</u>	<u>56</u>	<u>117</u>	<u>124</u>	<u>448</u>
At 31 December 2023						
Expected credit loss rate	0.85%	8.94%	19.12%	44.26%	69.00%	1.82%
Gross carrying amount (RMB'000)	36,739	1,757	136	61	271	38,964
Expected credit losses (RMB'000)	<u>311</u>	<u>157</u>	<u>26</u>	<u>27</u>	<u>187</u>	<u>708</u>
At 30 June 2024						
Expected credit loss rate	0.55%	11.50%	23.21%	42.47%	70.05%	0.97%
Gross carrying amount (RMB'000)	62,982	539	56	146	197	63,920
Expected credit losses (RMB'000)	<u>347</u>	<u>62</u>	<u>13</u>	<u>62</u>	<u>138</u>	<u>622</u>

In the opinion of the Company's directors, the business and customer risk portfolio of the Group remained stable and there were no significant fluctuations in the historical credit loss incurred. In addition, there is no significant change with regard to economic indicators based on an assessment of forward-looking information.

## 22. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

## Group

	As at 31 December			As at
	2021	2022	2023	30 June
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Non-current:				
Prepaid licensed IP fee (i)	340	–	8,382	5,614
Deposits	6,531	6,531	6,336	6,337
Less: allowance for impairment	–	–	–	–
	<u>6,871</u>	<u>6,531</u>	<u>14,718</u>	<u>11,951</u>
Current:				
Deferred issuance costs	–	–	–	8,267
Value-added tax recoverable	14,486	3,558	5,082	15,341
Prepayments	7,271	4,917	7,592	11,522
Deposits	1,556	1,534	1,573	1,992
Others	1,217	1,447	1,014	1,736
Less: allowance for impairment	(584)	(555)	(784)	(1,172)
	<u>23,946</u>	<u>10,901</u>	<u>14,477</u>	<u>37,686</u>
	<u><u>30,817</u></u>	<u><u>17,432</u></u>	<u><u>29,195</u></u>	<u><u>49,637</u></u>

(i) Prepaid licensed IP fee is related to the prepayments of the licensed IP intangible assets.

As at the end of each of the Relevant Periods, other receivables of the Group are considered to be of low credit risk and thus the Group has assessed that the ECL for other receivables under the 12-month expected credit loss method.

## Company

	As at 31 December			As at
	2021	2022	2023	30 June
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Current:				
Deferred issuance costs	–	–	–	8,267
Amounts due from subsidiaries	–	–	10,626	32,241
	<u>–</u>	<u>–</u>	<u>10,626</u>	<u>40,508</u>
	<u><u>–</u></u>	<u><u>–</u></u>	<u><u>10,626</u></u>	<u><u>40,508</u></u>



## 23. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

## Group

	As at 31 December			As at
	2021	2022	2023	30 June
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Cash at bank	77,462	192,284	363,786	555,130
Cash equivalents (i)	3,410	5,752	5,192	7,549
Subtotal	<u>80,872</u>	<u>198,036</u>	<u>368,978</u>	<u>562,679</u>
Less:				
Pledged deposits for letters of guarantee	(1,100)	(2,300)	–	–
Pledged deposits for notes payable	(3,619)	(6,764)	(8,141)	(8,587)
Cash and cash equivalents	<u>76,153</u>	<u>188,972</u>	<u>360,837</u>	<u>554,092</u>

Cash and cash equivalents and pledged deposits are denominated in the following currencies:

	As at 31 December			As at
	2021	2022	2023	30 June
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
RMB	79,063	196,573	360,451	545,658
USD	1,790	1,288	8,493	16,881
Others	19	175	34	140
	<u>80,872</u>	<u>198,036</u>	<u>368,978</u>	<u>562,679</u>

- (i) Cash equivalents represent cash balances kept in third party payment platforms, such as Ali-pay and WeChat accounts which can be withdrawn by the Group at any time.

The RMB is not freely convertible into other currencies, however, under Chinese Mainland's Foreign Exchange Control Regulations and Administration of Settlement, and Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances and deposits are deposited with creditworthy banks with no recent history of default. The carrying amounts of the cash and cash equivalents approximated to their fair values.

## Company

	As at 31 December			As at
	2021	2022	2023	30 June
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>2024</i>
Cash and cash equivalents	–	11,015	62,290	22,055

Cash and cash equivalents are denominated in the following currencies:

	As at 31 December			As at
	2021	2022	2023	30 June
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>2024</i>
RMB	–	10,675	62,132	22,043
USD	–	340	149	–
Others	–	–	9	12
	–	11,015	62,290	22,055

## 24. TRADE AND NOTES PAYABLES

	As at 31 December			As at
	2021	2022	2023	30 June
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>2024</i>
Trade payables	73,873	101,623	198,871	371,963
Notes payable	19,006	16,910	60,800	142,742
	92,879	118,533	259,671	514,705

Trade and notes payables are non-interest bearing and normally settled on terms of 3 months to 7 months.

An aging analysis of the trade and notes payables as at the end of each of the Relevant Periods, based on the invoice date, is as follows:

	As at 31 December			As at
	2021	2022	2023	30 June
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>2024</i>
Within 3 months	62,653	62,484	169,638	332,736
3 to 6 months	29,827	54,770	85,613	156,156
6 to 12 months	–	880	4,001	25,272
Over 1 year	399	399	419	541
	92,879	118,533	259,671	514,705

## 25. OTHER PAYABLES AND ACCRUALS

## Group

	As at 31 December			As at
	2021	2022	2023	30 June
	RMB'000	RMB'000	RMB'000	2024
				RMB'000
Non-current:				
Loan payable to a third party (i)	6,376	6,965	7,083	–
Current:				
Accrued expenses	79,352	70,825	55,703	38,886
Salaries and benefits payables	23,020	21,852	33,782	33,659
Payables for purchase of non-current assets	–	11,693	26,596	43,444
Tax payables other than corporate income tax	3,562	4,615	17,704	18,213
Accrued listing expenses	–	–	–	5,366
Customer deposits	1,719	2,084	4,140	4,924
Payables for acquisition of non-controlling interest equity	–	–	30,000	–
Others	1,645	1,586	1,448	111
	109,298	112,655	169,373	144,603
	115,674	119,620	176,456	144,603

- (i) In February 2019, the Group entered into unsecured three-year loan agreements for USD1,000,000 with an independent third-party individual. In February 2022, the Group and the individual reached an supplemental agreement to extend the due date to February 2025. The loan was repaid in April 2024.

## Company

	As at 31 December			As at
	2021	2022	2023	30 June
	RMB'000	RMB'000	RMB'000	2024
				RMB'000
Current:				
Payables of Investment to the Subsidiaries	1,759,150	1,388,008	254,490	250,490
Accrued listing expenses	–	–	–	5,366
Amounts due to subsidiaries	–	256	1,838	6,243
Others	–	–	–	7
	1,759,150	1,388,264	256,328	262,106

## 26. INTEREST-BEARING BANK BORROWINGS

	As at 31 December			As at
	2021	2022	2023	30 June
	RMB'000	RMB'000	RMB'000	2024
Bank loans – unsecured	–	5,000	–	–

In November 2022, the Group entered into an unsecured loan facility agreement with Bank of Communications, which agreed to provide a credit facility of RMB5,000,000 for a term of six months. On 30 November 2022, the Group fully drew down the borrowing of RMB5,000,000, bearing a fixed interest rate of 3.35% per annum, and repaid when it was due.

In July 2023, the Group entered into a loan facility agreement with China Minsheng Bank, which agreed to provide a credit facility of RMB5,000,000 for a term of one year. As of 30 June 2024, the Group has not yet drawn down the borrowing. The bank loan is secured by the pledge of the intellectual property which owned by the Group.

## 27. CONTRACT LIABILITIES

	As at 31 December			As at
	2021	2022	2023	30 June
	RMB'000	RMB'000	RMB'000	2024
Advances received from customers	4,215	6,945	22,281	19,521
Sales rebates	976	2,019	20,704	39,309
Customer loyalty programme	24,378	21,665	23,340	25,314
	29,569	30,629	66,325	84,144

## 28. AMOUNTS IN CONNECTION WITH THE REORGANIZATION

## Group

	Balance At 31 December 2021	Settlement during 2022	Balance At 31 December 2022	Settlement during 2023	Balance At 31 December 2023	Settlement during the period of six months	Balance At 30 June 2024
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Receivables in connection with the Reorganization	1,759,480	(382,480)	1,377,000	(1,194,000)	183,000	(183,000)	–
Payables in connection with the Reorganization	1,759,480	(352,142)	1,407,338	(1,219,818)	187,520	(187,520)	–

## Company

	Balance At 31 December 2021 RMB'000	Settlement during 2022 RMB'000	Balance At 31 December 2022 RMB'000	Settlement during 2023 RMB'000	Balance At 31 December 2023 RMB'000	Settlement during the period of six months RMB'000	Balance At 30 June 2024 RMB'000
Receivables in connection with the Reorganization	1,759,150	(382,150)	1,377,000	(1,194,000)	183,000	(183,000)	–

Shanghai Bloks Technology Group Co., Ltd. was founded in 2014 in Shanghai, Chinese Mainland. The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 28 July 2021. The details of Reorganization were set out in the sub-section headed “Reorganization” in the section headed “History, Development and Reorganization” in the Prospectus.

Pursuant to a series of agreements of Reorganization, the then shareholders of Shanghai Bloks Technology Group Co., Ltd. shall mirror their equity interests as the shareholders of the Company, including Onshore Withdrawn Investors of RMB1,543,480,000, Yunfeng Warrant of RMB183,000,000 and the Selling Shareholders (as defined below) of RMB33,000,000, representing RMB1,759,480,000 in total.

In August 2021, Shanghai Bloks Technology Group Co., Ltd., the holding company of the Group’s subsidiaries in Chinese Mainland, entered into a reorganization agreement with Onshore Withdrawn Investors, to buy back registered capital of RMB13,800,835, and reduce its then registered capital, at a total cash consideration of approximately RMB1,726,480,000. Above consideration included RMB183,000,000, payable to a certain then shareholder, which was replaced by warrant in July 2022 (the “Warrant”) as disclosed in Note 30.

On 7 November 2022, China Bloks Holding Limited, one of the Group’s subsidiaries in Hong Kong, acquired all the equity interests in Shanghai Bloks Technology Group Co., Ltd. from the then shareholders of Shanghai Bloks Technology Group Co., Ltd. (“Selling Shareholders”) at a total consideration of RMB33,000,000.

During the mirroring process, payables in connection with the Reorganization represents the amount needs to be paid by Shanghai Bloks Technology Group Co., Ltd. to the relevant shareholders. Receivables in connection with the Reorganization represents the amount needs to be received by the Company from the relevant shareholders.

Upon the completion of Reorganization activities, the Company issued 223,119,765 shares to the Onshore Withdrawn Investors and Selling Shareholders for approximately RMB1,759,150,000, including RMB1,543,480,000 to the Onshore Withdrawn Investors, RMB32,670,000 to the Selling Shareholders and RMB183,000,000 Warrant.

On 3 April 2024, the Company entered into a warrant termination agreement with then warrant holder to terminate the Warrant by cash settlement, details disclosed in Note 30.

## 29. CONVERTIBLE REDEEMABLE PREFERRED SHARES

### Series Angel

In February 2018, October 2018, May 2019, November 2019 and March 2020, Shanghai Bloks Technology Group Co., Ltd. raised up to RMB857,000,000 from shareholders and certain onshore investors. On 24 April 2021, after 2021 April capital swap transaction as mentioned below, there was 7,038,460 shares (deemed as 35,192,300 shares with a par value of USD0.0001 each after Reorganization) of Series Angel Preferred Shares, included 1,253,447 shares (deemed as 6,267,235 shares with a par value of USD0.0001 each after Reorganization) with redemption rights was recorded as Series Angel Convertible Redeemable Preferred Shares. 7,038,460 shares (deemed as 35,192,300 shares with a par value of USD0.0001 each after Reorganization) was fully reclassified and redesignated to Series Angel Preferred Shares of the Company in July 2022.

**Series Pre-A**

In July 2020 and November 2020, Shanghai Bloks Technology Group Co., Ltd. raised up to RMB330,000,000 from certain onshore investors and a shareholder. On 24 April 2021, there was 2,632,258 shares (deemed as 13,161,290 shares with a par value of USD0.0001 each after Reorganization) of Series Pre-A Preferred Shares with redemption rights was fully recorded as Series Pre-A Convertible Redeemable Preferred Shares. 2,632,258 shares (deemed as 13,161,290 shares with a par value of USD0.0001 each after Reorganization) was fully reclassified and redesignated to Series Pre-A Preferred Shares of the Company in July 2022.

**Series A**

In April 2021, Shanghai Bloks Technology Group Co., Ltd. raised up to RMB599,999,631 from certain onshore investors. On 24 April 2021, there was 3,718,661 shares (deemed as 18,593,305 shares with a par value of USD0.0001 each after Reorganization) of Series A Preferred Shares with redemption rights.

On 24 April 2021, certain investors purchased 1,465,773 shares (deemed as 7,328,865 shares with a par value of USD0.0001 each after Reorganization) from certain shareholders and these shares was entitled with Series A Preferred Shares (“**2021 April capital swap**”) with redemption rights, together with 3,718,661 shares (deemed as 18,593,305 shares with a par value of USD0.0001 each after Reorganization) of Series A Preferred Shares with redemption rights, was fully recorded as Series A Convertible Redeemable Preferred Shares.

25,922,170 Series A Preferred Shares was reclassified and redesignated to Series A Preferred Shares of the Company in July 2022. The 25,922,170 Series A Convertible Redeemable Preferred Shares includes 5,767,820 warrant shares issued to Yunfeng Tuoyuan. Further details of Yunfeng Warrant are included in Note 30.

**Presentation and classification**

According to the original and amended Memorandum and Articles of Association (“MOA”), the Company does not have an obligation to i) deliver cash or other financial assets to the holders of Series Angel Preferred Shares (except for Series Angel Convertible Redeemable Preferred Shares); ii) to exchange financial assets or financial liabilities with the holders of Series Angel Preferred Shares (except for Series Angel Convertible Redeemable Preferred Shares) that are potentially unfavourable to the Company; and iii) to deliver a variable number of the Company’s own ordinary shares. Hence, Series Angel Preferred Shares (except for Series Angel Convertible Redeemable Preferred Shares) are recognised as equity in accordance with relevant IFRS standard, and designated Series Angel Convertible Redeemable Preferred Shares, Series Pre-A Convertible Redeemable Preferred Shares and Series A Convertible Redeemable Preferred Shares as financial liabilities measured at fair value through profit or loss.

According to the MOA of the Company in July 2022, the key terms of Series Angel Convertible Redeemable Preferred Shares, Series Pre-A Convertible Redeemable Preferred Shares and Series A Convertible Redeemable Preferred Shares (collectively, the “**convertible redeemable preferred shares**”) are as follows:

**Liquidation preference**

In the event of any liquidation, dissolution or winding up, either voluntarily or involuntarily of the Company, and any Deemed Liquidation Event (“Liquidation Event”), distributions to the members of the Company shall be made in the following manner (after satisfaction of all creditors’ claims and claims that may be preferred by law):

- (a) the Series A Preferred Shareholders shall be entitled to receive the Distributable Liquidation Assets in preference to the other Shareholders in the amount equal to 100% of the Series A Actual Investment Amount multiplied by the USD/RMB exchange rate of a bank on the date which is five (5) days prior to the date on which the Series A Liquidation Preference Amount is paid by the Company, plus any accumulated dividends or declared but undistributed dividends thereof (the “**Series A Liquidation Preference Amount**”). If the Distributable Liquidation Assets are insufficient to pay off all the Series A Liquidation Preference Amount, each such Series A Preferred Shareholder shall be entitled to distribution in proportion to the Series A Liquidation Preference Amount to which they are respectively entitled;

- (b) after the full payment of the Series A Liquidation Preference Amount, the Series Pre-A Preferred Shareholders shall be entitled to receive the Distributable Liquidation Assets in preference to the other Shareholders other than the Series A Preferred Shareholders in the amount equal to 100% of the Series Pre-A Actual Investment Amount multiplied by the USD/RMB exchange rate on a bank on the date which is five (5) days prior to the date on which the Series Pre-A Liquidation Preference Amount is paid by the Company, plus any accumulated dividends or declared but undistributed dividends thereof (the “**Series Pre-A Liquidation Preference Amount**”). If the Distributable Liquidation Assets are insufficient to pay off all the Series Pre-A Liquidation Preference Amount, each such Series Pre-A Preferred Shareholder shall be entitled to distribution in proportion to the Series Pre-A Liquidation Preference Amount to which they are respectively entitled;
- (c) after the full payment of the Series A Liquidation Preference Amount and the Series Pre-A Liquidation Preference Amount, (i) the Series Angel Preferred Shareholders shall be entitled to receive Distributable Liquidation Assets in preference to the Shareholders other than the Series A Preferred Shareholders and the Series Pre-A Preferred Shareholders in the amount equal to 100% of the Series Angel Actual Investment Amount multiplied by the USD/RMB exchange rate on a bank on the date which is five (5) days prior to the date on which the Series Angel Liquidation Preference Amount is paid by the Company, plus any accumulated dividends or declared but undistributed dividends thereof (the “**Series Angel Liquidation Preference Amount**”, together with the Series A Liquidation Preference Amount and the Series Pre-A Liquidation Preference Amount, the “**Liquidation Preference Amount**”). If the Distributable Liquidation Assets are insufficient to pay off all the Series Angel Liquidation Preference Amount, each such Series Angel Preferred Shareholder shall be entitled to distribution in proportion to the Series Angel Liquidation Preference Amount to which they are respectively entitled;
- (d) after the full payment of the Liquidation Preference Amount, with respect to any remaining assets, all the Shareholders (including the Preferred Shareholders) shall be entitled to receive distribution out of the remaining assets in proportion to their then shareholdings in the Company.

Deemed Liquidation Event means any transaction (treating any series of related transactions as a “transaction”) involving (a) the merger or acquisition of any Group Company or other similar transaction of change of Control of such Group Company, which results in the shareholding or voting right of such Group Company in the surviving entity after such event being less than 50%; (b) all or substantially all of the assets of such Group Company are sold or authorised, or all or substantially all or substantially all of the intellectual property of such Group Company are exclusively licensed or sold to a third party; (c) the change of ultimate beneficial owner of such Group Company; and (d) any other events which can be defined as the change of Control of such Group Company.

#### Conversion rights

- (a) *Conversion Rights.* Unless converted earlier pursuant to section (b) below, each Preferred Shareholder shall have the right, at such holder’s sole discretion, to convert all or any portion of the Preferred Shares (on a fully-diluted basis) into Ordinary Shares at any time. All Preferred Shareholders claimed that they won’t exercise the conversion rights before 30 June 2025.

The conversion rate for Preferred Shares (on a fully-diluted basis) shall be determined by dividing the applicable Original Issue Price by the conversion price then in effect at the date of the conversion. The initial conversion price will be the applicable Original Issue Price (i.e., a 1-to-1 initial conversion ratio), which will be subject to adjustments to reflect stock dividends, stock splits and other events, (the “**Preferred Share Conversion Price**”). Nothing in this section shall limit the automatic conversion rights of Preferred Shares (on a fully-diluted basis) described in section (b) below.

- (b) *Automatic Conversion.* Each Preferred Share (on a fully-diluted basis) shall automatically be converted into Ordinary Shares, at the then applicable Preferred Share Conversion Price upon (i) the closing of an Initial Public Offering, or (ii) the consents in writing by the respective holders of each series or class of Preferred Shares (including the holders of any Warrant convertible into such series or class of Preferred Shares as if such Warrant it holds had been exercised). In the event of the automatic conversion of the Preferred Shares (on a fully-diluted basis) upon an Initial Public Offering as aforesaid, the Person(s) entitled to receive the Ordinary Shares issuable upon such conversion of Preferred Shares shall not be deemed to have converted such Preferred Shares until immediately prior to the closing of such Initial Public Offering.

**Redemption rights**

The Series A Convertible Redeemable Preferred Shares, Series Pre-A Convertible Redeemable Preferred Shares and Series Angel Convertible Redeemable Preferred Shares shall be redeemable at the option of the holders of the Preferred Shares as provided herein:

In the event of any of the following circumstances (the “**Repurchase Event**”), whichever is earlier: (i) the failure to consummate a Qualified IPO by 30 June 2026, (ii) the Group Companies and/or the Founder materially default or breach the representations, warranties, covenants, obligations, undertaking of the Transaction Documents which default or breach has a Material Adverse Effect; (iii) the cessation of the Founder being employed by any of the Group Companies; (iv) the occurrence of a criminal investigation by the competent governmental authorities against the Founder due to the Founder’s violation of Laws, and results into a final, non-appealable decision that the Founder shall bear criminal liability, except for any criminal liability of the Founder which has no Material Adverse Effect, including but not limited to criminal liability resulting from violation of traffic rules; (v) any dispute arising from the historical and/or then current shareholders of the Group Companies which results in all Equity Securities of such Group Company or Equity Securities of any other Group Company directly or indirectly held by the Investors being frozen or subject to any disposal restrictions, and which has a material adverse effect to the consummation of a Qualified IPO by the Company or the exit of the Investor, and which fails to be properly resolved within six (6) months from the date of occurrence thereof; and (vi) any Preferred Shareholder exercises his repurchase right pursuant to this section.

The redemption price for each Redemption Share redeemed pursuant to Series A, Series Pre-A and Series Angel Convertible Redeemable Preferred Shares shall be  $R = I * E * (1 + 8\%) * N + D$ . (i) I represents the actual investment amount in RMB paid by such shareholders; (ii) E represents the USD/RMB exchange rate of a bank on the date which is five (5) days prior to the date on which the Redemption Price is paid by the Company; (iii) N represents a fraction, the numerator of which is the number of calendar days from the date on which such Preferred Shareholder pays the Actual Investment Amount pursuant to the Domestic Share Purchase Agreement, as applicable (the “Acquisition Time”), through the date on which the Redemption Price is actually received by such Series Pre-A Preferred Shareholder, and the denominator of which is 365; (iv) D represents the sum of all dividends and bonus that have been declared but unpaid to such Preferred Shareholder and/or any other accumulated but unpaid amount (if any) corresponding to the Preferred Shares requested to be repurchased by such Preferred Shareholder.

The movements of the convertible redeemable preferred shares as at the end of each of the Relevant Periods are set out below:

	Series Angel		Series Pre-A		Series A		Total
	Convertible Redeemable Preferred Shares		Convertible Redeemable Preferred Shares		Convertible Redeemable Preferred Shares		
	<i>Number of shares</i>	<i>RMB'000</i>	<i>Number of shares</i>	<i>RMB'000</i>	<i>Number of shares</i>	<i>RMB'000</i>	<i>RMB'000</i>
As at 1 January 2021	–	–	13,161,290	300,000	–	–	300,000
Issuance of preferred shares	–	–	–	–	18,593,305	600,000	600,000
Redemption rights granted to Series Angel Preferred Shareholders	6,267,235	100,000	–	–	–	–	100,000
Redemption rights granted to 2021 April capital swap	–	–	–	–	7,328,865	115,407	115,407
Accumulated fair value change of equity instrument on redemption rights grant date	–	18,362	–	–	–	104,883	123,245
Changes in fair value	–	17,628	–	50,423	–	76,150	144,201
As at 31 December 2021 and 1 January 2022	6,267,235	135,990	13,161,290	350,423	25,922,170	896,440	1,382,853
Changes in fair value	–	39,430	–	70,710	–	80,891	191,031



	Series Angel Convertible Redeemable Preferred Shares		Series Pre-A Convertible Redeemable Preferred Shares		Series A Convertible Redeemable Preferred Shares		Total RMB'000
	Number of shares	RMB'000	Number of shares	RMB'000	Number of shares	RMB'000	
As at 31 December 2022 and 1 January 2023	6,267,235	175,420	13,161,290	421,133	25,922,170	977,331	1,573,884
Changes in fair value	–	40,985	–	84,442	–	148,705	274,132
As at 31 December 2023 and 1 January 2024	6,267,235	216,405	13,161,290	505,575	25,922,170	1,126,036	1,848,016
Termination of Warrant agreement	–	–	–	–	(5,767,820)	(183,000)	(183,000)
Changes in fair value	–	39,825	–	76,990	–	40,218	157,033
As at 30 June 2024	6,267,235	256,230	13,161,290	582,565	20,154,350	983,254	1,822,049

The Group applied the discounted cash flow method to determine the equity value of the Company and adopted the equity allocation model to determine the fair values of the convertible redeemable preferred shares as at the end of each of the Relevant Periods. Key valuation assumptions used to determine the fair values of the convertible redeemable preferred shares and commitment derivatives are set below:

	As at 31 December			As at 30 June
	2021	2022	2023	2024
Discount rate	16.50%	15.50%	15.00%	15.00%
Risk-free interest rate	1.19%	4.17%	4.13%	4.75%
Discounts for lack of marketability ("DLOM")	19.05%	17.92%	14.37%	12.59%
Volatility	43.48%	45.50%	41.11%	39.96%

The Group estimated the risk-free interest rate based on the yield of the United States Government Bond with maturity close to the expected exit timing as at the valuation date. The DLOM was estimated based on the option-pricing method. Under the option-pricing method, the cost of redemption option, which can hedge the price change before the privately held share can be sold, was considered as a basis to determine the lack of marketability discount.

Volatility was estimated based on the annualised standard deviation of daily stock price return of comparable companies for a period from the valuation date and with a similar time span to expiration.

### 30. SHARE CAPITAL

The Company was incorporated in the Cayman Islands on 28 July 2021 with initial authorised share capital of USD50,000 divided into 500,000,000 Ordinary Shares of US\$0.0001 each.

On 28 July, 2021, upon incorporation, the Company issued 100 Ordinary Shares to Next Bloks Limited, 100 Ordinary Shares to Smart Bloks Limited, 1 Ordinary Share to ShawnXF Limited, 1 Ordinary Share to Bloks Is Coming Limited and 1 Ordinary Share to Way Elegance Limited, respectively.

On 25 July 2022, the Company reclassified and re-designated:

- 1) A total of 74,275,759 unissued Original Shares of US\$0.0001 each as 35,192,299 Series Angel Preferred Shares, 13,161,290 Series Pre-A Preferred Shares and 25,922,170 Series A Preferred Shares, respectively.
- 2) The Company issued (i) 127,522,548 Ordinary Shares; (ii) 35,192,299 Series Angel Preferred Shares; (iii) issued 13,161,290 Series Pre-A Preferred Shares; (iv) issued 20,154,350 Series A Preferred Shares; (v) 1 issued Ordinary Share of US\$0.0001 as 1 Series Angel Preferred Share.

On 25 July 2022, the Company also entered into the warrant agreement with Yunfeng Tuoyuan, pursuant to which the Company has agreed to issue a warrant to Yunfeng Tuoyuan for it or its designated affiliates to subscribe for an aggregate of 5,767,820 Series A Preferred Shares (the "Warrant"). On 3 April 2024, the Company entered into a warrant termination agreement and then settled the Warrant in cash.

On 12 January 2023, the Company issued 21,321,255 Ordinary Shares to First Prosperity for the purpose of the Share Incentive Scheme.

**Authorised**

	<u>Authorised number of shares</u>	<u>Nominal value of shares</u> USD
Ordinary shares of USD1 each as at 28 July 2021 (date of incorporation)	500,000,000	50,000
Ordinary shares of USD0.0001 each as at 31 December 2021	<u>500,000,000</u>	<u>50,000</u>
Re-classification and re-designation to Series Angel Preferred Shares	(35,192,300)	(3,519)
Re-classification and re-designation to Series Pre-A Preferred Shares	(13,161,290)	(1,316)
Re-classification and re-designation to Series A Preferred Shares	<u>(25,922,170)</u>	<u>(2,592)</u>
Ordinary shares of USD0.0001 each as at 31 December 2022, 2023 and 30 June 2024	<u>425,724,240</u>	<u>42,573</u>
Series Angel Preferred Shares of USD0.0001 each as at 31 December 2022, 2023 and 30 June 2024 (Note 1)	<u>35,192,300</u>	<u>3,519</u>
Series Pre-A Preferred Shares of USD0.0001 each as at 31 December 2022, 2023 and 30 June 2024 (Note 2)	<u>13,161,290</u>	<u>1,316</u>
Series A Preferred Shares of USD0.0001 each as at 31 December 2022, 2023 and 30 June 2024 (Note 3)	<u>25,922,170</u>	<u>2,592</u>

*Note 1:* 35,192,300 Series Angel Preferred Shares includes (1) 28,925,065 shares was recorded as equity, (2) 6,267,235 shares was recognised as Series Angel Convertible Redeemable Preferred Shares and recorded as financial liabilities measured at fair value through profit or loss as at 31 December 2022, 2023 and 30 June 2024.

*Note 2:* 13,161,290 Series Pre-A Preferred Shares was fully recognised as Series Pre-A Convertible Redeemable Preferred Shares and recorded as financial liabilities measured at fair value through profit or loss as at 31 December 2022, 2023 and 30 June 2024.

*Note 3:* 25,922,170 Series A Preferred Shares was fully recognised as Series A Convertible Redeemable Preferred Shares and recorded as financial liabilities measured at fair value through profit or loss as at 31 December 2022 and 2023. Warrant with 5,767,820 shares was terminated on 3 April 2024 but still within authorised Series A Preferred Shares and there was 20,154,350 shares recognised as Series A Convertible Redeemable Preferred Shares as at 30 June 2024.

*Issued and fully paid*

	Number of shares	Nominal value of shares <i>USD</i>	Nominal value of shares <i>RMB</i>
<b>Ordinary shares</b>			
Issuance of Ordinary shares at the date of incorporation (28 July 2021)	203	–	–
As at 31 December 2021	<u>203</u>	<u>–</u>	<u>–</u>
Issuance of Ordinary shares	127,522,548	12,752	91,521
Re-designate to Series Angel Preferred Shares (1)	(1)	–	–
As at 31 December 2022	<u>127,522,750</u>	<u>12,752</u>	<u>91,521</u>
Ordinary shares issued for the share incentive plan	21,321,255	2,132	15,301
As at 31 December 2023 and 30 June 2024	<u>148,844,005</u>	<u>14,884</u>	<u>106,822</u>
	Number of shares	Nominal value of shares <i>USD</i>	Nominal value of shares <i>RMB</i>
<b>Series Angel Preferred Shares (Note)</b>			
As at 28 July 2021 (date of incorporation)	–	–	–
As at 31 December 2021	<u>–</u>	<u>–</u>	<u>–</u>
Series Angel Preferred Shares (except for Series Angel Convertible Redeemable Preferred Shares) issued	28,925,065	2,893	20,759
As at 31 December 2022, 2023 and 30 June 2024	<u>28,925,065</u>	<u>2,893</u>	<u>20,759</u>

*Note:* The Company does not hold an unavoidable obligation to (i) deliver cash or other financial assets to Series Angel preferred shareholders; (ii) to exchange financial assets or financial liabilities with Series Angel preferred shareholders that are unfavorable to the Company; and (iii) to deliver a variable number of the Company's own ordinary shares. Hence, Series Angel Preferred Shares (except for Series Angel Convertible Redeemable Preferred Shares) were recognized as equity in accordance with relevant IFRS standard.

**Share Capital**

	As at 31 December			As at 30 June
	2021	2022	2023	2024
Issued and fully paid:				
Nominal value of Ordinary shares (RMB)	–	91,521	106,822	106,822
Nominal value of Series Angel Preferred Shares (except for Series Angel Convertible Redeemable Preferred Shares) (RMB)	<u>–</u>	<u>20,759</u>	<u>20,759</u>	<u>20,759</u>
Total	<u>–</u>	<u>112,280</u>	<u>127,581</u>	<u>127,581</u>

**31. RESERVES****Group**

The amounts of the Group's reserves and the movements therein during the Relevant Periods and the six months ended 30 June 2023 are presented in the consolidated statements of changes in equity.

**(a) Share premium**

The share premium represents the difference between the par value of the shares issued and the consideration received.

**(b) Share option reserve**

The share option reserve of the Group represents the share-based payment granted by the Group.

**(c) Other reserve**

The other reserve represents (i) the exchange fluctuation reserve represents exchange differences arising from the translation of the financial statements of group companies whose functional currencies are different from the Company's presentation currency; and (ii) the acquisition of minority interests of the Group's subsidiaries.

**Company**

A summary of the Company's reserves is as follows:

	<b>Share premium</b>	<b>Share option reserve</b>	<b>Other reserve</b>	<b>Accumulated losses</b>	<b>Total</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At 1 January 2021	–	–	–	–	–
Incorporation of the Company	859,150	8,851	–	–	868,001
Total comprehensive loss for the year	–	–	–	(144,201)	(144,201)
Recognition of share-based payment expenses	–	6,863	–	–	6,863
Redemption rights granted to capital swap	(215,407)	–	(123,245)	–	(338,652)
	<u>643,743</u>	<u>15,714</u>	<u>(123,245)</u>	<u>(144,201)</u>	<u>392,011</u>
At 31 December 2021 and 1 January 2022					
Total comprehensive loss for the year	–	–	(8)	(191,272)	(191,280)
Issue of shares	(112)	–	–	–	(112)
Recognition of share-based payment expenses	–	6,337	–	–	6,337
	<u>–</u>	<u>6,337</u>	<u>–</u>	<u>–</u>	<u>6,337</u>

	Share premium	Share option reserve	Other reserve	Accumulated losses	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At 31 December 2022 and 1 January 2023	643,631	22,051	(123,253)	(335,473)	206,956
Total comprehensive loss for the year	–	–	(5)	(274,290)	(274,295)
Issue of shares	(16)	–	–	–	(16)
Recognition of share-based payment expenses	–	6,231	–	–	6,231
At 31 December 2023 and 1 January 2024	643,615	28,282	(123,258)	(609,763)	(61,124)
Total comprehensive loss for the period	–	–	(122)	(532,350)	(532,472)
Recognition of share-based payment expenses	–	374,670	–	–	374,670
At 30 June 2024	643,615	402,952	(123,380)	(1,142,113)	(218,926)

### 32. EQUITY-SETTLED SHARE-BASED PAYMENT

In order to promote the Group's development in the long run and attract and retain the senior management team and core talents, Shanghai Bloks Technology Group Co., Ltd., the onshore holding company of the Group adopted a share incentive scheme (the "Original Plan") in December 2020.

In December 2020, the Board approved the Original Plan and granted 4,089,574 shares to certain employees at an exercise price of RMB0.2 per share. According to the Original Plan agreements, the shares are vested in one tranche within the vesting period from the grant date to the estimated date of completion of the qualified initial public offering of the Company, subject to employees' continuous service to the Company.

In March 2024, the Board passed a resolution to replace the Original Plan with an unmodified equity incentive plan (the "Mirroring Plan"). The Mirroring Plan is the continuation of the Original Plan adopted by Shanghai Bloks Technology Group Co., Ltd. in December 2020. At the meanwhile, the Company intends to amend the Scheme (including the name of the Scheme, which will be updated to the Share Incentive Scheme), applicable both to the participants regulated under the domestic scheme and to any eligible future participants.

In April 2024, the Board granted 17,776,888 share options to certain employees including the chief executive and executive directors under the Share Incentive Scheme at an exercise price of RMB0.2 per share. The share options granted to the chief executive have been vested immediately. The remaining share options shall be vested in four, six or eight years and the share options shall be vested in yearly instalments of agreed percentage at each anniversary date commencing from the vesting commencement date.

During the Relevant Periods and the six months ended 30 June 2023, the Group recognised share-based payment expenses of RMB6,863,000, RMB6,337,000, RMB6,231,000, RMB374,670,000 and RMB3,071,000 (unaudited), respectively.

The following shares were outstanding during the Relevant Periods:

	<b>Share Incentive Scheme adopted in December 2020</b>	
	<b>Numbers of shares</b>	<b>Fair value per share</b>
		<i>RMB</i>
At 1 January 2021	4,089,574	7.05
Forfeited	(380,158)	–
At 31 December 2021 and 1 January 2022	<u>3,709,416</u>	<u>7.05</u>
Forfeited	(85,712)	–
At 31 December 2022 and 1 January 2023	<u>3,623,704</u>	<u>7.05</u>
Forfeited	(66,387)	–
At 31 December 2023 and 1 January 2024	<u>3,557,317</u>	<u>7.05</u>
Forfeited	(12,950)	–
At 30 June 2024	<u>3,544,367</u>	<u>7.05</u>
		<i>RMB</i>
	<b>Share Incentive Scheme adopted in April 2024</b>	
	<b>Numbers of shares</b>	<b>Fair value per share</b>
		<i>RMB</i>
At 1 January 2024	–	–
Granted	17,776,888	28.57-28.60
At 30 June 2024	<u>17,776,888</u>	<u>28.57-28.60</u>

The fair value of the shares granted in December 2020 was RMB7.05 per share and the exercise price was RMB0.2 per share. The fair value of the share options granted in April 2024 was between RMB28.57 and RMB28.60 per share and the exercise price was RMB0.2 per share.

The fair value of the Original Plan at the grant date was determined using back-solve method from most recent transaction price, taking into account the terms and conditions upon which the shares were granted.

The fair value of the share options granted in April 2024 was estimated as at the date of grant using a binomial model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used:

	<b>15 April 2024</b>
Dividend yield (%)	–
Expected Volatility (%)	41.48
Risk-free interest rate (%)	4.61
Expected life of options (years)	10.00

The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

### 33. NOTES TO CONSOLIDATED STATEMENTS OF CASH FLOWS

#### (a) Major non-cash transactions

During the year ended 31 December 2021 and the six months ended 30 June 2023, the Group had no major non-cash transactions. During the years ended 31 December 2022 and 2023 and the six months ended 30 June 2024, the Group had non-cash additions to right-of-use assets of RMB5,152,000, RMB52,831,000 and RMB989,000 and lease liabilities of RMB5,152,000, RMB52,831,000 and RMB989,000, respectively, in respect of lease agreements.

#### (b) Changes in liabilities arising from financing activities

	Lease liabilities	Convertible redeemable preferred shares	Interest-bearing bank borrowings	Accrued listing expense included in other payables	Amounts due to related parties	Payables for acquisition of non-controlling interest equity	Amounts in connection with the Reorganization	Loan payable to a third party	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2021	65,450	638,652	–	–	19,196	–	–	6,525	729,823
Changes from financing cash flows	(22,368)	600,000	–	–	–	–	–	–	577,632
Interest expenses	2,323	–	–	–	–	–	–	–	2,323
Effect of foreign exchange rate changes, net	–	–	–	–	(461)	–	–	(149)	(610)
Fair value changes	–	144,201	–	–	–	–	–	–	144,201
At 31 December 2021 and 1 January 2022	<u>45,405</u>	<u>1,382,853</u>	<u>–</u>	<u>–</u>	<u>18,735</u>	<u>–</u>	<u>–</u>	<u>6,376</u>	<u>1,453,369</u>
Changes from financing cash flows	(28,853)	–	4,990	–	25,000	–	30,338	–	31,475
New leases	5,152	–	–	–	–	–	–	–	5,152
Interest expenses	1,564	–	10	–	–	–	–	–	1,574
Effect of foreign exchange rate changes, net	–	–	–	–	959	–	–	589	1,548
Fair value changes	–	191,031	–	–	–	–	–	–	191,031
At 31 December 2022 and 1 January 2023	<u>23,268</u>	<u>1,573,884</u>	<u>5,000</u>	<u>–</u>	<u>44,694</u>	<u>–</u>	<u>30,338</u>	<u>6,965</u>	<u>1,684,149</u>

## APPENDIX I

## ACCOUNTANTS' REPORT

	Lease liabilities	Convertible redeemable preferred shares	Interest-bearing bank borrowings	Accrued listing expense included in other payables	Amounts due to related parties	Payables for acquisition of non-controlling interest equity	Amounts in connection with the Reorganization	Loan payable to a third party	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2023	23,268	1,573,884	5,000	–	44,694	–	30,338	6,965	1,684,149
Changes from financing cash flows	(19,300)	–	(6,054)	–	(18,974)	–	(25,818)	–	(70,146)
New leases	52,831	–	–	–	–	–	–	–	52,831
Lease termination	(468)	–	–	–	–	–	–	–	(468)
Interest expenses	600	–	1,054	–	–	–	–	–	1,654
Effect of foreign exchange rate changes, net	–	–	–	–	193	–	–	118	311
Acquisition of non-controlling interest equity	–	–	–	–	–	30,000	–	–	30,000
Fair value changes	–	274,132	–	–	–	–	–	–	274,132
At 31 December 2023 and 1 January 2024	<u>56,931</u>	<u>1,848,016</u>	<u>–</u>	<u>–</u>	<u>25,913</u>	<u>30,000</u>	<u>4,520</u>	<u>7,083</u>	<u>1,972,463</u>
Changes from financing cash flows	(12,545)	(183,000)	–	(7,540)	(25,914)	(32,400)	(4,520)	(7,095)	(273,014)
Changes from operating cash flows	–	–	–	(10,716)	–	–	–	–	(10,716)
New leases	989	–	–	–	–	–	–	–	989
Listing expenses	–	–	–	15,355	–	–	–	–	15,355
Deferred issue costs	–	–	–	8,267	–	–	–	–	8,267
Acquisition of non-controlling interest equity	–	–	–	–	–	2,400	–	–	2,400
Interest expenses	891	–	–	–	–	–	–	–	891
Effect of foreign exchange rate changes, net	–	–	–	–	1	–	–	12	13
Fair value changes	–	157,033	–	–	–	–	–	–	157,033
At 30 June 2024	<u>46,266</u>	<u>1,822,049</u>	<u>–</u>	<u>5,366</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>1,873,681</u>



	Lease liabilities	Convertible redeemable preferred shares	Interest-bearing bank borrowings	Accrued listing expense included in other payables	Amounts due to related parties	Payables for acquisition of non-controlling interest equity	Amounts in connection with the Reorganization	Loan payable to a third party	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2023	23,268	1,573,884	5,000	-	44,694	-	30,338	6,965	1,684,149
Changes from financing cash flows (unaudited)	(6,695)	-	(5,937)	-	-	-	(25,818)	-	(38,450)
Lease termination (unaudited)	(468)	-	-	-	-	-	-	-	(468)
Interest expenses (unaudited)	386	-	937	-	-	-	-	-	1,323
Effect of foreign exchange rate changes, net (unaudited)	-	-	-	-	426	-	-	261	687
Fair value changes (unaudited)	-	188,611	-	-	-	-	-	-	188,611
At 30 June 2023 (unaudited)	16,491	1,762,495	-	-	45,120	-	4,520	7,226	1,835,852

## (c) Total cash outflows for leases

	Year ended 31 December			Six months ended 30 June	
	2021	2022	2023	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Within operating activities	2,278	483	1,173	546	402
Within financing activities	22,368	28,853	19,300	6,695	12,545
	24,646	29,336	20,473	7,241	12,947

## 34. COMMITMENTS

## Contractual commitments

Capital expenditure contracted for at the end of each of the Relevant Periods but not yet incurred is as follows:

	As at 31 December			As at 30 June
	2021	2022	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000
Mold equipment	-	2,497	453	16,941
Licensed IP	6,738	5,618	4,585	39,294
	6,738	8,115	5,038	56,235

## 35. TRANSACTIONS WITH NON-CONTROLLING INTERESTS

## (a) Acquisition of additional interests in subsidiaries

During the Relevant Periods, the Group acquired the following additional equity interests in the subsidiaries from the non-controlling interests:

<b>Subsidiaries</b>	<b>Date</b>	<b>Equity interests acquired</b>	<b>Cash consideration</b>
		%	<i>RMB'000</i>
Bloks Technology (Hangzhou) Co., Ltd.	11 March 2021	3.42	–
Shanghai Bloks Culture Communication Co., Ltd.	13 October 2023	8.70	30,007
Bloks Technology (Hangzhou) Co., Ltd.	31 March 2024	35.00	2,400

The effect of changes in the equity interests of these subsidiaries on the total equity attributable to owners of the parent during the Relevant Periods is summarised as follows:

31 December 2021	<b>Effect on the total equity</b>
	<i>RMB'000</i>
Carrying amount of non-controlling interests acquired	<u>1</u>
31 December 2023	<b>Effect on the total equity</b>
	<i>RMB'000</i>
Carrying amount of non-controlling interests acquired	(10,254)
Consideration payable to non-controlling interests	<u>30,007</u>
Excess of consideration paid over the carrying amount acquired	<u>40,261</u>
30 June 2024	<b>Effect on the total equity</b>
	<i>RMB'000</i>
Carrying amount of non-controlling interests acquired	(20)
Consideration payable to non-controlling interests	<u>2,400</u>
Excess of consideration paid over the carrying amount acquired	<u>2,420</u>

In March 2024, the Group acquired additional equity interests in Bloks Technology (Hangzhou) Co., Ltd., a subsidiary of the Group, from two non-controlling shareholders at cash consideration of RMB2,400,000. After the transaction, the Group's shareholding of Bloks Technology (Hangzhou) Co., Ltd. increased to 100% accordingly.

**(b) Disposal of interests in subsidiaries without loss of control**

In April 2021, Bloks Technology (Hangzhou) Co., Ltd., a subsidiary of the Group, obtained a capital injection from a non-controlling shareholder amounting to RMB1,800,000. After the capital injection, the Group's equity interest diluted from 68.42% to 65% and the non-controlling interests in Bloks Technology (Hangzhou) Co., Ltd. increased to RMB633,000 accordingly.

**(c) Effects of transactions with non-controlling interests on the equity attributable to owners of the parent for the Relevant Periods and the six months ended 30 June 2023:**

31 December 2021

	<b>Effect on the total equity</b>
	<i>RMB'000</i>
Changes in equity attributable to owners of the parent arising from:	
– Acquisition of additional interests in subsidiaries	1
– Disposal of interests in subsidiaries without loss of control	1,166
	<hr/>
Net effect for transactions with non-controlling interests on equity attributable to owners of the parent	1,167
	<hr/> <hr/>

31 December 2023

	<b>Effect on the total equity</b>
	<i>RMB'000</i>
Changes in equity attributable to owners of the parent arising from:	
– Acquisition of additional interests in subsidiaries	40,261
	<hr/>
Net effect for transactions with non-controlling interests on equity attributable to owners of the parent	40,261
	<hr/> <hr/>

30 June 2024

	<b>Effect on the total equity</b>
	<i>RMB'000</i>
Changes in equity attributable to owners of the parent arising from:	
– Acquisition of additional interests in subsidiaries	2,420
	<hr/>
Net effect for transactions with non-controlling interests on equity attributable to owners of the parent	2,420
	<hr/> <hr/>

## 36. RELATED PARTY TRANSACTIONS

## (a) Name and relationship of related parties

Name	Relationship
Mr. Zhu Weisong	Controlling shareholder
Ningbo Shengteng Investment Management Partnership (Limited Partnership)	Controlled by the controlling shareholder
Wise Creation Investment Limited	Controlled by the controlling shareholder
Shanghai Information Technology Co., Ltd.	Controlled by the controlling shareholder
Shanghai Bloks Culture Communication Co., Ltd.	Controlled by the controlling shareholder

## (b) Transactions with related parties

The Group had the following material transactions with related parties during the Relevant Periods and the six months ended 30 June 2023:

	Year ended 31 December			Six months ended 30 June	
	2021	2022	2023	2023	2024
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Borrowings from a related party	–	25,000	–	–	–
Repayment of amounts due to related parties	–	–	18,974	–	25,914
Sublease income from a related party	–	–	–	–	137
Animation production service fees from a related party	–	–	–	–	834
	–	–	–	–	834

## (c) Outstanding balances with related parties

	As at 31 December			As at 30 June
	2021	2022	2023	2024
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Loan payables				
Ningbo Shengteng Investment Management Partnership (Limited Partnership)	–	25,000	25,000	–
Mr. Zhu Weisong	17,913	18,797	–	–
Wise Creation Investment Limited	822	897	913	–
	18,735	44,694	25,913	–

	As at 31 December			As at
	2021	2022	2023	30 June
	RMB'000	RMB'000	RMB'000	2024
				RMB'000
Other receivables from sublease income				
Shanghai Information Technology Co., Ltd.	-	-	-	137
Prepayments for animation production				
Shanghai Bloks Culture Communication Co., Ltd.	-	-	-	1,366

As at the end of each of the Relevant Periods, the Group's outstanding balances with Controlling shareholder and companies controlled by Controlling shareholder were all unsecured, interest-free and repayable on demand.

The loan payables with related parties are non-trade in nature and the balances have been settled as at 30 June 2024. As at 30 June 2024, the outstanding balances with related parties, which is other receivables and prepayment, are of trade nature.

**(d) Compensation of key management personnel of the Group**

	Year ended 31 December			Six months ended 30 June	
	2021	2022	2023	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
Salaries, bonuses, allowances and benefits in kind	3,198	3,129	3,740	1,821	2,906
Pension scheme contributions	525	540	542	263	336
Share-based payment expenses	498	498	498	245	364,573
	<u>4,221</u>	<u>4,167</u>	<u>4,780</u>	<u>2,329</u>	<u>367,815</u>

Further details of directors' and the chief executive's emoluments are included in note 10 to the Historical Financial Information.

## 37. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of each of the Relevant Periods are as follows:

**Financial assets**

31 December 2021

	<b>Financial assets at fair value through profit or loss</b>	<b>Financial assets at amortised cost</b>	<b>Total</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Financial assets included in prepayments, other receivables and other assets	–	7,503	7,503
Cash and cash equivalents	–	76,153	76,153
Pledged deposits	–	4,719	4,719
Trade and notes receivables	–	24,917	24,917
Financial assets at fair value through profit or loss	<u>272,785</u>	<u>–</u>	<u>272,785</u>
	<u><u>272,785</u></u>	<u><u>113,292</u></u>	<u><u>386,077</u></u>

31 December 2022

	<b>Financial assets at fair value through profit or loss</b>	<b>Financial assets at amortised cost</b>	<b>Total</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Financial assets included in prepayments, other receivables and other assets	–	7,510	7,510
Cash and cash equivalents	–	188,972	188,972
Pledged deposits	–	9,064	9,064
Trade and notes receivables	–	15,299	15,299
Financial assets at fair value through profit or loss	<u>1,251</u>	<u>–</u>	<u>1,251</u>
	<u><u>1,251</u></u>	<u><u>220,845</u></u>	<u><u>222,096</u></u>

31 December 2023

	<b>Financial assets at fair value through profit or loss</b>	<b>Financial assets at amortised cost</b>	<b>Total</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Financial assets included in prepayments, other receivables and other assets	–	7,125	7,125
Cash and cash equivalents	–	360,837	360,837
Pledged deposits	–	8,141	8,141
Trade and notes receivables	–	38,256	38,256
Financial assets at fair value through profit or loss	1,251	–	1,251
	<u>1,251</u>	<u>–</u>	<u>1,251</u>
	<u>1,251</u>	<u>414,359</u>	<u>415,610</u>

30 June 2024

	<b>Financial assets at fair value through profit or loss</b>	<b>Financial assets at amortised cost</b>	<b>Total</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Financial assets included in prepayments, other receivables and other assets	–	7,157	7,157
Cash and cash equivalents	–	554,092	554,092
Pledged deposits	–	8,587	8,587
Trade and notes receivables	–	63,298	63,298
	<u>–</u>	<u>633,134</u>	<u>633,134</u>

**Financial liabilities**

31 December 2021

	<b>Financial liabilities at fair value through profit or loss</b>	<b>Financial liabilities at amortised cost</b>	<b>Total</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Financial liabilities included in other payables and accruals	–	87,447	87,447
Trade and notes payables	–	92,879	92,879
Amounts due to related parties	–	18,735	18,735
Convertible redeemable preferred shares	1,382,853	–	1,382,853
	<u>1,382,853</u>	<u>199,061</u>	<u>1,581,914</u>

31 December 2022

	<b>Financial liabilities at fair value through profit or loss</b>	<b>Financial liabilities at amortised cost</b>	<b>Total</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Financial liabilities included in other payables and accruals	–	91,567	91,567
Trade and notes payables	–	118,533	118,533
Amounts due to related parties	–	44,694	44,694
Interest-bearing bank borrowings	–	5,000	5,000
Convertible redeemable preferred shares	1,573,884	–	1,573,884
	<u>1,573,884</u>	<u>259,794</u>	<u>1,833,678</u>

31 December 2023

	<b>Financial liabilities at fair value through profit or loss</b>	<b>Financial liabilities at amortised cost</b>	<b>Total</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Financial liabilities included in other payables and accruals	–	93,522	93,522
Trade and notes payables	–	259,671	259,671
Amounts due to related parties	–	25,913	25,913
Convertible redeemable preferred shares	1,848,016	–	1,848,016
	<u>1,848,016</u>	<u>379,106</u>	<u>2,227,122</u>

30 June 2024

	<b>Financial liabilities at fair value through profit or loss</b>	<b>Financial liabilities at amortised cost</b>	<b>Total</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Financial liabilities included in other payables and accruals	–	92,620	92,620
Trade and notes payables	–	514,705	514,705
Convertible redeemable preferred shares	1,822,049	–	1,822,049
	<u>1,822,049</u>	<u>607,325</u>	<u>2,429,374</u>



## 38. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Management has assessed that the fair values of cash and cash equivalents, pledged deposits, trade and notes receivables, financial assets included in prepayments, other receivables and other assets (in the current portion), financial liabilities included in trade and other payables and lease liabilities (in the current portion) approximate to their carrying amounts largely due to the short-term maturities of these instruments.

The Group's finance department headed by the finance manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments. At the end of each of the Relevant Periods, the finance department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The directors review the results of the fair value measurement of financial instruments periodically for financial reporting.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

The fair values of the non-current portion of financial assets included in prepayments, other receivables and other assets have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities.

The Group invests in cash management products issued by the bank. The fair values of these products are derived from quoted prices (unadjusted) in active market for identical assets or liabilities. The valuation techniques based on open market transaction prices.

The fair value of the convertible redeemable preferred shares measured at FVTPL is determined using the valuation techniques, including option-pricing method, and is within Level 3 fair value measurement. Further details are set out in note 29 to the Historical Financial Information.

Set out below is a summary of significant unobservable inputs to the valuation of convertible redeemable preferred shares categorised within Level 3 of the fair value hierarchy, together with a quantitative sensitivity analysis as at the end of each of the Relevant Periods.

Significant unobservable inputs	Increase/(decrease) unobservable inputs	(Decrease)/increase in the fair value			
		As at 31 December			As at 30 June
		2021	2022	2023	2024
		RMB'000	RMB'000	RMB'000	RMB'000
Discount rate	5%/(5%)	(62,619)/69,712	(66,964)/72,762	(69,156)/81,802	(71,186)/83,175
Risk-free interest rate	5%/(5%)	(1,376)/1,379	(4,240)/3,341	(2,597)/2,617	(1,929)/3,025
DLOM	5%/(5%)	(10,234)/10,234	(8,028)/8,028	(7,356)/7,356	(10,035)/10,035
Volatility	5%/(5%)	(18,455)/14,736	(12,522)/8,275	(4,726)/8,262	(4,702)/5,177

**Fair value hierarchy**

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

*Assets measured at fair value*

As at 31 December 2021

	Fair value measurement using			Total
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
	RMB'000	RMB'000	RMB'000	RMB'000
Cash management products	272,785	–	–	272,785

As at 31 December 2022

	Fair value measurement using			Total
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
	RMB'000	RMB'000	RMB'000	RMB'000
Cash management product	1,251	–	–	1,251

As at 31 December 2023

	Fair value measurement using			Total
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
	RMB'000	RMB'000	RMB'000	RMB'000
Cash management product	1,251	–	–	1,251

As at 30 June 2024

	Fair value measurement using			Total
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
	RMB'000	RMB'000	RMB'000	RMB'000
Cash management product	–	–	–	–

*Liabilities measured at fair value*

As at 31 December 2021

	Fair value measurement using			Total
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
	RMB'000	RMB'000	RMB'000	
Convertible redeemable preferred shares	–	–	1,382,853	1,382,853

As at 31 December 2022

	Fair value measurement using			Total
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
	RMB'000	RMB'000	RMB'000	
Convertible redeemable preferred shares	–	–	1,573,884	1,573,884

As at 31 December 2023

	Fair value measurement using			Total
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
	RMB'000	RMB'000	RMB'000	
Convertible redeemable preferred shares	–	–	1,848,016	1,848,016

As at 30 June 2024

	Fair value measurement using			Total
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
	RMB'000	RMB'000	RMB'000	
Convertible redeemable preferred shares	–	–	1,822,049	1,822,049

During the Relevant Periods, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities.

**39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES**

The Group's principal financial instruments comprise convertible redeemable preferred shares, cash and cash equivalents, pledged deposits and amounts due to and from related parties. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade and notes receivables and trade and notes payables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are foreign currency risk, credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks, which are summarised as below.

**(a) Foreign currency risk**

The Group has transactional currency exposures. Such exposures arise from sales or purchases by operating units in currencies other than the units' functional currencies. In addition, the Group has currency exposures from its cash and cash equivalents. The management of the Company considers the Group's exposure to foreign currency risk not significant.

The following table demonstrates the sensitivity as at the end of each of the Relevant Periods to a reasonably possible change in the USD exchange rate, with all other variables held constant, of the Group's loss before tax (due to changes in the retranslated value of monetary assets and liabilities) and the Group's equity.

	<u>Increase/(decrease) in USD/RMB rate</u>	<u>Increase/(decrease) in loss before tax</u>	<u>Increase/(decrease) in equity</u>
	%	RMB'000	RMB'000
31 December 2021			
If RMB weakens against USD	5	14	2
If RMB strengthens against USD	(5)	(14)	(2)
31 December 2022			
If RMB weakens against USD	5	37	6
If RMB strengthens against USD	(5)	(37)	(6)
31 December 2023			
If RMB weakens against USD	5	381	63
If RMB strengthens against USD	(5)	(381)	(63)
30 June 2024			
If RMB weakens against USD	5	792	131
If RMB strengthens against USD	(5)	(792)	(131)

**(b) Credit risk**

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

***Maximum exposure and staging as at 31 December 2021, 2022, 2023 and 30 June 2024***

The table below shows the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at the end of each of the Relevant Periods. The amounts presented are gross carrying amounts for financial assets.

31 December 2021

	12-month ECLs	Lifetime ECLs			Total
	Stage 1	Stage 2	Stage 3	Simplified approach	
	RMB'000	RMB'000	RMB'000	RMB'000	
Trade receivables*	–	–	–	25,562	25,562
Financial assets included in prepayments, other receivables and other assets**	8,087	–	–	–	8,087
Cash and cash equivalents	76,153	–	–	–	76,153
Pledged deposits	4,719	–	–	–	4,719
	<u>88,959</u>	<u>–</u>	<u>–</u>	<u>25,562</u>	<u>114,521</u>

31 December 2022

	12-month ECLs	Lifetime ECLs			Total
	Stage 1	Stage 2	Stage 3	Simplified approach	
	RMB'000	RMB'000	RMB'000	RMB'000	
Trade receivables*	–	–	–	15,647	15,647
Financial assets included in prepayments, other receivables and other assets**	8,065	–	–	–	8,065
Cash and cash equivalents	188,972	–	–	–	188,972
Pledged deposits	9,064	–	–	–	9,064
	<u>206,101</u>	<u>–</u>	<u>–</u>	<u>15,647</u>	<u>221,748</u>

31 December 2023

	12-month ECLs	Lifetime ECLs			Total
	Stage 1	Stage 2	Stage 3	Simplified approach	
	RMB'000	RMB'000	RMB'000	RMB'000	
Trade receivables*	–	–	–	38,964	38,964
Financial assets included in prepayments, other receivables and other assets**	7,909	–	–	–	7,909
Cash and cash equivalents	360,837	–	–	–	360,837
Pledged deposits	8,141	–	–	–	8,141
	<u>376,887</u>	<u>–</u>	<u>–</u>	<u>38,964</u>	<u>415,851</u>

30 June 2024

	12-month ECLs	Lifetime ECLs			Total
	Stage 1	Stage 2	Stage 3	Simplified approach	
	RMB'000	RMB'000	RMB'000	RMB'000	
Trade receivables*	–	–	–	63,920	63,920
Financial assets included in prepayments, other receivables and other assets**	8,329	–	–	–	8,329
Cash and cash equivalents	554,092	–	–	–	554,092
Pledged deposits	8,587	–	–	–	8,587
	<u>571,008</u>	<u>–</u>	<u>–</u>	<u>63,920</u>	<u>634,928</u>

\* For trade receivables to which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in note 21 to the Historical Financial Information.

\*\* The credit quality of the financial assets included in prepayments, other receivables and other assets is normal as they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition.

(c) **Liquidity risk**

Liquidity risk is the risk that the Group will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. The Group's objective is to maintain a balance for continuity of funding to finance its working capital needs as well as capital expenditure.

The maturity profile of the Group's financial liabilities as at the end of each of the Relevant Periods, based on contractual undiscounted payments, is as follows:

31 December 2021

	Within 1 year	Over 1 year	Total
	RMB'000	RMB'000	RMB'000
Trade and notes payables	92,879	–	92,879
Financial liabilities included in other payables and accruals	81,071	6,376	87,447
Lease liabilities	28,703	23,096	51,799
Convertible redeemable preferred shares	–	1,382,853	1,382,853
Amounts due to related parties	–	18,735	18,735
	<u>202,653</u>	<u>1,431,060</u>	<u>1,633,713</u>

31 December 2022

	<u>Within 1 year</u>	<u>Over 1 year</u>	<u>Total</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Trade and notes payables	118,533	–	118,533
Financial liabilities included in other payables and accruals	84,602	6,965	91,567
Lease liabilities	24,221	3,425	27,646
Convertible redeemable preferred shares	–	1,573,884	1,573,884
Amounts due to related parties	18,797	25,897	44,694
Interest-bearing bank borrowings	5,072	–	5,072
	<u>251,225</u>	<u>1,610,171</u>	<u>1,861,396</u>

31 December 2023

	<u>Within 1 year</u>	<u>Over 1 year</u>	<u>Total</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Trade and notes payables	259,671	–	259,671
Financial liabilities included in other payables and accruals	93,522	–	93,522
Lease liabilities	23,752	36,471	60,223
Convertible redeemable preferred shares	–	1,848,016	1,848,016
Amounts due to related parties	25,913	–	25,913
	<u>402,858</u>	<u>1,884,487</u>	<u>2,287,345</u>

30 June 2024

	<u>Within 1 year</u>	<u>Over 1 year</u>	<u>Total</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Trade and notes payables	514,705	–	514,705
Financial liabilities included in other payables and accruals	92,620	–	92,620
Lease liabilities	23,050	25,655	48,705
Convertible redeemable preferred shares	–	1,822,049	1,822,049
	<u>630,375</u>	<u>1,847,704</u>	<u>2,478,079</u>

**(d) Capital management**

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirement. No change was made in the objectives, policies or processes for managing capital during the Relevant Periods.

The Group monitors its capital structure on the basis of an adjusted net debt-to-capital ratio. For this purpose, adjusted net debt is defined as total debt. Adjusted capital comprises all components of equity and convertible redeemable preferred shares. The adjusted net debt-to-capital ratios as at the end of each of the Relevant Periods were as follows:

	As at 31 December			As at
	2021	2022	2023	30 June
	RMB'000	RMB'000	RMB'000	RMB'000
Total liabilities	3,444,595	3,322,966	2,620,950	2,617,995
Less: Convertible redeemable preferred shares	(1,382,853)	(1,573,884)	(1,848,016)	(1,822,049)
Payables in connection with the Reorganization	(1,759,480)	(1,407,338)	(187,520)	–
Cash and cash equivalents	(76,153)	(188,972)	(360,837)	(554,092)
Adjusted net debt	<u>226,109</u>	<u>152,772</u>	<u>224,577</u>	<u>241,854</u>
Equity attributable to owners of the parent	(950,528)	(1,366,205)	(1,606,257)	(1,492,462)
Add: Convertible redeemable preferred shares	<u>1,382,853</u>	<u>1,573,884</u>	<u>1,848,016</u>	<u>1,822,049</u>
Adjusted capital	<u>432,325</u>	<u>207,679</u>	<u>241,759</u>	<u>329,587</u>
Adjusted net debt-to-capital ratio	<u>34.3%</u>	<u>42.4%</u>	<u>48.2%</u>	<u>42.3%</u>

#### 40. EVENTS AFTER THE REPORTING PERIODS

There were no significant events after the end of the Relevant Periods that require additional disclosure or adjustments.

#### 41. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Group or any of the companies now comprising the Group in respect of any period subsequent to 30 June 2024.



The following information does not form part of the Accountants' Report from Ernst & Young, Certified Public Accountants, Hong Kong, the Company's reporting accountants, as set out in Appendix I to this prospectus, and is included for information purposes only. The unaudited pro forma financial information should be read in conjunction with the section headed "Financial Information" in this prospectus and the Accountants' Report set out in Appendix I to this prospectus.

#### A. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The following unaudited pro forma statement of adjusted consolidated net tangible assets of the Group has been prepared in accordance with Rule 4.29 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited and with reference to Accounting Guideline 7 *Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants for illustration purposes only, and is set out here to illustrate the effect of the Global Offering on the consolidated net tangible assets of the Group attributable to owners of the parent as of 30 June 2024 as if the Global Offering had taken place on 30 June 2024.

The unaudited pro forma statement of adjusted consolidated net tangible assets of the Group attributable to owners of the parent has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the financial position of the Group had the Global Offering been completed as of 30 June 2024 or at any future date. It is prepared based on our consolidated net tangible assets as of 30 June 2024 as set out in the Accountants' Report as set out in Appendix I to this prospectus and adjusted as described below. The unaudited pro forma adjusted consolidated net tangible assets do not form part of the Accountants' Report as set out in Appendix I to this prospectus.

	Consolidated net tangible assets/(liabilities) attributable to owners of the parent	Estimated net proceeds from the Global Offering	Estimated impact related to the changes of terms of convertible redeemable preferred shares upon Listing	Unaudited Pro forma adjusted consolidated net tangible assets attributable to owners of the parent	Unaudited pro forma adjusted consolidated net tangible assets attributable to owners of the parent per share	
	(RMB'000) (Note 1)	(RMB'000) (Note 2)	(RMB'000) (Note 3)	(RMB'000)	RMB (Note 4)	HK\$ (Note 5)
Based on an Offer Price of HK\$55.65 per Offer Share	(1,507,512)	1,162,469	1,822,049	1,477,006	6.12	6.61
Based on an Offer Price of HK\$58.00 per Offer Share	(1,507,512)	1,212,696	1,822,049	1,527,233	6.32	6.83
Based on an Offer Price of HK\$60.35 per Offer Share	(1,507,512)	1,262,924	1,822,049	1,577,461	6.53	7.06

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*Notes:*

- (1) The consolidated net tangible liabilities of the Group attributable to owners of the parent as at 30 June 2024 was equal to the net liabilities attributable to owners of the parent as at 30 June 2024 of RMB1,492,462,000 after deducting of other intangible assets of RMB15,050,000 as at 30 June 2024 set out in the Accountants' Report in Appendix I to this prospectus.
- (2) The estimated net proceeds from the Global Offering are based on estimated Offer Price of HK\$55.65 per Offer Share, HK\$58.00 per Offer Share and HK\$60.35 per Offer Share, after deduction of the underwriting fees and other related expenses payable by the Company (excluding the listing expense that have been charged to profit or loss during the Track Record Period) and 24,120,300 shares expected to be issued under the global offering, taking no account of any Shares which may be issued upon the exercise of the Offer Size Adjustment Option and the Over-Allotment Option.
- (3) Upon the Listing and the completion of the Global Offering, 39,582,875 convertible redeemable preferred shares will be automatically converted into 39,582,875 Ordinary Shares. The convertible redeemable preferred shares will then be transferred from liabilities to equity. Accordingly, for the purpose of the unaudited pro forma financial information, the unaudited pro forma adjusted net tangible assets attributable to owners of the parent will be increased by RMB1,822,049,000, the carrying amount of the convertible redeemable preferred shares as at 30 June 2024.
- (4) The unaudited pro forma adjusted consolidated net tangible assets per share is arrived at after adjustments referred in preceding paragraph and on the basis of 241,472,245 Shares are in issue, assuming that the conversion of Preferred Shares into the ordinary shares and the Global Offering has been completed.
- (5) For the purpose of this unaudited pro forma statement of adjusted net tangible assets attributable to the owners of the parent, the balances stated in RMB are converted into HK\$ at the rate of RMB1.00 to HK\$1.08056.
- (6) No adjustment has been made to the unaudited pro forma adjusted consolidated net tangible assets attributable to owners of the parent to reflect any trading results or other transactions of the Group entered into subsequent to 30 June 2024.

The following version is the text of a report, prepared for the purpose of incorporation in this document, received from the Reporting Accountants, Ernst & Young, Certified Public Accountants.

## B. INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF PRO FORMA FINANCIAL INFORMATION



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### To the Directors of Bloks Group Limited

We have completed our assurance engagement to report on the compilation of pro forma financial information of Bloks Group Limited (the “**Company**”) and its subsidiaries (hereinafter collectively referred to as the “**Group**”) by the directors of the Company (the “**Directors**”) for illustrative purposes only. The pro forma financial information consists of the pro forma consolidated net tangible assets as at 30 June 2024, and related notes as set out on Part A of Appendix II to the prospectus dated 31 December 2024 issued by the Company (the “**Pro Forma Financial Information**”). The applicable criteria on the basis of which the Directors have compiled the Pro Forma Financial Information are described in Part A of Appendix II to the prospectus.

The Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of the global offering of shares of the Company on the Group’s financial position as at 30 June 2024 as if the transaction had taken place at 30 June 2024. As part of this process, information about the Group’s financial position, has been extracted by the Directors from the Group’s financial statements for the period ended 30 June 2024, on which an accountants’ report has been published.

### Directors’ responsibility for the Pro Forma Financial Information

The Directors are responsible for compiling the Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and with reference to Accounting Guideline (“**AG**”) 7 *Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”).

### Our independence and quality management

We have complied with the independence and other ethical requirements of the *Code of Ethics for Professional Accountants* issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Management 1 *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements* which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

### **Reporting accountants' responsibilities**

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus* issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the Pro Forma Financial Information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Pro Forma Financial Information.

The purpose of the Pro Forma Financial Information included in the Prospectus is solely to illustrate the impact of the global offering of shares of the Company on unadjusted financial information of the Group as if the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the transaction would have been as presented.

A reasonable assurance engagement to report on whether the Pro Forma Financial Information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the Pro Forma Financial Information provide a reasonable basis for presenting the significant effects directly attributable to the transaction, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and
- the Pro Forma Financial Information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the Group, the transaction in respect of which the Pro Forma Financial Information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Pro Forma 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:

- (a) the Pro Forma Financial Information has been properly compiled on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purpose of the Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

**Ernst & Young**

*Certified Public Accountants*

Hong Kong

31 December 2024

## SUMMARY OF THE CONSTITUTION OF THE COMPANY

**1 Memorandum of Association**

The memorandum of association (the “**Memorandum of Association**”) of the Company was conditionally adopted on 18 December 2024 and states, inter alia, that the liability of the members of the Company is limited, that the objects for which the Company is established are unrestricted and the Company shall have full power and authority to carry out any object not prohibited by the Cayman Companies Act or any other law of the Cayman Islands.

The Memorandum of Association is available for inspection at the address specified in Appendix V in the section headed “Documents Delivered to the Registrar of Companies in Hong Kong and Available on Display”.

**2 Articles of Association**

The articles of association (the “**Articles of Association**”) of the Company were conditionally adopted on 18 December 2024 and include provisions to the following effect:

**2.1 Classes of Shares**

The share capital of the Company consists of ordinary shares. The authorized share capital of the Company at the date of adoption of the Articles is US\$50,000 divided into 500,000,000 ordinary shares of US\$0.0001 each.

**2.2 Directors***(a) Power to allot and issue Shares*

Subject to the provisions of the Cayman Companies Act and the Memorandum and Articles of Association, the unissued shares in the Company (whether forming part of its original or any increased capital) shall be at the disposal of the Directors, who may offer, allot, grant options over or otherwise dispose of them to such persons, at such times and for such consideration, and upon such terms, as the Directors shall determine.

Subject to the provisions of the Articles of Association and to any direction that may be given by the Company in general meeting and without prejudice to any special rights conferred on the holders of any existing shares or attaching to any class of shares, any share may be issued with or have attached thereto such preferred, deferred, qualified or other special rights or restrictions, whether in regard to dividend, voting, return of capital or otherwise, and to such persons at such times and for such consideration as the Directors may determine. Subject to the Cayman Companies Act and to any special rights conferred on any shareholders or attaching to any class of shares, any share may, with the sanction of a special resolution, be issued on terms that it is, or at the option of the Company or the holder thereof, liable to be redeemed.

*(b) Power to dispose of the assets of the Company or any subsidiary*

The management of the business of the Company shall be vested in the Directors who, in addition to the powers and authorities by the Articles of Association expressly conferred upon them, may exercise all such powers and do all such acts and things as may be exercised or done or approved by the Company and are not by the Articles of Association or the Cayman Companies Act expressly directed or required to be exercised or done by the Company in general meeting, but subject nevertheless to the provisions of the Cayman Companies Act and of the Articles of Association and to any regulation from time to time made by the Company in general meeting not being inconsistent with such provisions or the Articles of Association, provided that no regulation so made shall invalidate any prior act of the Directors which would have been valid if such regulation had not been made.

*(c) Compensation or payment for loss of office*

Payment to any Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually entitled) must first be approved by the Company in general meeting.

*(d) Loans to Directors*

There are provisions in the Articles of Association prohibiting the making of loans to Directors or their respective close associates which are equivalent to the restrictions imposed by the Companies Ordinance.

*(e) Financial assistance to purchase Shares*

Subject to all applicable laws, the Company may give financial assistance to Directors and employees of the Company, its subsidiaries or any holding company or any subsidiary of such holding company in order that they may buy shares in the Company or any such subsidiary or holding company. Further, subject to all applicable laws, the Company may give financial assistance to a trustee for the acquisition of shares in the Company or shares in any such subsidiary or holding company to be held for the benefit of employees of the Company, its subsidiaries, any holding company of the Company or any subsidiary of any such holding company (including salaried Directors).

*(f) Disclosure of interest in contracts with the Company or any of its subsidiaries*

No Director or proposed Director shall be disqualified by his office from contracting with the Company either as vendor, purchaser or otherwise nor shall any such contract or any contract or arrangement entered into by or on behalf of the Company with any person, company or partnership of or in which any Director shall be a member or otherwise interested be capable on that account of being avoided, nor shall any Director so contracting or being any member

or so interested be liable to account to the Company for any profit so realized by any such contract or arrangement by reason only of such Director holding that office or the fiduciary relationship thereby established, provided that such Director shall, if his interest in such contract or arrangement is material, declare the nature of his interest at the earliest meeting of the board of Directors at which it is practicable for him to do so, either specifically or by way of a general notice stating that, by reason of the facts specified in the notice, he is to be regarded as interested in any contracts of a specified description which may be made by the Company.

A Director shall not be entitled to vote on (nor shall be counted in the quorum in relation to) any resolution of the Directors in respect of any contract or arrangement or any other proposal in which the Director or any of his close associates (or, if required by the Listing Rules, his other associates) has any material interest, and if he shall do so his vote shall not be counted (nor is he to be counted in the quorum for the resolution), but this prohibition shall not apply to any of the following matters, namely:

- (i) the giving to such Director or any of his close associates of any security or indemnity in respect of money lent or obligations incurred or undertaken by him or any of them at the request of or for the benefit of the Company or any of its subsidiaries;
- (ii) the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or any of his close associates has himself/themselves assumed responsibility in whole or in part and whether alone or jointly under a guarantee or indemnity or by the giving of security;
- (iii) any proposal concerning an offer of shares, debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase where the Director or any of his close associates is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;
- (iv) any proposal or arrangement concerning the benefit of employees of the Company or any of its subsidiaries including:
  - (A) the adoption, modification or operation of any employees' share scheme or any share incentive scheme or share option scheme under which the Director or any of his close associates may benefit; or



- (B) the adoption, modification or operation of a pension or provident fund or retirement, death or disability benefits scheme which relates both to Directors, their close associates and employees of the Company or any of its subsidiaries and does not provide in respect of any Director or any of his close associates, as such any privilege or advantage not generally accorded to the class of persons to which such scheme or fund relates; and
- (v) any contract or arrangement in which the Director or any of his close associates is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company.

(g) *Remuneration*

The Directors shall be entitled to receive by way of remuneration for their services such sum as shall from time to time be determined by the Directors, or the Company in general meeting, as the case may be, such sum (unless otherwise directed by the resolution by which it is determined) to be divided amongst the Directors in such proportions and in such manner as they may agree, or failing agreement, equally, except that in such event any Director holding office for less than the whole of the relevant period in respect of which the remuneration is paid shall only rank in such division in proportion to the time during such period for which he has held office. Such remuneration shall be in addition to any other remuneration to which a Director who holds any salaried employment or office in the Company may be entitled by reason of such employment or office.

The Directors shall also be entitled to be paid all expenses, including travel expenses, reasonably incurred by them in or in connection with the performance of their duties as Directors including their expenses of traveling to and from board meetings, committee meetings or general meetings or otherwise incurred whilst engaged on the business of the Company or in the discharge of their duties as Directors.

The Directors may grant special remuneration to any Director who shall perform any special or extra services at the request of the Company. Such special remuneration may be made payable to such Director in addition to or in substitution for his ordinary remuneration as a Director, and may be made payable by way of salary, commission or participation in profits or otherwise as may be agreed.

The remuneration of an executive Director or a Director appointed to any other office in the management of the Company shall from time to time be fixed by the Directors and may be by way of salary, commission or participation in profits or otherwise or by all or any of those modes and with such other benefits (including share option and/or pension and/or gratuity and/or other benefits on retirement) and allowances as the Directors may from time to time decide. Such remuneration shall be in addition to such remuneration as the recipient may be entitled to receive as a Director.

*(h) Retirement, appointment and removal*

The number of Directors shall not be less than two.

The Directors shall have power at any time and from time to time to appoint any person to be a Director, either to fill a casual vacancy or as an addition to the existing Directors. Any Director so appointed shall hold office only until the first annual general meeting of the Company after his appointment and shall then be eligible for re-election at that meeting.

The Company may by ordinary resolution remove any Director (including a Managing Director or other executive Director) before the expiration of his period of office notwithstanding anything in the Articles of Association or in any agreement between the Company and such Director (but without prejudice to any claim for compensation or damages payable to him in respect of the termination of his appointment as Director or of any other appointment of office as a result of the termination of this appointment as Director).

The Company may by ordinary resolution appoint another person in his place. Any Director so appointed shall hold office during such time only as the Director in whose place he is appointed would have held the same if he had not been removed. The Company may also by ordinary resolution elect any person to be a Director, either to fill a casual vacancy or as an addition to the existing Directors. Any Director so appointed shall hold office only until the first annual general meeting of the Company after this appointment and shall then be eligible for re-election but shall not be taken into account in determining the number of Directors and which Directors who are to retire by rotation at such meeting.

No person shall, unless recommended by the Board, be eligible for election to the office of Director at any general meeting unless, during the period, which shall be at least seven days, commencing no earlier than the day after the dispatch of the notice of the meeting appointed for such election and ending no later than seven days prior to the date of such meeting, there has been given to the Secretary of the Company notice in writing by a member of the Company (not being the person to be proposed) entitled to attend and vote at the meeting for which such notice is given of his intention to propose such person for election and also notice in writing signed by the person to be proposed of his willingness to be elected.

There is no shareholding qualification for Directors nor is there any specified age limit for Directors. The office of a Director shall be vacated:

- (i) if he resigns his office by notice in writing to the Company at its registered office or its principal office in Hong Kong;
- (ii) if an order is made by any competent court or official on the grounds that he is or may be suffering from mental disorder or is otherwise incapable of managing his affairs and the Directors resolve that his office be vacated;

- (iii) if, without leave, he is absent from meetings of the Directors (unless an alternate Director appointed by him attends) for 12 consecutive months, and the Directors resolve that his office be vacated;
- (iv) if he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors generally;
- (v) if he ceases to be or is prohibited from being a Director by law or by virtue of any provision in the Articles of Association;
- (vi) if he is removed from office by a notice in writing served upon him signed by not less than three-fourths in number (or, if that is not a round number, the nearest lower round number) of the Directors (including himself) for the time being then in office;  
or
- (vii) if he shall be removed from office by an ordinary resolution of the members of the Company under the Articles of Association.

At every annual general meeting of the Company one-third of the Directors for the time being, or, if their number is not three or a multiple of three, then the number nearest to, but not less than, one-third, shall retire from office by rotation, provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years. A retiring Director shall retain office until the close of the meeting at which he retires and shall be eligible for re-election thereat. The Company at any annual general meeting at which any Directors retire may fill the vacated office by electing a like number of persons to be Directors.

*(i) Borrowing powers*

The Directors may from time to time at their discretion exercise all the powers of the Company to raise or borrow or to secure the payment of any sum or sums of money for the purposes of the Company and to mortgage or charge its undertaking, property and assets (present and future) and uncalled capital or any part thereof.

*(j) Proceedings of the Board*

The Directors may meet together for the dispatch of business, adjourn and otherwise regulate their meetings and proceedings as they think fit in any part of the world. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have a second or casting vote.

### ***2.3 Alteration to constitutional documents***

No alteration or amendment to the Memorandum or Articles of Association may be made except by special resolution.

### ***2.4 Variation of rights of existing shares or classes of shares***

If at any time the share capital of the Company is divided into different classes of shares, all or any of the rights attached to any class of shares for the time being issued (unless otherwise provided for in the terms of issue of the shares of that class) may, subject to the provisions of the Cayman Companies Act, be varied or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate meeting of the holders of the shares of that class. To every such separate meeting all the provisions of the Articles of Association relating to general meetings shall *mutatis mutandis* apply, but so that the quorum for the purposes of any such separate meeting and of any adjournment thereof shall be a person or persons together holding (or representing by proxy or duly authorized representative) at the date of the relevant meeting not less than one-third in nominal value of the issued shares of that class.

The special rights conferred upon the holders of shares of any class shall not, unless otherwise expressly provided in the rights attaching to or the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

### ***2.5 Alteration of capital***

The Company may, from time to time, whether or not all the shares for the time being authorized shall have been issued and whether or not all the shares for the time being issued shall have been fully paid up, by ordinary resolution, increase its share capital by the creation of new shares, such new capital to be of such amount and to be divided into shares of such respective amounts as the resolution shall prescribe.

The Company may from time to time by ordinary resolution:

- (a) consolidate and divide all or any of its share capital into shares of a larger amount than its existing shares. On any consolidation of fully paid shares and division into shares of larger amount, the Directors may settle any difficulty which may arise as they think expedient and in particular (but without prejudice to the generality of the foregoing) may as between the holders of shares to be consolidated determine which particular shares are to be consolidated into each consolidated share, and if it shall happen that any person shall become entitled to fractions of a consolidated share or shares, such fractions may be sold by some person appointed by the Directors for that purpose and the person so appointed may transfer the shares so sold to the purchaser thereof and the validity of such transfer shall not be questioned, and so

that the net proceeds of such sale (after deduction of the expenses of such sale) may either be distributed among the persons who would otherwise be entitled to a fraction or fractions of a consolidated share or shares ratably in accordance with their rights and interests or may be paid to the Company for the Company's benefit;

- (b) cancel any shares which at the date of the passing of the resolution have not been taken or agreed to be taken by any person, and diminish the amount of its share capital by the amount of the shares so canceled subject to the provisions of the Cayman Companies Act; and
- (c) sub-divide its shares or any of them into shares of smaller amount than is fixed by the Memorandum of Association, subject nevertheless to the provisions of the Cayman Companies Act, and so that the resolution whereby any share is sub-divided may determine that, as between the holders of the shares resulting from such sub-division, one or more of the shares may have any such preferred or other special rights, over, or may have such deferred rights or be subject to any such restrictions as compared with the others as the Company has power to attach to unissued or new shares.

The Company may by special resolution reduce its share capital or any capital redemption reserve in any manner authorized and subject to any conditions prescribed by the Cayman Companies Act.

#### ***2.6 Special resolution-majority required***

A "special resolution" is defined in the Articles of Association to have the meaning ascribed thereto in the Cayman Companies Act, for which purpose, the requisite majority shall be not less than three-fourths of the votes of such members of the Company as, being entitled to do so, vote in person or, where proxies are allowed, by proxy or, in the case of corporations, by their duly authorized representatives, at a general meeting of which notice specifying the intention to propose the resolution as a special resolution has been duly given and includes a special resolution signed by all members for the time being entitled to receive notice of and to attend and vote at general meetings (or being corporations by their duly appointed representatives), and any such resolution shall be deemed to have been passed at a meeting held on the date on which it was signed by the last member to sign.

In contrast, an "ordinary resolution" is defined in the Articles of Association to mean a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, where proxies are allowed, by proxy or, in the case of corporations, by their duly authorized representatives, at a general meeting held in accordance with the Articles of Association and includes an ordinary resolution approved in writing by all the members of the Company aforesaid.

**2.7 Voting rights**

Subject to any special rights, privileges or restrictions as to voting for the time being attached to any class or classes of shares, at any general meeting on a poll every member (except the holder of treasury share(s) (as defined under the Companies Act, the “Treasury Share(s)”) present in person (or, in the case of a member being a corporation, by its duly authorized representative) or by proxy shall have one vote for each share registered in his name in the register of members of the Company.

Where any member is, under the Listing Rules, required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such member in contravention of such requirement or restriction shall not be counted.

In the case of joint registered holders of any share, any one of such persons may vote at any meeting, either personally or by proxy, in respect of such share as if he were solely entitled thereto; but if more than one of such joint holders be present at any meeting personally or by proxy, that one of the said persons so present being the most or, as the case may be, the more senior shall alone be entitled to vote in respect of the relevant joint holding and, for this purpose, seniority shall be determined by reference to the order in which the names of the joint holders stand on the register in respect of the relevant joint holding.

A member of the Company in respect of whom an order has been made by any competent court or official on the grounds that he is or may be suffering from mental disorder or is otherwise incapable of managing his affairs may vote by any person authorized in such circumstances to do so and such person may vote by proxy.

Save as expressly provided in the Articles of Association or as otherwise determined by the Directors, no person other than a member of the Company duly registered and who shall have paid all sums for the time being due from him payable to the Company in respect of his shares shall be entitled to be present or to vote (save as proxy for another member of the Company), or to be reckoned in a quorum, either personally or by proxy at any general meeting.

At any general meeting a resolution put to the vote of the meeting shall be decided by way of a poll save that the chairman of the meeting may allow a resolution which relates purely to a procedural or administrative matter as prescribed under the Listing Rules to be voted on by a show of hands.

If a recognized clearing house (or its nominee(s)) is a member of the Company it may authorize such person or persons as it thinks fit to act as its proxy(ies) or representative(s) at any meeting of the Company (including general meeting and creditors meeting of the Company) or at any general meeting of any class of members of the Company provided that, if more than one person is so authorized, the authorization shall specify the number and class of shares in respect of which each such person is so authorized. A person authorized pursuant

to this provision shall be entitled to exercise the same rights and powers on behalf of the recognized clearing house (or its nominee(s)) which he represents as that recognized clearing house (or its nominee(s)) could exercise as if it were an individual member of the Company holding the number and class of shares specified in such authorization, including, where a show of hands is allowed, the right to vote individually on a show of hands.

All members for the time being entitled to receive notice of and to attend and vote at general meetings (or, in the case of a member being a corporation, its duly authorised representative), shall have the right to speak at any general meetings of the Company.

A Treasury Share shall not be voted, directly or indirectly, at any general meeting of the Company and shall not be counted in determining the total number of issued shares at any given time, whether for the purposes of the Articles of Association or the Companies Act.

### ***2.8 Annual general meetings and extraordinary general meetings***

The Company must hold a general meeting as its annual general meeting each financial year. Such meeting must be held within six months after the end of the Company's financial year. The annual general meeting shall be specified as such in the notices calling it.

Extraordinary general meetings may be convened on the requisition of one or more shareholders (or any one member which is a recognized clearing house (or its nominee(s)) holding, at the date of deposit of the requisition, not less than one-tenth of the paid up capital of the Company having the right of voting at general meetings.

### ***2.9 Accounts and audit***

The Directors shall cause to be kept such books of account as are necessary to give a true and fair view of the state of the Company's affairs and to show and explain its transactions and otherwise in accordance with the Cayman Companies Act.

The Directors shall from time to time determine whether, and to what extent, and at what times and places and under what conditions or regulations, the accounts and books of the Company, or any of them, shall be open to the inspection by members of the Company (other than officers of the Company) and no such member shall have any right of inspecting any accounts or books or documents of the Company except as conferred by the Cayman Companies Act or any other relevant law or regulation or as authorized by the Directors or by the Company in general meeting.

The Directors shall, commencing with the first annual general meeting, cause to be prepared and to be laid before the members of the Company at every annual general meeting a profit and loss account for the period, in the case of the first account, since the incorporation of the Company and, in any other case, since the preceding account, together with a statement of financial position as at the date to which the profit and loss account is made up and a Director's report with respect to the profit or loss of the Company for the period covered by

the profit and loss account and the state of the Company's affairs as at the end of such period, an auditor's report on such accounts and such other reports and accounts as may be required by law. Copies of those documents to be laid before the members of the Company at an annual general meeting shall not less than 21 days before the date of the meeting, be sent in the manner in which notices may be served by the Company as provided in the Articles of Association to every member of the Company and every holder of debentures of the Company provided that the Company shall not be required to send copies of those documents to any person of whose address the Company is not aware or to more than one of the joint holders of any shares or debentures.

The appointment, removal and remuneration of an auditor or auditors of the Company shall require the approval of an ordinary resolution of the members in general meeting. The Company shall at every annual general meeting appoint an auditor or auditors of the Company who shall hold office until the next annual general meeting and fix the remuneration of such auditor(s) being appointed. The removal of any auditor before the expiration of his period of office shall be approved at a general meeting; and the members shall at that meeting appoint new auditor in its place for the remainder of the term. Subject to compliance with the Listing Rules, the Board may fill any casual vacancy in the office of auditor, but while any such vacancy continues, the surviving or continuing Auditor or Auditors, if any, may act.

#### ***2.10 Notice of meetings and business to be conducted thereat***

An annual general meeting shall be called by not less than 21 days' notice in writing and any extraordinary general meeting shall be called by not less than 14 days' notice in writing. The notice shall be exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and shall specify the time, place (except in the case of a virtual meeting held in accordance with the Articles of Association) and agenda of the meeting, particulars of the resolutions and the general nature of the business to be considered at the meeting. The notice convening an annual general meeting shall specify the meeting as such, and the notice convening a meeting to pass a special resolution shall specify the intention to propose the resolution as a special resolution. Notice of every general meeting shall be given to the auditors and all members of the Company (other than those who, under the provisions of the Articles of Association or the terms of issue of the shares they hold, are not entitled to receive such notice from the Company).

Notwithstanding that a meeting of the Company is called by shorter notice than that mentioned above, it shall be deemed to have been duly called if it is so agreed:

- (a) in the case of a meeting called as an annual general meeting, by all members of the Company entitled to attend and vote thereat or their proxies; and
- (b) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting, being a majority together holding not less than 95% in nominal value of the shares giving that right.



*2.11 Transfer of shares*

Transfers of shares may be effected by an instrument of transfer in the usual common form or in such other form as the Directors may approve which is consistent with the standard form of transfer as prescribed by the Stock Exchange.

The instrument of transfer shall be executed by or on behalf of the transferor and, unless the Directors otherwise determine, the transferee, and the transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members of the Company in respect thereof. All instruments of transfer shall be retained by the Company.

The Directors may, in its absolute discretion, and without assigning any reason, refuse to register any transfer of any share which is not fully paid up or on which the Company has a lien. The Directors may also decline to register any transfer of any shares unless:

- (a) the instrument of transfer is lodged with the Company accompanied by the certificate for the shares to which it relates (which shall upon the registration of the transfer be canceled) and such other evidence as the Directors may reasonably require to show the right of the transferor to make the transfer;
- (b) the instrument of transfer is in respect of only one class of shares;
- (c) the instrument of transfer is properly stamped (in circumstances where stamping is required);
- (d) in the case of a transfer to joint holders, the number of joint holders to whom the share is to be transferred does not exceed four;
- (e) the shares concerned are free of any lien in favor of the Company; and
- (f) a fee of such amount not exceeding the maximum amount as the Stock Exchange may from time to time determine to be payable (or such lesser sum as the Directors may from time to time require) is paid to the Company in respect thereof.

If the Directors refuse to register a transfer of any share they shall, within two months after the date on which the transfer was lodged with the Company, send to each of the transferor and the transferee notice of such refusal.

The registration of transfers may, on 10 business days' notice (or on 6 business days' notice in the case of a rights issue) being given by advertisement published on the Stock Exchange's website, or, subject to the Listing Rules, by electronic communication in the manner in which notices may be served by the Company by electronic means as provided in the Articles of Association or by advertisement published in the newspapers, be suspended and the register of members of the Company closed at such times for such periods as the Directors may from time to time determine, provided that the registration of transfers shall not be

suspended or the register closed for more than 30 days in any year (or such longer period as the members of the Company may by ordinary resolution determine provided that such period shall not be extended beyond 60 days in any year).

### ***2.12 Power of the Company to purchase its own shares***

The Company is empowered by the Cayman Companies Act and the Articles of Association to purchase its own shares subject to certain restrictions and the Directors may only exercise this power on behalf of the Company subject to the authority of its members in general meeting as to the manner in which they do so and to any applicable requirements imposed from time to time by the Stock Exchange and the Securities and Futures Commission of Hong Kong. The holder of the shares being purchased shall be bound to deliver up to the Company at its principal place of business in Hong Kong or such other place as the Directors shall specify the certificate(s) thereof, if any, and thereupon the Company shall pay to him the purchase or redemption monies in respect thereof. The Board shall have the discretion to cancel such certificate(s).

Subject to the Listing Rules, the Directors may, prior to the purchase, redemption or surrender of any share, determine that such share shall be held as a Treasury Share or cancelled, and may resolve to cancel a Treasury Share or transfer a Treasury Share on such terms as they think proper.

### ***2.13 Power of any subsidiary of the Company to own shares***

There are no provisions in the Articles of Association relating to the ownership of shares by a subsidiary.

### ***2.14 Dividends and other methods of distribution***

Subject to the Cayman Companies Act and the Articles of Association, the Company in general meeting may declare dividends in any currency but no dividends shall exceed the amount recommended by the Directors. No dividend may be declared or paid other than out of profits and reserves of the Company lawfully available for distribution, including share premium.

Unless and to the extent that the rights attached to any shares or the terms of issue thereof otherwise provide, all dividends shall (as regards any shares not fully paid throughout the period in respect of which the dividend is paid) be apportioned and paid pro rata according to the amounts paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. For these purposes no amount paid up on a share in advance of calls shall be treated as paid up on the share.

The Directors may from time to time pay to the members of the Company such interim dividends as appear to the Directors to be justified by the profits of the Company. The Directors may also pay half-yearly or at other intervals to be selected by them any dividend which may be at a fixed rate if they are of the opinion that the profits available for distribution justify the payment.

The Directors may retain any dividends or other monies payable on or in respect of a share upon which the Company has a lien, and may apply the same in or towards satisfaction of the debts, liabilities or engagements in respect of which the lien exists. The Directors may also deduct from any dividend or other monies payable to any member of the Company all sums of money (if any) presently payable by him to the Company on account of calls, installments or otherwise.

No dividend shall carry interest against the Company.

Whenever the Directors or the Company in general meeting have resolved that a dividend be paid or declared on the share capital of the Company, the Directors may further resolve: (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up on the basis that the shares so allotted are to be of the same class as the class already held by the allottee, provided that the members of the Company entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment; or (b) that the members of the Company entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the Directors may think fit on the basis that the shares so allotted are to be of the same class as the class already held by the allottee. The Company may upon the recommendation of the Directors by ordinary resolution resolve in respect of any one particular dividend of the Company that notwithstanding the foregoing a dividend may be satisfied wholly in the form of an allotment of shares credited as fully paid without offering any right to members of the Company to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, interest or other sum payable in cash to a holder of shares may be paid by cheque or warrant sent through the post addressed to the registered address of the member of the Company entitled, or in the case of joint holders, to the registered address of the person whose name stands first in the register of members of the Company in respect of the joint holding or to such person and to such address as the holder or joint holders may in writing direct. Every cheque or warrant so sent shall be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the register of members of the Company in respect of such shares, and shall be sent at his or their risk and the payment of any such cheque or warrant by the bank on which it is drawn shall operate as a good discharge to the Company in respect of the dividend and/or bonus represented thereby, notwithstanding that it may subsequently appear that the same has been stolen or that any endorsement thereon has been forged. The Company may cease sending such cheques for dividend entitlements or dividend warrants by post if such cheques or warrants have been left uncashed on two consecutive occasions. However, the Company may exercise its power to cease sending cheques for dividend entitlements or dividend warrants after the first occasion on which such a cheque or warrant is returned undelivered. Any one of two or more joint holders may give effectual receipts for any dividends or other monies payable or property distributable in respect of the shares held by such joint holders.

Any dividend unclaimed for six years from the date of declaration of such dividend may be forfeited by the Directors and shall revert to the Company.

Whenever the Directors or the Company in general meeting have resolved that a dividend may be paid or declared, the Directors may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind, and in particular of paid up shares, debentures or warrants to subscribe securities of any other company, and where any difficulty arises in regard to such distribution the Directors may settle it as they think expedient, and in particular may disregard fractional entitlements, round the same up or down or provide that the same shall accrue to the benefit of the Company, and may fix the value for distribution of such specific assets and may determine that cash payments shall be made to any members of the Company upon the footing of the value so fixed in order to adjust the rights of all parties, and may vest any such specific assets in trustees as may seem expedient to the Directors.

No dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of the Company's assets (including any distribution of assets to members on a winding up) may be declared or paid in respect of a Treasury Share. Notwithstanding the foregoing, nothing in the Articles of Association prevent an allotment of shares as fully paid up bonus shares in respect of a Treasury Share and shares allotted as fully paid up bonus shares in respect of a Treasury Share shall be treated as Treasury Shares.

### ***2.15 Proxies***

Any member of the Company entitled to attend and vote at a meeting of the Company shall be entitled to appoint another person who must be an individual as his proxy to attend and vote instead of him and a proxy so appointed shall have the same right as the member to speak at the meeting. A proxy need not be a member of the Company.

Instruments of proxy shall be in common form or in such other form as the Directors may from time to time approve provided that it shall enable a member to instruct his proxy to vote in favor of or against (or in default of instructions or in the event of conflicting instructions, to exercise his discretion in respect of) each resolution to be proposed at the meeting to which the form of proxy relates. The instrument of proxy shall be deemed to confer authority to vote on any amendment of a resolution put to the meeting for which it is given as the proxy thinks fit. The instrument of proxy shall, unless the contrary is stated therein, be valid as well for any adjournment of the meeting as for the meeting to which it relates provided that the meeting was originally held within 12 months from such date.

The instrument appointing a proxy shall be in writing under the hand of the appointor or his attorney authorized in writing or if the appointor is a corporation either under its seal or under the hand of an officer, attorney or other person authorized to sign the same.

The instrument appointing a proxy and (if required by the Directors) the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power or authority, shall be delivered at the registered office of the Company (or at such other place as may be specified in the notice convening the meeting or in any notice of any adjournment or, in either case, in any document sent therewith) not less than 48 hours before the time appointed for holding the meeting or adjourned meeting at which the person named in the instrument proposes to vote or, in the case of a poll taken subsequently to the date of a meeting or adjourned meeting, not less than 48 hours before the time appointed for the taking of the poll and in default the instrument of proxy shall not be treated as valid. No instrument appointing a proxy shall be valid after the expiration of 12 months from the date named in it as the date of its execution. Delivery of any instrument appointing a proxy shall not preclude a member of the Company from attending and voting in person at the meeting or poll concerned and, in such event, the instrument appointing a proxy shall be deemed to be revoked.

### *2.16 Calls on shares and forfeiture of shares*

The Directors may from time to time make calls upon the members of the Company in respect of any monies unpaid on their shares (whether on account of the nominal amount of the shares or by way of premium or otherwise) and not by the conditions of allotment thereof made payable at fixed times and each member of the Company shall (subject to the Company serving upon him at least 14 days' notice specifying the time and place of payment and to whom such payment shall be made) pay to the person at the time and place so specified the amount called on his shares. A call may be revoked or postponed as the Directors may determine. A person upon whom a call is made shall remain liable on such call notwithstanding the subsequent transfer of the shares in respect of which the call was made.

A call may be made payable either in one sum or by installments and shall be deemed to have been made at the time when the resolution of the Directors authorizing the call was passed. The joint holders of a share shall be jointly and severally liable to pay all calls and installments due in respect of such share or other monies due in respect thereof.

If a sum called in respect of a share shall not be paid before or on the day appointed for payment thereof, the person from whom the sum is due shall pay interest on the sum from the day appointed for payment thereof to the time of actual payment at such rate, not exceeding 15% per annum, as the Directors may determine, but the Directors shall be at liberty to waive payment of such interest wholly or in part.

If any call or installment of a call remains unpaid on any share after the day appointed for payment thereof, the Directors may at any time during such time as any part thereof remains unpaid serve a notice on the holder of such shares requiring payment of so much of the call or installment as is unpaid together with any interest which may be accrued and which may still accrue up to the date of actual payment.

The notice shall name a further day (not being less than 14 days from the date of service of the notice) on or before which, and the place where, the payment required by the notice is to be made, and shall state that in the event of non-payment at or before the time and at the place appointed, the shares in respect of which such call was made or installment is unpaid will be liable to be forfeited.

If the requirements of such notice are not complied with, any share in respect of which such notice has been given may at any time thereafter, before payment of all calls or installments and interest due in respect thereof has been made, be forfeited by a resolution of the Directors to that effect. Such forfeiture shall include all dividends and bonuses declared in respect of the forfeited shares and not actually paid before the forfeiture. A forfeited share shall be deemed to be the property of the Company and may be re-allotted, sold or otherwise disposed of.

A person whose shares have been forfeited shall cease to be a member of the Company in respect of the forfeited shares but shall, notwithstanding the forfeiture, remain liable to pay to the Company all monies which at the date of forfeiture were payable by him to the Company in respect of the shares, together with (if the Directors shall in their discretion so require) interest thereon at such rate not exceeding 15% per annum as the Directors may prescribe from the date of forfeiture until payment, and the Directors may enforce payment thereof without being under any obligation to make any allowance for the value of the shares forfeited, at the date of forfeiture.

### *2.17 Inspection of register of members*

The register of members of the Company shall be kept in such manner as to show at all times the members of the Company for the time being and the shares respectively held by them. The register may, on 10 business days' notice (or on 6 business days' notice in the case of a rights issue) being given by advertisement published on the Stock Exchange's website, or, subject to the Listing Rules, by electronic communication in the manner in which notices may be served by the Company by electronic means as provided in the Articles of Association or by advertisement published in the newspapers, be closed at such times and for such periods as the Directors may from time to time determine either generally or in respect of any class of shares, provided that the register shall not be closed for more than 30 days in any year (or such longer period as the members of the Company may by ordinary resolution determine provided that such period shall not be extended beyond 60 days in any year).

Any register of members kept in Hong Kong shall during normal business hours (subject to such reasonable restrictions as the Directors may impose) be open to inspection by any member of the Company without charge and by any other person on payment of a fee of such amount not exceeding the maximum amount as may from time to time be permitted under the Listing Rules as the Directors may determine for each inspection.

***2.18 Quorum for meetings and separate class meetings***

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, but the absence of a quorum shall not preclude the appointment of a chairman which shall not be treated as part of the business of the meeting.

Two members of the Company (excluding the holder of a Treasury Share) present in person or by proxy shall be a quorum provided always that if the Company has only one member of record the quorum shall be that one member present in person or by proxy.

A corporation being a member of the Company shall be deemed for the purpose of the Articles of Association to be present in person if represented by its duly authorized representative being the person appointed by resolution of the directors or other governing body of such corporation or by power of attorney to act as its representative at the relevant general meeting of the Company or at any relevant general meeting of any class of members of the Company.

The quorum for a separate general meeting of the holders of a separate class of shares of the Company is described in paragraph 2.4 above.

***2.19 Rights of minorities in relation to fraud or oppression***

There are no provisions in the Articles of Association concerning the rights of minority shareholders in relation to fraud or oppression.

***2.20 Procedure on liquidation***

Subject to the Cayman Companies Act, the Company may by special resolution resolve that the Company be wound up voluntarily.

If the Company shall be wound up, and the assets available for distribution amongst the members of the Company as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members of the Company in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up on the shares held by them respectively. If in a winding up the assets available for distribution amongst the members of the Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed amongst the members of the Company in proportion to the capital paid up at the commencement of the winding up on the shares held by them respectively. The foregoing is without prejudice to the rights of the holders of shares issued upon special terms and conditions.

If the Company shall be wound up, the liquidator may with the sanction of a special resolution of the Company and any other sanction required by the Cayman Companies Act, divide amongst the members of the Company in specie or kind the whole or any part of the assets of the Company (whether they shall consist of property of the same kind or not) and may, for such purpose, set such value as he deems fair upon any property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members of the Company. The liquidator may, with the like sanction, vest the whole or any part of such assets in trustees upon such trusts for the benefit of the members of the Company as the liquidator, with the like sanction and subject to the Cayman Companies Act, shall think fit, but so that no member of the Company shall be compelled to accept any assets, shares or other securities in respect of which there is a liability.

### ***2.21 Untraceable members***

The Company shall be entitled to sell any shares of a member of the Company or the shares to which a person is entitled by virtue of transmission on death or bankruptcy or operation of law if: (a) all cheques or warrants, not being less than three in number, for any sums payable in cash to the holder of such shares have remained uncashed for a period of 12 years; (b) the Company has not during that time or before the expiry of the three month period referred to in (d) below received any indication of the whereabouts or existence of the member; (c) during the 12 year period, at least three dividends in respect of the shares in question have become payable and no dividend during that period has been claimed by the member; and (d) upon expiry of the 12 year period, the Company has caused an advertisement to be published in the newspapers or subject to the Listing Rules, by electronic communication in the manner in which notices may be served by the Company by electronic means as provided in the Articles of Association, giving notice of its intention to sell such shares and a period of three months has elapsed since such advertisement and the Stock Exchange has been notified of such intention. The net proceeds of any such sale shall belong to the Company and upon receipt by the Company of such net proceeds it shall become indebted to the former member for an amount equal to such net proceeds.

## **SUMMARY OF CAYMAN ISLANDS COMPANY LAW AND TAXATION**

### **1 Introduction**

The Cayman Companies Act is derived, to a large extent, from the older Companies Acts of England, although there are significant differences between the Cayman Companies Act and the current Companies Act of England. Set out below is a summary of certain provisions of the Cayman Companies Act, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of corporate law and taxation which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar.



## 2 Incorporation

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 28 July 2021 under the Cayman Companies Act. As such, its operations must be conducted mainly outside the Cayman Islands. The Company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the size of its authorized share capital.

## 3 Share Capital

The Cayman Companies Act permits a company to issue ordinary shares, preference shares, redeemable shares or any combination thereof.

The Cayman Companies Act provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the value of the premia on those shares shall be transferred to an account called the “share premium account”. At the option of a company, these provisions may not apply to premia on shares of that company allotted pursuant to any arrangement in consideration of the acquisition or cancelation of shares in any other company and issued at a premium. The Cayman Companies Act provides that the share premium account may be applied by a company, subject to the provisions, if any, of its memorandum and articles of association, in such manner as the company may from time to time determine including, but without limitation:

- (a) paying distributions or dividends to members;
- (b) paying up unissued shares of the company to be issued to members as fully paid bonus shares;
- (c) in the redemption and repurchase of shares (subject to the provisions of section 37 of the Cayman Companies Act);
- (d) writing-off the preliminary expenses of the company;
- (e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company; and
- (f) providing for the premium payable on redemption or purchase of any shares or debentures of the company.

No distribution or dividend may be paid to members out of the share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid the company will be able to pay its debts as they fall due in the ordinary course of business.

The Cayman Companies Act provides that, subject to confirmation by the Grand Court of the Cayman Islands, a company limited by shares or a company limited by guarantee and having a share capital may, if so authorized by its articles of association, by special resolution reduce its share capital in any way.

Subject to the detailed provisions of the Cayman Companies Act, a company limited by shares or a company limited by guarantee and having a share capital may, if so authorized by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a shareholder. In addition, such a company may, if authorized to do so by its articles of association, purchase its own shares, including any redeemable shares. The manner of such a purchase must be authorized either by the articles of association or by an ordinary resolution of the company. The articles of association may provide that the manner of purchase may be determined by the directors of the company. At no time may a company redeem or purchase its shares unless they are fully paid. A company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any member of the company holding shares. A payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company for the purchase of, or subscription for, its own or its holding company's shares. Accordingly, a company may provide financial assistance if the directors of the company consider, in discharging their duties of care and to act in good faith, for a proper purpose and in the interests of the company, that such assistance can properly be given. Such assistance should be on an arm's-length basis.

#### **4 Dividends and Distributions**

With the exception of section 34 of the Cayman Companies Act, there are no statutory provisions relating to the payment of dividends. Based upon English case law which is likely to be persuasive in the Cayman Islands in this area, dividends may be paid only out of profits. In addition, section 34 of the Cayman Companies Act permits, subject to a solvency test and the provisions, if any, of the company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account (see paragraph 3 above for details).

#### **5 Shareholders' Suits**

The Cayman Islands courts can be expected to follow English case law precedents. The rule in *Foss v. Harbottle* (and the exceptions thereto which permit a minority shareholder to commence a class action against or derivative actions in the name of the company to challenge (a) an act which is ultra vires the company or illegal, (b) an act which constitutes a fraud

against the minority where the wrongdoers are themselves in control of the company, and (c) an action which requires a resolution with a qualified (or special) majority which has not been obtained) has been applied and followed by the courts in the Cayman Islands.

## **6 Protection of Minorities**

In the case of a company (not being a bank) having a share capital divided into shares, the Grand Court of the Cayman Islands may, on the application of members holding not less than one-fifth of the shares of the company in issue, appoint an inspector to examine into the affairs of the company and to report thereon in such manner as the Grand Court shall direct.

Any shareholder of a company may petition the Grand Court of the Cayman Islands which may make a winding up order if the court is of the opinion that it is just and equitable that the company should be wound up.

Claims against a company by its shareholders must, as a general rule, be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the company's memorandum and articles of association.

The English common law rule that the majority will not be permitted to commit a fraud on the minority has been applied and followed by the courts of the Cayman Islands.

## **7 Disposal of Assets**

The Cayman Companies Act contains no specific restrictions on the powers of directors to dispose of assets of a company. As a matter of general law, in the exercise of those powers, the directors must discharge their duties of care and to act in good faith, for a proper purpose and in the interests of the company.

## **8 Accounting and Auditing Requirements**

The Cayman Companies Act requires that a company shall cause to be kept proper books of account with respect to:

- (a) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place;
- (b) all sales and purchases of goods by the company; and
- (c) the assets and liabilities of the company.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

**9 Register of Members**

An exempted company may, subject to the provisions of its articles of association, maintain its principal register of members and any branch registers at such locations, whether within or without the Cayman Islands, as its directors may from time to time think fit. There is no requirement under the Cayman Companies Act for an exempted company to make any returns of members to the Registrar of Companies of the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection.

**10 Inspection of Books and Records**

Members of a company will have no general right under the Cayman Companies Act to inspect or obtain copies of the register of members or corporate records of the company. They will, however, have such rights as may be set out in the company's articles of association.

**11 Special Resolutions**

The Cayman Companies Act provides that a resolution is a special resolution when it has been passed by a majority of at least two-thirds of such members as, being entitled to do so, vote in person or, where proxies are allowed, by proxy at a general meeting of which notice specifying the intention to propose the resolution as a special resolution has been duly given, except that a company may in its articles of association specify that the required majority shall be a number greater than two-thirds, and may additionally so provide that such majority (being not less than two-thirds) may differ as between matters required to be approved by a special resolution. Written resolutions signed by all the members entitled to vote for the time being of the company may take effect as special resolutions if this is authorized by the articles of association of the company.

**12 Subsidiary Owning Shares in Parent**

The Cayman Companies Act does not prohibit a Cayman Islands company acquiring and holding shares in its parent company provided its objects so permit. The directors of any subsidiary making such acquisition must discharge their duties of care and to act in good faith, for a proper purpose and in the interests of the subsidiary.

**13 Mergers and Consolidations**

The Cayman Companies Act permits mergers and consolidations between Cayman Islands companies and between Cayman Islands companies and non-Cayman Islands companies. For these purposes, (a) "merger" means the merging of two or more constituent companies and the vesting of their undertaking, property and liabilities in one of such companies as the surviving company, and (b) "consolidation" means the combination of two or more constituent companies into a consolidated company and the vesting of the undertaking, property and

liabilities of such companies to the consolidated company. In order to effect such a merger or consolidation, the directors of each constituent company must approve a written plan of merger or consolidation, which must then be authorized by (a) a special resolution of each constituent company and (b) such other authorization, if any, as may be specified in such constituent company's articles of association. The written plan of merger or consolidation must be filed with the Registrar of Companies of the Cayman Islands together with a declaration as to the solvency of the consolidated or surviving company, a list of the assets and liabilities of each constituent company and an undertaking that a copy of the certificate of merger or consolidation will be given to the members and creditors of each constituent company and that notification of the merger or consolidation will be published in the Cayman Islands Gazette. Dissenting shareholders have the right to be paid the fair value of their shares (which, if not agreed between the parties, will be determined by the Cayman Islands court) if they follow the required procedures, subject to certain exceptions. Court approval is not required for a merger or consolidation which is effected in compliance with these statutory procedures.

#### **14 Reconstructions**

There are statutory provisions which facilitate reconstructions and amalgamations approved by (i) a majority in number representing 75% in value of creditors, or (ii) a majority of 75% in value of shareholders or class of shareholders, as the case may be, depending on the circumstances, as are present at a meeting called for such purpose and thereafter sanctioned by the Grand Court of the Cayman Islands. Whilst a dissenting shareholder would have the right to express to the Grand Court his view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the Grand Court is unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management and if the transaction were approved and consummated the dissenting shareholder would have no rights comparable to the appraisal rights (i.e. the right to receive payment in cash for the judicially determined value of his shares) ordinarily available, for example, to dissenting shareholders of United States corporations.

#### **15 Take-overs**

Where an offer is made by a company for the shares of another company and, within four months of the offer, the holders of not less than 90% of the shares which are the subject of the offer accept, the offeror may at any time within two months after the expiration of the said four months, by notice require the dissenting shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the Grand Court of the Cayman Islands within one month of the notice objecting to the transfer. The burden is on the dissenting shareholder to show that the Grand Court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority shareholders.

**16 Indemnification**

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the Cayman Islands courts to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).

**17 Liquidation**

A company may be placed in liquidation compulsorily by an order of the court, or voluntarily (a) by a special resolution of its members if the company is solvent, or (b) by an ordinary resolution of its members if the company is insolvent. The liquidator's duties are to collect the assets of the company (including the amount (if any) due from the contributories (shareholders)), settle the list of creditors and discharge the company's liability to them, ratably if insufficient assets exist to discharge the liabilities in full, and to settle the list of contributories and divide the surplus assets (if any) amongst them in accordance with the rights attaching to the shares.

**18 Stamp Duty on Transfers**

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

**19 Taxation**

Pursuant to section 6 of the Tax Concessions Act (2018 Revision) of the Cayman Islands, the Company may obtain an undertaking from the Financial Secretary of the Cayman Islands:

- (a) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciations shall apply to the Company or its operations; and
- (b) in addition, that no tax to be levied on profits, income, gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable:
  - (i) on or in respect of the shares, debentures or other obligations of the Company;  
or
  - (ii) by way of the withholding in whole or in part of any relevant payment as defined in section 6(3) of the Tax Concessions Act (2018 Revision).

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save certain stamp duties which may be applicable, from time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are not party to any double tax treaties that are applicable to any payments made by or to the Company.

## **20 Exchange Control**

There are no exchange control regulations or currency restrictions in the Cayman Islands.

## **21 Economic Substance Requirements**

Pursuant to the International Tax Cooperation (Economic Substance) Act (as revised) (“**ES Law**”) that came into force on 1 January 2019, a “relevant entity” is required to satisfy the economic substance test set out in the ES Law. A “relevant entity” includes an exempted company incorporated in the Cayman Islands as is the Company; however, it does not include an entity that is tax resident outside the Cayman Islands. Accordingly, if an exempted company incorporated in the Cayman Islands is tax resident outside the Cayman Islands, it will not be required to satisfy the economic substance test set out in the ES Law.

## **22 General**

Campbells, the Company’s legal advisers on Cayman Islands law, have sent to the Company a letter of advice summarizing aspects of Cayman Islands company law. This letter, together with a copy of the Cayman Companies Act, is available for inspection as referred to in the section headed “Appendix V – Documents Delivered to the Registrar of Companies in Hong Kong and Available on Display” to this prospectus. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he/she is more familiar is recommended to seek independent legal advice.

**A. FURTHER INFORMATION ABOUT THE COMPANY****1. Incorporation**

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Cayman Companies Law on July 28, 2021 under the name “Bloks Group Limited 布魯可集團有限公司”. Our registered office address is at Floor 4, Willow House, Cricket Square, Grand Cayman KY1-9010, Cayman Islands. As the Company was incorporated in the Cayman Islands, our operations are subject to the relevant law and regulations of the Cayman Islands and the Memorandum and Articles of Association. A summary of the relevant laws and regulations of the Cayman Islands and of the Memorandum and Articles of Association is set out in “Appendix III — Summary of the Constitution of the Company and Cayman Islands Companies Law”.

The Company was registered as a registered non-Hong Kong company in Hong Kong under Part 16 of the Companies Ordinance on May 9, 2024. Our principal place of business in Hong Kong is at 31/F, Tower Two, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong. Ms. Yu Wing Sze has been appointed as the Company’s authorized representative for the acceptance of service of process and notices in Hong Kong. The address of service of process is 31/F, Tower Two, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong.

As of the date of this prospectus, the Company’s head offices are located at Building 10, 1016 Tianlin Road, Minhang District, Shanghai, the PRC.

**2. Changes in the Share Capital of the Company**

As of the date of incorporation, the Company had an authorized share capital of US\$ 50,000, divided into 500,000,000 Ordinary Shares of US\$0.0001 each.

The following changes in the share capital of our Company took place since its incorporation:

- (a) on July 28, 2021, upon incorporation, our Company issued 100 Ordinary Shares to Next Bloks, 100 Ordinary Shares to Smart Bloks, 1 Ordinary Share to ShawnXF Limited, 1 Ordinary Share to Bloks Is Coming Limited and 1 Ordinary Share to Way Elegance, respectively;
- (b) on July 25, 2022, our Company reclassified and re-designated (i) a total of 74,275,759 unissued Original Shares of US\$0.0001 each as 35,192,299 Series Angel Preferred Shares, 13,161,290 Series Pre-A Preferred Shares and 25,922,170 Series A Preferred Shares, respectively; and (ii) 1 Ordinary Share held by Way Elegance into 1 Series Angel Preferred Share. On the same date, our Company issued (i) 127,522,548 Ordinary Shares; (ii) 35,192,299 Series Angel Preferred Shares; (iii) issued 13,161,290 Series Pre-A Preferred Shares; (iv) issued 20,154,350 Series A Preferred Shares. See “History, Development and Reorganization — Reorganization” for further details;
- (c) on January 12, 2023, our Company issued 21,321,255 Ordinary Shares to First Prosperity for the purpose of the Share Incentive Scheme.



Immediately following completion of the Global Offering the authorized share capital of the Company will be US\$50,000 divided into 500,000,000 Shares, of which 241,472,245 Shares will be allotted and issued fully paid or credited as fully paid and 258,527,755 Shares will remain unissued.

Save as disclosed above, there has been no alteration in the share capital of the Company within two years immediately preceding the date of this prospectus up to the Latest Practicable Date.

### **3. Resolutions in Writing of the Shareholders of the Company Passed on December 18, 2024**

Pursuant to the general meetings held on December 18, 2024, the Shareholders resolved that:

- (a) the Company approved and adopted the Memorandum and Articles of Association which will come into effect upon Listing;
- (b) conditional on (i) the Stock Exchange granting the listing of, and permission to deal in, the Shares in issue and Shares to be allotted and issued pursuant to the Global Offering and Shares to be issued as mentioned in this prospectus (including any additional Shares which may be allotted and issued pursuant to the exercise of the options to be granted under the Offer Size Adjustment Option and the Over-allotment Option), (ii) the Offer Price having been duly determined and the execution and delivery of the Hong Kong Underwriting Agreement on the date as specified in this prospectus, and (iii) the obligations of the Underwriters under the Underwriting Agreements becoming unconditional and not being terminated in accordance with the terms therein or otherwise, in each case on or before the dates and times specified in the Underwriting Agreements:
  - (i) the Global Offering, the Offer Size Adjustment Option and the Over-allotment Option be approved; and
  - (ii) the Directors be authorised to allot and issue the Offer Shares pursuant to the Global Offering, the Offer Size Adjustment Option and the Over-allotment Option;
- (c) a general unconditional mandate was given to the Directors to exercise all powers of the Company to allot, issue and deal with (including the power to make an offer or agreement, or grant securities which would or might acquire Shares to be allotted and issued), otherwise than by way of rights issue, scrip dividend schemes or similar arrangements providing for allotment of Shares in lieu of the whole or in part of any cash dividend in accordance with the Articles, or upon the exercise of any option(s) which may be granted under the Global Offering, Shares with an aggregate number of shares not exceeding the sum of (i) 20% of the aggregate number of shares of the Company in issue (excluding any treasure shares) immediately following completion of the Global Offering, and (ii) the aggregate number of shares of the

Company which may be purchased by the Company pursuant to the authority granted to the Directors as referred to in sub-paragraph (e) below, until the conclusion of the next annual general meeting of the Company, or the date by which the next annual general meeting of the Company is required by the Memorandum and Articles of Association or any applicable law(s) to be held, or the passing of an ordinary resolution by Shareholders in general meeting revoking or varying the authority given to the Directors, whichever occurs first;

- (d) a general unconditional mandate was given to the Directors to exercise all powers of the Company to repurchase on the Stock Exchange or on any other stock exchange on which the securities of the Company may be listed and which is recognized by the SFC and the Stock Exchange for this purpose such number of Shares as will represent up to 10% of the aggregate number of shares of the Company in issue (excluding any treasure shares) immediately following completion of the Global Offering, until the conclusion of the next annual general meeting of the Company, or the date by which the next annual general meeting of the Company is required by the Memorandum and Articles of Association or any applicable law(s) to be held, or the passing of an ordinary resolution by Shareholders in general meeting revoking or varying the authority given to the Directors, whichever occurs first; and
- (e) the general unconditional mandate mentioned in sub-paragraph (e) above was extended by the addition to the aggregate number of shares of the Company which may be allotted or agreed to be allotted by the Directors pursuant to such general mandate of an amount representing the aggregate nominal value of the share capital of the Company bought back by the Company pursuant to the mandate to repurchase Shares as referred to in sub-paragraph (e) above, provided that such extended amount shall not exceed 10% of the aggregate number of shares of the Company in issue (excluding any treasure shares) immediately following completion of the Global Offering.

#### **4. Changes in the Share Capital of our Subsidiaries**

The information about our subsidiaries is set out in the Accountant's Report in Appendix I to this prospectus.

The following changes in the share capital of each of our subsidiaries took place within two years immediately preceding the date of this prospectus:

##### ***Bloks Bricks***

On August 7, 2023, the registered capital of Bloks Bricks was increased from RMB20 million to RMB100 million.

***Bloks International Limited***

On August 25, 2023, Bloks International Limited was established as a limited liability company in the Cayman Islands with an authorized share capital of US\$50,000 divided into 500,000,000 Shares of par value of US\$0.0001 each. Upon incorporation, Bloks International Limited allotted and issued 99 ordinary shares to the Company and 1 ordinary share to Sertus Nominees (Cayman) Limited, which was subsequently transferred the Company on the same date.

***Bloks Games Limited***

On September 20, 2023, Bloks Games Limited was established as a limited liability company in Hong Kong with an initial registered capital of HK\$10,000.

***Bloks Global Limited***

On November 10, 2023, Bloks Global Limited was established as a limited liability company in the Cayman Islands with an authorized share capital of US\$50,000 divided into 500,000,000 Shares of par value of US\$0.0001 each. Upon incorporation, Bloks Global Limited allotted and issued 99 ordinary shares to the Company and 1 ordinary share to Sertus Nominees (Cayman) Limited, which was subsequently transferred to the Company on the same date.

***Bloks Singapore Pte. Ltd.***

On January 8, 2024, Bloks Singapore Pte. Ltd. was established as a limited liability company in Singapore with an initial registered capital of 1,000,000 Singapore dollars.

***PT BLOKEES TOYS INDONESIA***

On July 4, 2024, PT BLOKEES TOYS INDONESIA was established as a limited liability company in Indonesia with an initial registered capital of 10,100,000,000 Indonesian Rupiah.

***BLOKEES UK LIMITED***

On October 2, 2024, BLOKEES UK LIMITED was established as a limited liability company in England and Wales with an initial registered capital of 100,000 Pound Sterling.

***BLOKEES MALAYSIA SDN. BHD.***

On October 22, 2024, BLOKEES MALAYSIA SDN. BHD. was established as a limited liability company in Malaysia with an initial registered capital of 1,000 Malaysian Ringgit.

Save as disclosed above, there was no change in the share capital (or the registered capital for our PRC subsidiaries) of any of our subsidiary within the two years immediately preceding the date of this prospectus.

## 5. Repurchases of Our Own Securities

### (a) *Provisions of the Listing Rules*

The Listing Rules permit companies with a primary listing on the Stock Exchange to repurchase their own securities on the Stock Exchange subject to certain restrictions, the more important of which are summarized below:

#### (i) *Shareholders' Approval*

All proposed repurchases of securities (which must be fully paid up in the case of shares) by a company with a primary listing on the Stock Exchange must be approved in advance by an ordinary resolution of the shareholders in general meeting, either by way of general mandate or by specific approval of a particular transaction.

Pursuant to a resolution passed by our then Shareholders on December 18, 2024, a general unconditional mandate (the “**Repurchase Mandate**”) was given to the Directors authorizing any repurchase by the Company of Shares on the Stock Exchange or on any other stock exchange on which the securities may be listed and which is recognized by the SFC and the Stock Exchange for this purpose, of not more than 10% of the aggregate number of shares of the Company in issue immediately following completion of the Global Offering (without taking into account any Shares which may be issued pursuant to the exercise of the Offer Size Adjustment Option and the Over-allotment Option and excluding any treasury shares), such mandate to expire at the conclusion of our next annual general meeting, the expiration of the period within which we are required by any applicable laws or our Articles to hold our next annual general meeting or the date on which the resolution is varied or revoked by an ordinary resolution of the Shareholders in general meeting, whichever is the earliest.

#### (ii) *Source of Funds*

Repurchases must be funded out of funds legally available for the purpose in accordance with our Memorandum and Articles of Association, the Listing Rules and the applicable laws of the Cayman Islands.

A listed company may not repurchase its own 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 as amended from time to time. Subject to the foregoing, any repurchases by the Company may be made out of the profits of the Company, out of the share premium account of the Company or out of a fresh issue of Shares made for the purpose of the repurchase or, subject to the Cayman Companies Act,

out of capital and, in the case of any premium payable on the purchase, out of the profits of the Company or from sums standing to the credit of the share premium account of the Company or, subject to the Cayman Companies Act, out of capital.

*(iii) Trading Restrictions*

The total number of shares which a listed company may repurchase on the Stock Exchange is the number of shares representing up to a maximum of 10% of the aggregate number of shares in issue (excluding any treasury shares). A company may not issue or announce a proposed issue of new securities for a period of 30 days immediately following a repurchase (other than an issue of securities pursuant to an exercise of warrants, share options or similar instruments requiring the company to issue securities which were outstanding prior to such repurchase) without the prior approval of the Stock Exchange. In addition, a listed company is prohibited from repurchasing its shares on the Stock Exchange if the purchase price is 5% or more than the average closing market price for the five preceding trading days on which its shares were traded on the Stock Exchange. The Listing Rules also prohibit a listed company from repurchasing its securities if the repurchase would result in the number of listed securities which are in the hands of the public falling below the relevant minimum prescribed percentage as required by the Stock Exchange. A company is required to procure that the broker appointed by it to effect a repurchase of securities discloses to the Stock Exchange such information with respect to the repurchase as the Stock Exchange may require.

*(iv) Status of Repurchased Shares*

The Company will either (i) cancel the Shares repurchased and reduce the share capital in issue in accordance with the applicable laws and regulations and/or (ii) hold such Shares in treasury, subject to market conditions and the Company's capital management needs at the relevant time any repurchases of Shares are made.

To the extent that any treasury shares are deposited with CCASS pending resale on the Stock Exchange, the Company will adopt appropriate measures to ensure that it does not exercise any Shareholders' rights or receive any entitlements which would otherwise be suspended under the applicable laws if those Shares were registered in the Company's own name as treasury shares, including an approval by the Board that (i) the Company will not (and will procure its broker not to) give any instructions to Hong Kong Securities Clearing Company Limited to vote at general meetings for the treasury shares deposited with CCASS; and (ii) in the case of dividends or distributions, the Company will withdraw the treasury shares from CCASS, and either re-register them in its own name as treasury shares or cancel them, in each case before the record date for the dividends or distributions.

(v) *Suspension of Repurchase*

A listed company may not make any repurchase of securities 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 one month immediately preceding the earlier of (a) 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 a listed company's results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules) and (b) the deadline for publication of an announcement of a listed company's 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), and ending on the date of the results announcement, the listed company may not repurchase its shares on the Stock Exchange other than in exceptional circumstances. In addition, the Stock Exchange may prohibit a repurchase of securities on the Stock Exchange if a listed company has breached the Listing Rules.

(vi) *Reporting Requirements*

Certain information relating to repurchases of securities on the Stock Exchange or otherwise must be reported to the Stock Exchange not later than 30 minutes before the earlier of the commencement of the morning trading session or any pre-opening session on the following business day. In addition, a listed company's annual report is required to disclose details regarding repurchases of securities made during the year, including a monthly analysis of the number of securities repurchased, the purchase price per share or the highest and lowest price paid for all such repurchases, where relevant, and the aggregate prices paid.

(vii) *Connected Persons*

A listed company is prohibited from knowingly repurchasing securities on the Stock Exchange from a core connected person (as defined in the Listing Rules) and a core connected person is prohibited from knowingly selling his securities to the listed company.

**(b) *Reasons for Repurchases***

The Directors believe that the ability to repurchase Shares is in the interests of the Company and our Shareholders. Repurchases may, depending on market conditions, funding arrangements and other circumstances, result in an increase in the net assets and/or earnings per Share. The Directors sought the grant of a general mandate to repurchase Shares to give the Company the flexibility to do so if and when appropriate. The number of Shares to be repurchased on any occasion and the price and other terms upon which the same are repurchased will be decided by the Directors at the relevant time having regard to the circumstances then pertaining. Repurchases of Shares will only be made when the Directors believe that such repurchases will benefit the Company and our Shareholders.

*(c) Funding of Repurchases*

In repurchasing securities, the Company may only apply funds lawfully available for such purpose in accordance with its Memorandum and Articles of Association, the Listing Rules and the applicable laws of the Cayman Islands. There could be a material adverse impact on the working capital and/or gearing position of the Company (as compared with the position disclosed in this prospectus) in the event that the Repurchase Mandate were to be carried out in full at any time during the share repurchase period. However, the Directors do not propose to exercise the general mandate to such extent as would, in the circumstances, have a material adverse effect on the working capital requirements of the Company or the gearing levels which in the opinion of the Directors are from time to time appropriate for the Company.

*(d) General*

The exercise in full of the Repurchase Mandate, on the basis of 241,472,245 Shares in issue immediately following the completion of the Global Offering (without taking into account any Shares which may be issued pursuant to the exercise of the Offer Size Adjustment Option and the Over-allotment Option and excluding any treasury shares), could accordingly result in up to approximately 24,147,225 Shares being repurchased by the Company during the period prior to:

- (i) the conclusion of our next annual general meeting; or
- (ii) the expiration of the period within which we are required by any applicable law or our Articles to hold our next annual general meeting; or
- (iii) the date when the Repurchase Mandate is varied or revoked by an ordinary resolution of our Shareholders in general meeting,

whichever is the earliest.

Any reference to an allotment, issue, grant, offer or disposal of Shares shall include the sale or transfer of treasury shares in the capital of the Company (including to satisfy any obligation upon the conversion or exercise of any convertible securities, options, warrants or similar rights to subscribe for Shares) to the extent permitted by, and subject to the provisions of the Listing Rules and applicable laws and regulations.

None of the Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their respective close associates (as defined in the Listing Rules), has any present intention to sell any Shares to the Company or our subsidiaries.

The Directors, so far as the same may be applicable, will exercise the Repurchase Mandate in accordance with the Listing Rules and the applicable laws in the Cayman Islands.

No core connected person (as defined in the Listing Rules) of the Company has notified the Company that he/she or it has a present intention to sell Shares to the Company, or has undertaken not to do so, if the Repurchase Mandate is exercised.

If, as a result of any repurchase of Shares pursuant to the Repurchase Mandate, a Shareholder's proportionate interest in the voting rights of the Company is increased, such increase will be treated as an acquisition for the purposes of the Hong Kong Code on Takeovers and Mergers (the "**Takeovers Code**"). Accordingly, a Shareholder or a group of Shareholders acting in concert could obtain or consolidate control of the Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code. Save as aforesaid, the Directors are not aware of any consequences which would arise under the Takeovers Code as a consequence of any repurchases pursuant to the Repurchase Mandate.

Any repurchase of Shares that results in the number of Shares held by the public falling below 25% of the total number of Shares in issue, being the relevant minimum prescribed percentage as required by the Stock Exchange, could only be implemented if the Stock Exchange agreed to waive the requirement regarding the public float under Rule 8.08 of the Listing Rules. However, the Directors have no present intention to exercise the Repurchase Mandate to such an extent that, under the circumstances, there would be insufficient public float as prescribed under the Listing Rules.

## **B. FURTHER INFORMATION ABOUT THE BUSINESS**

### **1. Summary of Material Contracts**

The Group has entered into the following contracts (not being contracts entered into in the ordinary course of business) within the two years immediately preceding the date of this prospectus that are or may be material:

- (a) a cornerstone investment agreement dated December 24, 2024 entered into among the Company, Greenwoods Asset Management Hong Kong Limited, Goldman Sachs (Asia) L.L.C. and Huatai Financial Holdings (Hong Kong) Limited, with respect to a subscription of the Offer Shares at the Offer Price in the aggregate amount of the Hong Kong dollar equivalent of US\$20,000,000;
- (b) a cornerstone investment agreement dated December 24, 2024 entered into among the Company, UBS Asset Management (Singapore) Ltd., Goldman Sachs (Asia) L.L.C. and Huatai Financial Holdings (Hong Kong) Limited, with respect to a subscription of the Offer Shares at the Offer Price in the aggregate amount of the Hong Kong dollar equivalent of US\$20,000,000;





- (c) a cornerstone investment agreement dated December 24, 2024 entered into among the Company, Fullgoal Fund Management Co., Ltd., Goldman Sachs (Asia) L.L.C. and Huatai Financial Holdings (Hong Kong) Limited, with respect to a subscription of the Offer Shares at the Offer Price in the aggregate amount of the Hong Kong dollar equivalent of US\$7,000,000;
- (d) a cornerstone investment agreement dated December 24, 2024 entered into among the Company, Fullgoal Asset Management (HK) Limited, Goldman Sachs (Asia) L.L.C. and Huatai Financial Holdings (Hong Kong) Limited, with respect to a subscription of the Offer Shares at the Offer Price in the aggregate amount of the Hong Kong dollar equivalent of US\$3,000,000; and
- (e) the Hong Kong Underwriting Agreement.



## 2. Intellectual Property

As at the Latest Practicable Date, the following intellectual property rights are material to the Group's business:




### (a) Trademarks

As at the Latest Practicable Date, the Group had registered the following trademarks which are material to its business:

No.	Trademark	Class	Registered Owner	Place of Registration	Registration Number	Registration Date	Expiry Date
1	百变布鲁可	9	Bloks Technology	PRC	36109609	September 14, 2019	September 13, 2029
2	布鲁可	35	Bloks Technology	PRC	36244438	September 21, 2019	September 20, 2029
3	布鲁可	28	Bloks Technology	PRC	36811505	October 28, 2019	October 27, 2029
4	布鲁可	41	Bloks Technology	PRC	36813254	October 28, 2019	October 27, 2029
5	布鲁可	9	Bloks Technology	PRC	36795490	October 28, 2019	October 27, 2029
6		41	Bloks Technology	PRC	51519071	July 21, 2021	July 20, 2031
7	buluke	41	Bloks Technology	PRC	52874765	August 21, 2021	August 20, 2031
8		28	Bloks Technology	PRC	50880089	August 27, 2021	August 27, 2031

No.	Trademark	Class	Registered Owner	Place of Registration	Registration Number	Registration Date	Expiry Date
9		35	Bloks Technology	PRC	51514397	September 14, 2021	September 13, 2031
10		9	Bloks Technology	PRC	51526073	September 14, 2021	September 13, 2031
11		28	Bloks Technology	PRC	51512198	September 21, 2021	September 20, 2031
12	buluke	9	Bloks Technology	PRC	52890735	July 14, 2022	July 13, 2032
13	<b>BLOKEES</b>	28	Bloks Technology	PRC	64781266	June 7, 2023	June 6, 2033
14	<b>BLOKEES</b>	9	Bloks Technology	PRC	64775008	June 7, 2023	June 6, 2033
15	<b>BLOKEES</b>	41	Bloks Technology	PRC	64755149	June 7, 2023	June 6, 2033
16	英雄无限积木人	41	Bloks Technology	PRC	71838362	January 7, 2024	January 6, 2034
17	英雄无限积木人	28	Bloks Technology	PRC	71832351	January 7, 2024	January 6, 2034
18	英雄无限积木人	9	Bloks Technology	PRC	71840140	January 7, 2024	January 6, 2034
19	BLOKEES	9, 28, 41	Bloks Technology	European Union	IR1695096	October 13, 2022	October 13, 2032
20	BLOKEES	9, 28, 41	Bloks Technology	Singapore	IR1695096	October 13, 2022	October 13, 2032
21	BLOKEES	9, 28, 41	Bloks Technology	Malaysia	IR1695096	October 13, 2022	October 13, 2032
22	BLOKEES	9, 28, 41	Bloks Technology	South Korea	IR1695096	October 13, 2022	October 13, 2032
23	BLOKEES	9, 28, 41	Bloks Technology	Brazil	IR1695096	October 13, 2022	October 13, 2032
24	甲冑積木人	28	Bloks Technology	PRC	71902055	October 28, 2024	October 27, 2034
25	BLOKEES	9, 28, 41	Bloks Technology	Philippine	IR1695096	October 13, 2022	October 13, 2032

As at the Latest Practicable Date, the Group had applied for registration of the following trademarks which are material to its business:

No.	Trademark	Class	Registered Owner	Place of Registration	Application Number	Application Date
1	英雄無限	9	Bloks Technology	PRC	74396018	October 7, 2023
2	英雄無限	28	Bloks Technology	PRC	74413354	October 7, 2023
3	英雄無限	41	Bloks Technology	PRC	74391482	October 7, 2023
4	英雄積木人	28	Bloks Technology	PRC	71829649	May 26, 2023
5	超動積木人	28	Bloks Technology	PRC	71915613	May 30, 2023
6	三國積木人	28	Bloks Technology	PRC	71909304	May 30, 2023
7	 BLOKEES FIGURES 布鲁可积木人	41	Bloks Technology	PRC	77191452	March 8, 2024
8	 BLOKEES FIGURES 布鲁可积木人	28	Bloks Technology	PRC	77195178	March 8, 2024
9	 BLOKEES FIGURES 布鲁可积木人	9	Bloks Technology	PRC	77182598	March 8, 2024
10	BLOKEES	9, 28, 41	Bloks Technology	Australia	IR1695096	August 5, 2022
11	BLOKEES	9, 28, 41	Bloks Technology	Thailand	IR1695096	August 5, 2022
12	BLOKEES	9, 28, 41	Bloks Technology	Mexico	IR1695096	August 5, 2022
13	BLOKEES	9, 28, 41	Bloks Technology	Canada	IR1695096	August 5, 2022
14	BULUKE	9, 28, 41	Bloks Technology	U.S.	IR1790746	April 8, 2024
15	BULUKE	9, 28, 41	Bloks Technology	European Union	IR1790746	April 8, 2024
16	BULUKE	9, 28, 41	Bloks Technology	Malaysia	IR1790746	April 8, 2024
17	BULUKE	9, 28, 41	Bloks Technology	Japan	IR1790746	April 8, 2024

**(b) Domain Names**

As at the Latest Practicable Date, the Group had registered the following domain names which are material to its business:

<b>No.</b>	<b>Domain Name</b>	<b>Registered Owner</b>	<b>Date of Registration</b>	<b>Expiry Date</b>
1	bloks.com	Bloks Technology	May 10, 2024	May 10, 2029
2	botzeestoy.com	Bloks Technology	June 9, 2021	June 9, 2025
3	botzeestoy.com	Bloks Technology	July 7, 2021	July 7, 2025
4	blokees.com	Bloks Technology	December 3, 2021	December 3, 2025
5	botzeesglobal.com	Bloks Technology	June 9, 2021	June 9, 2025
6	blokees.cn	Bloks Technology	December 3, 2021	December 3, 2025
7	buluke.com.cn	Bloks Technology	January 14, 2021	January 14, 2026
8	buluke.cn	Bloks Technology	May 18, 2021	May 18, 2025
9	blockees.cn	Bloks Technology	November 29, 2021	November 29, 2025
10	blockees.net	Bloks Technology	November 29, 2021	November 29, 2025
11	botzees.cn	Bloks Technology	October 20, 2021	October 20, 2025

**(c) Patents**

As at the Latest Practicable Date, the Group had registered the following patents which are material to its business:

<b>No.</b>	<b>Patent Name</b>	<b>Type</b>	<b>Patent Holder</b>	<b>Jurisdiction of Registration</b>	<b>Patent Number</b>	<b>Date of Application</b>	<b>Expiry Date</b>
1	一種多維度、可正反面自由搭建的積木玩具構築元件及套件	Invention	Bloks Technology	PRC	2018103132138	April 9, 2018	April 9, 2038
2	一種可遙控的組裝積木構件及組裝積木系統	Invention	Bloks Technology	PRC	2018108299823	July 25, 2018	July 25, 2038
3	拼接積木的組網方式、系統及適用於無線組網的拼接積木	Invention	Bloks Technology	PRC	2019108829580	September 18, 2019	September 18, 2039
4	適用於拼接積木的收拉線裝置及拼接積木	Invention	Bloks Bricks	PRC	2020103984898	May 12, 2020	May 12, 2040

No.	Patent Name	Type	Patent Holder	Jurisdiction of Registration	Patent Number	Date of Application	Expiry Date
5	一種可配對件之間的配對結構	Invention	Bloks Bricks	PRC	2020106936970	July 17, 2020	July 17, 2040
6	一種互動件之間的組網方法及系統	Invention	Bloks Bricks	PRC	2020106944981	July 17, 2020	July 17, 2040
7	一種感應開關觸發控制系統、方法、玩具車輛及介質	Invention	Bloks Bricks	PRC	202010693681X	July 17, 2020	July 17, 2040
8	一種帶有樞轉結構的玩偶	Invention	Bloks Bricks	PRC	2022101073540	January 28, 2022	January 28, 2042
9	積木化編程的系統	Invention	Bloks Bricks	PRC	2021108090699	July 16, 2021	July 16, 2041
10	飛盤彈射玩具	Invention	Bloks Bricks	PRC	2020104075680	May 14, 2020	May 14, 2040
11	接觸互動的積木系統	Invention	Bloks Bricks	PRC	2021113136334	November 8, 2021	November 8, 2041
12	實體積木編程信息判定方法和系統及玩具	Invention	Bloks Bricks	PRC	2021113644651	November 17, 2021	November 17, 2041
13	卯榫積木及卯榫積木系統	Invention	Bloks Technology	PRC	2021114162798	November 25, 2021	November 25, 2041
14	電子積木用電狀態的控制方法及系統及積木系統	Invention	Bloks Bricks	PRC	202111449564X	November 30, 2021	November 30, 2041
15	積木玩偶	Invention	Bloks Bricks	PRC	2021114627047	December 2, 2021	December 2, 2041
16	玩具模組之間的無線通信方法與系統	Invention	Bloks Bricks	PRC	2021116622279	December 30, 2021	December 30, 2041
17	玩具關節結構及玩具	Utility Model	Bloks Bricks	PRC	2022204233585	February 28, 2022	February 28, 2032
18	具有弧面造型的瓦脊積木結構、玩具及其搭建方法	Invention	Bloks Bricks	PRC	2022103347795	March 31, 2022	March 31, 2042
19	弧形瓦積木、弧形瓦積木組件及其玩具	Utility Model	Bloks Bricks	PRC	2022207337938	March 31, 2022	March 31, 2032
20	積木系統和拼拆積木結構以及母頭積木	Utility Model	Bloks Bricks	PRC	2023208234295	April 13, 2023	April 13, 2033
21	INTERACTIVE TOY	Invention	Bloks Technology	U.S.	171263087	June 11, 2019	June 11, 2039
22	積木玩偶	Design	Bloks Bricks, Bloks Technology	PRC	2023307179563	November 3, 2023	November 3, 2038
23	積木玩具	Design	Bloks Bricks, Bloks Technology	PRC	2023307184769	November 3, 2023	November 3, 2038
24	關節蓋防脫的積木結構及其玩具	Utility Model	Bloks Bricks, Bloks Technology	PRC	2024201407813	January 19, 2024	January 19, 2034

As at the Latest Practicable Date, the Group had applied for registration the following patents which are material to its business:

No	Patent Name	Type	Applicant	Jurisdiction of Registration	Application Number	Date of Application
1	玩具穿套結構及玩具	Invention	Bloks Bricks	PRC	2022114814584	November 24, 2022
2	用於孤島式雙色注塑件的注塑模具、注塑方法及注塑件	Invention	Bloks Bricks	PRC	2022115097856	November 29, 2022
3	用於消除免噴塗熱塑性產品表面流痕的模具及注塑方法	Invention	Bloks Bricks	PRC	2022116632364	December 23, 2022
4	適用於多零件超聲波振動脫落的方法、流道結構及其模具	Invention	Bloks Bricks, Bloks Technology	PRC	2023116435587	December 1, 2023
5	適用於積木人的頸部結構及其玩具	Utility Model	Bloks Bricks, Bloks Technology	PRC	2024200239685	January 4, 2024
6	Method and system for determining complete icon	Invention	Bloks Bricks	U.S.	18/268630	December 22, 2021

**(d) Copyrights**

As of the Latest Practicable Date, the Group owned the following copyrights which are material to its business:

No.	Name	Owner	Registration Number	Date of Registration
1	《悟空01》 <sup>(1)</sup>	Bloks Technology	滬作登字-2022-I-02446788	August 24, 2022
2	《哪吒01》 <sup>(1)</sup>	Bloks Technology	滬作登字-2022-I-02446794	August 24, 2022
3	《悟空VS牛魔王》 <sup>(1)</sup>	Bloks Technology	滬作登字-2023-I-02595750	January 13, 2023
4	《哪吒VS楊戩》 <sup>(1)</sup>	Bloks Technology	滬作登字-2023-I-02593012	January 9, 2023

No.	Name	Owner	Registration Number	Date of Registration
5	《以火救火》 <sup>(2)</sup>	Bloks Technology	滬作登字-2021-I-02040029	July 7, 2021
6	《百變布魯可超變恐龍出擊》系列動畫連續劇—喵喵變形記 <sup>(2)</sup>	Bloks Technology	滬作登字-2023-I-02792299	June 29, 2023
7	《墜落的隕石》 <sup>(2)</sup>	Bloks Technology	滬作登字-2019-I-01544882	December 27, 2019
8	布布赤焰戰士	Bloks Bricks	滬作登字-2022-F-02471016	September 22, 2022
9	大眼睛系列—恐龍的蛋生三角龍	Bloks Technology	滬作登字-2020-F-01579593	February 14, 2020
10	中國花卉—愛之芍藥	Bloks Bricks	滬作登字-2022-F-02467901	September 2, 2022
11	體感遙控超級跑車	Bloks Bricks	滬作登字-2023-F-02940403	November 2, 2023
12	布魯可(中國積木、原創品牌), 紅橙標誌	Bloks Technology	滬作登字-2024-F-03045058	February 4, 2024
13	布魯可積木搭建智趣版軟件	Bloks Technology	2018SR473836	November 9, 2021
14	布魯可積木移動端軟件	Bloks Technology	2020SR0274876	March 19, 2020
15	葡萄倉儲管理系統	Bloks Technology	2020SR1505730	September 29, 2020
16	布魯可積木AiS安卓版軟件	Bloks Technology	2020SR1507310	March 7, 2020
17	布魯可積木應用軟件	Bloks Bricks	2021SRE026077	October 11, 2021
18	Botzees AR應用軟件	Bloks Technology	2023SR0198093	February 3, 2023
19	Botzees Junior應用軟件	Bloks Technology	2023SR0199884	February 6, 2023
20	布魯可積木拼搭應用軟件	Bloks Technology	2024SR0432891	March 26, 2024
21	POCKET BLOCKS遊戲軟件	Bloks Technology	2023SR0199698	February 3, 2023

Notes:

(1) Copyrights No.1-4 are examples of Hero Infinity self-developed IPs.

(2) Copyrights No.5-7 are examples of Magic Blocks self-developed IPs.

### C. DISCLOSURE OF INTERESTS

#### 1. Disclosure of Interests of Directors and Chief Executive of the Company

Immediately following the completion of the Global Offering (assuming the Over-allotment Option is not exercised), the interests and/or short positions (as applicable) of the Directors and the chief executive of the Company in the Shares, underlying Shares and debentures of the Company and any interests and/or short positions (as applicable) in shares, underlying Shares or debentures of any of the Company's associated corporations (within the meaning of Part XV of the SFO) which (1) will have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and/or short positions (as applicable) which they are taken or deemed to have under such provisions of the SFO), (2) will be required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein or (3) will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 to the Listing Rules, to be notified to the Company and the Stock Exchange, in each case once the Shares are listed on the Stock Exchange, will be as follows:

#### *Interests in Shares of the Company*

<u>Name of Director</u>	<u>Nature of Interest</u>	<u>Number of Shares Held</u>	<u>Approximate Percentage of Shareholding in the Total Issued Share Capital Immediately following the Completion of the Global Offering (assuming the Offer Size Adjustment Option and the Over-allotment Option are not exercised) (%)</u>
Mr. Zhu Weisong <sup>(1)</sup>	Settlor of a discretionary trust	110,639,460	45.82
	Interest in controlled corporation	8,805,846	3.65
Mr. Sheng Xiaofeng <sup>(2)</sup>	Interest in controlled corporation	4,363,650	1.81

*Notes:*

- (1) Next Bloks directly holds 110,639,460 Shares in our Company and is owned 99% by Wit Bright Limited, and Smart Bloks holds 8,805,846 Shares in our Company and is wholly owned by Mr. Zhu. The Wise Global Trust is a discretionary trust established by Mr. Zhu as the settlor and with Trident Trust Company (HK) Limited as the trustee. Trident Trust Company (HK) Limited holds the entire share capital of Wit Bright Limited.
- (2) ShawnXF Limited directly holds 4,363,650 Shares in our Company and is wholly-owned by Mr. Sheng Xiaofeng.



*Interests in underlying Shares of equity derivatives of the Company*

<u>Name of Director</u>	<u>Nature of Interest</u>	<u>Number of Underlying Shares</u>	<u>Approximate Percentage of Shareholding in the Total Issued Share Capital Immediately following the Completion of the Global Offering (assuming the Offer Size Adjustment Option and the Over- allotment Option are not exercised) (%)</u>
Mr. Zhu Weisong	Share Option <sup>(1)</sup>	12,577,685	5.21
Mr. Sheng Xiaofeng	Share Option <sup>(1)</sup>	969,678	0.40

*Notes:*

- (1) The Options were granted under the Share Incentive Scheme. See “— E. The Share Incentive Scheme” of this section for details.

Save as disclosed above, none of the Directors or the chief executive of the Company will, immediately following the completion of the Global Offering, have an interest and/or short position (as applicable) in the Shares, underlying Shares or debentures of the Company or any interests and/or short positions (as applicable) in the shares, underlying Shares or debentures of the Company’s associated corporations (within the meaning of Part XV of the SFO) which (i) will have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO), (ii) will be required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein or (iii) will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 to the Listing Rules, to be notified to the Company and the Stock Exchange, in each case once the Shares are listed on the Stock Exchange.

## **2. Disclosure of Interests of Substantial Shareholders**

For information on the persons who will, immediately following the completion of the Global Offering (assuming that the Offer Size Adjustment Option and the Over-allotment Option are not exercised), have interests or short positions in our Shares or underlying Shares which would be required to be disclosed to us and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who will directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying the rights to vote in all circumstances at general meetings of the Company or of any member of the Group, see “Substantial Shareholders.”

**D. FURTHER INFORMATION ABOUT DIRECTORS****1. Particulars of Directors' service contracts and appointment letters***(a) Executive Directors*

Each of our executive Directors has entered into a service contract with us pursuant to which they agreed to act as executive Directors with effect from the date of the service contract until the third annual general meeting of our Company since the Listing Date (subject always to re-election as and when required under the Memorandum and Articles of Association). Either party has the right to give not less than three months' written notice to terminate the agreement.

*(b) Non-executive Directors and independent non-executive Directors*

Each of our non-executive Directors has entered into an appointment letter with our Company on December 18, 2024. The initial term for their appointment letters shall commence from the date of the service contract until the third annual general meeting of the Company since the Listing Date (subject always to re-election as and when required under the Memorandum and Articles of Association). Either party has the right to give not less than one months' written notice to terminate the agreement.

Each of our independent non-executive Directors has entered into an appointment letter with our Company on December 18, 2024. The initial term for their appointment letters shall be from the date of this prospectus until the third annual general meeting of the Company since the Listing Date (subject always to re-election as and when required under the Memorandum and Articles of Association). Either party has the right to give not less than one months' written notice to terminate the agreement.

Save as disclosed above, none of the Directors has entered, or has proposed to enter, a service contract with any member of the Group (other than contracts expiring or determinable by the employer within one year without the payment of compensation (other than statutory compensation)).

**2. Remuneration of Directors**

The aggregate amount of remuneration (including salaries, allowances, contribution to pension schemes and discretionary bonuses) and other benefits in kind paid to the Directors for each of the years ended December 31, 2021, 2022, 2023 and the six months ended June 30, 2024 amounted to RMB1.28 million, RMB1.70 million, RMB2.54 million and RMB362.86 million, respectively. For further details of the remuneration of Directors, see Note 10 in "Appendix I — Accountants' Report".

Save as the disclosed above, no other amounts have been paid or are payable by any member of our Group to our Directors during the Track Record Period.

Under the arrangement currently in force, the Company estimates that the aggregate fixed remuneration (before tax) payable to the Directors for the year ending December 31, 2024 is approximately RMB1.53 million.

**3. Disclaimers**

- (a) Save as disclosed in the section headed “History, Development and Reorganization”, none of the Directors or any of the experts referred to in “F. Other Information — Qualifications and Consents of Experts” below has any direct or indirect interest in the promotion of, or in any assets which have been, within the two years immediately preceding the date of this prospectus, acquired or disposed of by, or leased to, any member of the Group, or are proposed to be acquired or disposed of by, or leased to, any member of the Group.
- (b) Save in connection with the Underwriting Agreements, none of the Directors or any of the experts referred to in “F. Other Information — Qualifications and Consents of Experts” below, is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to the business of the Group.
- (c) Neither the Controlling Shareholder nor the Directors are interested in any business apart from the Group’s business which competes or is likely to compete, directly or indirectly, with the business of the Group.
- (d) No cash, securities or other benefit has been paid, allotted or given within the two years preceding the date of this prospectus to any promoter of the Company nor is any such cash, securities or benefit intended to be paid, allotted or given on the basis of the Global Offering or related transactions as mentioned.
- (e) So far as is known to the Directors, none of the Directors or their respective close associates or any Shareholders who are expected to be interested in 5% or more of the issued share capital of the Company has any interest in the five largest customers or the five largest suppliers of the Group.

**E. THE SHARE INCENTIVE SCHEME**

The below is a summary of the principal terms of the Share Incentive Scheme adopted by the Company on January 12, 2023 and amended and restated on March 29, 2024. The Share Incentive Scheme was mirroring and the continuation of the then share incentive scheme adopted on December 4, 2020 by Bloks Technology, our main operating entity in the PRC. The terms of the Share Incentive Scheme are not subject to the provisions of Chapter 17 of the Listing Rules as it does not involve the grant of options or awards by our Company after the Listing. Given that all the Shares underlying the options granted under the Share Incentive Scheme have been issued and allotted to First Prosperity for future exercise of the options, there will not be any dilutive effect to the issued Shares as a result of the operation of the Share Incentive Scheme.

### **Purposes of the Share Incentive Scheme**

The purpose of the Share Incentive Scheme is to encourage certain Directors and employees to contribute to the Group for the long-term benefits of the Group and its Shareholders as a whole, and provide the Group with a flexible means of either retaining, incentivizing, rewarding, remunerating, compensating and/or providing benefits to its Directors and employees.

### **Participants of the Share Incentive Scheme**

The committee as duly authorised by the Board administering the Share Incentive Scheme (the “**Committee**”) may, at its sole and absolute discretion, make an offer of the grant of option to the Directors, employees or other persons who have contributed or will contribute to the Group (the “**Participants**”).

### **Duration and Administration of the Share Incentive Scheme**

The Share Incentive Scheme shall be valid and effective for the period of time commencing on the January 12, 2023 and expiring on the day immediately after the date which is ten years after the first date on which the Shares are listed and traded on the main board of the Stock Exchange, after which period the provisions of the Share Incentive Scheme shall in all respects cease to be in any force or effect.

The Share Incentive Scheme shall be subject to the administration of the Committee and the decision of the Committee shall be final and binding on all parties. The Committee shall be comprised of members whom shall be designated by the Board. Any decisions of the Committee shall be approved by the majority of the members of the Committee. The Committee shall have the sole and absolute right (i) to interpret and construe the provisions of the Scheme, (ii) to determine the persons who will be awarded Options under the Scheme, and the number of Options awarded thereto, (iii) to make such appropriate and equitable adjustments to the terms of Options granted under the Scheme as it deems necessary, and (iv) to make such other decisions or determinations as it shall deem appropriate in the administration of the Scheme.

### **Grant of the Option**

On and subject to the terms of the Share Incentive Scheme and applicable laws and regulations, the Committee shall be entitled at any time during the life of the Share Incentive Scheme to make an offer (the “**Offer**”) of the grant of a right to purchase a specified number of Shares or interest in such Shares held and managed by First Prosperity in trust at a specified price during specified time periods or as otherwise specified in the Offer letter (the “**Option**”) to any Participant. Options may be granted on such terms and conditions in relation to their vesting, exercise or otherwise (e.g., by linking their vesting to the achievement of certain performance targets and/or their exercise to the attainment or performance of milestones by any member of the Group, the Grantee or any group of Participants) as the Committee may in its sole and absolute discretion determine.

An Offer shall be made to a Participant by letter in such form as the Committee may from time to time at its sole and absolute discretion determine requiring the Participant to undertake to hold and exercise the Option on the terms and conditions on which it is to be granted and to be bound by the provisions of the Share Incentive Scheme and the relevant letter, and shall remain open for acceptance by the Participant to whom an Offer is made for such period as the Committee may determine, *provided that* no such Offer shall be open for acceptance on or after the Listing Date or after the Participant to whom the Offer is made has ceased to be a Participant (as determined by the Committee) for any reason.

An Offer shall be deemed to have been accepted when the duplicate letter comprising acceptance of the Offer is duly signed by the Grantee with the number of Shares in respect of which the Offer is accepted clearly stated therein, is received by the Company.

#### **Maximum Number of Shares Available under the Share Incentive Scheme**

The total number of Shares underlying all the Options granted under the Share Incentive Scheme shall not in aggregate exceed 21,321,255 Shares, equivalent to 9.8096% of the Shares of the Company in issue as at the date of approval of the Share Incentive Scheme and being 8.83% of the equity interest in the Company immediately after completion of the Global Offering (assuming that the Offer Size Adjustment Option and the Over-allotment Option are not exercised), which have been issued and allotted to the ESOP Platform in full. The maximum number of Shares may be adjusted, in the event of a capitalization issue, rights issue, consolidation, sub-division or reduction of the share capital of the Company, provided that any such adjustment shall comply with the Listing Rules and the guidance from the Stock Exchange from time to time. Any such adjustments shall give the Participants the same proportion of equity capital as they were previously entitled to and no adjustments shall be made to the extent that a Share would be issued at less than its nominal value.

#### **Exercise Price**

The exercise price of an Option shall be determined by the Committee and included in the letter to the Grantee containing the Offer, which could be a fixed or variable figure with reference to the fair value per Share.

#### **Exercise of Options**

A Grantee is vested with the Options during a period to be notified by the Committee to each Grantee (the “**Option Period**”) according to the terms and conditions in the letter to the Grantee containing the Offer and the letter comprising acceptance of the Offer, *provided that* the Grantee remains to be a Participant entitled to exercise his or her Option.

Upon vesting, a Grantee by giving notice in writing to the Company (where applicable, in a prescribed form as specified by the Company) stating that the Option is thereby exercised and specifying the number of Shares corresponding to such exercise. The Grantee could exercise the Option by way of net exercise (namely by tendering back to the Company some of the exercised Shares to cover the exercise price of the Option) or in other ways as approved

by the Committee, and upon the exercise, the Committee shall instruct the ESOP Platform to (i) transfer the relevant Shares to the Grantee, (ii) hold the relevant Shares for the benefit of the Grantee as a beneficiary under the trust, or (iii) deal with the relevant Shares as otherwise instructed by the Committee.

The Grantee will be responsible for all tax, social security contributions or other levies arising out of or in connection with the grant, vesting and exercise of any Option (and/or the allotment and issuance of Shares to the Grantee pursuant to the Share Incentive Scheme), and indemnifies the Company and each member of the Group against any liability they may have to pay or withhold such liabilities. The Grantee will be responsible for obtaining his or her own tax advice and agrees not to take (or omit to take) any action in reliance on any statement as to the tax treatment of any Option granted (or purported to be granted) by or on behalf of the Company or any member of the Group. No member of the Group will be responsible for the tax treatment or any change in the tax treatment of any Option. Without limiting the generality of the foregoing, upon the grant, exercise or vesting of the Option, the Company (i) may withhold the allotted Shares and/or remittance or any part thereof for such period as may be necessary and make such arrangements as it considers necessary for satisfying the Company's obligation to withhold income or meeting any other liabilities to taxes or social security contributions incurred and (ii) has the authority to sell on behalf of the Grantee a sufficient number of Shares to be granted to the Grantee to satisfy such tax and/or social security contributions liabilities.

#### **Dividend and Voting Rights**

A Grantee is not entitled to vote, to receive dividends or to have any other rights of a shareholder in respect of Shares subject to an Option until the Option is validly exercised by the Grantee, and such Shares are transferred to the Grantee and are registered in the name of the Grantee in accordance with the Share Incentive Scheme. The voting rights of the Shares held by the ESOP Platform upon trust for the benefit of the Grantee who has exercised his or her Option will be exercised by the trustee pursuant to the instructions from the advisory committee under the trust deed and in compliance with the Listing Rules, and the ESOP Platform shall abstain from voting on the Company's general meeting in respect of any unvested Shares.

#### **Limited Transferability**

An Option shall be personal to the Grantee and shall not be assignable or transferable. No Grantee shall in any way sell, transfer, charge, mortgage, encumber or create any interests in favour of any third party over or in relation to any Option.

#### **Cessation of Employment, Death or Disability**

An Option shall lapse automatically (to the extent that has been vested but not already exercised or expired) in the event that the Grantee ceases to be an employee or a Director by reason of the termination of his or her employment, appointment or directorship on the grounds that he or she (i) has contravened any policy of any member of the Group, (ii) has been guilty

of serious misconduct, (iii) has disclosed without consent any trade or commercial secret belonging to the Group, (iv) has taken any action or done anything in his/her capacity which has (in the Company's sole opinion) brought any member of the Group into disrepute or (v) has been convicted of any criminal offence involving his or her integrity or honesty or (vi) on any other ground on which an employer would be entitled to terminate his or her employment summarily, or (vii) the Grantee appears either to be unable to pay or have no reasonable prospect to be able to pay debts, or has become bankrupt, or a petition for bankruptcy has been filed against him or her, or has made any arrangements or composition with his or her creditors generally, *provided that* whether any one or more of the events specified in the above occur in relation to a Grantee shall in the reasonable opinion of the Committee and be solely, absolutely and conclusively determined by the Committee.

In the event the Grantee dies or has become totally and permanently disabled and incapacitated before exercising the Option in full and none of the events for termination of employment or engagement prescribed in above paragraph then exists with respect to such Grantee, the personal representative(s) of the Grantee shall be entitled within a period of six months (or such period as the Committee may determine and notify to the Grantee and/or the personal representative(s) of the Grantee) from the date of death or the date of total and permanent disability and incapacitation (provided that such exercise is during the relevant Option Period) to exercise the Option up to the entitlement of such Grantee as at the date of his death or becoming totally and permanently disabled and incapacitated (to the extent that he or she is vested with and entitled to exercise at such date but not already exercised or expired), failing which it will lapse.

In the event a Grantee ceases to be an employee or a director of any member of the Group for any reason including but not limited to resignation, demotion, redundancy and any kind of involuntary termination, but other than (i) his or her death or total and permanent disability and incapacitation or (ii) on one or more of the grounds of termination of employment, appointment or directorship specified in above paragraph, the Grantee may exercise the Option up to his or her entitlement at the date of cessation (to the extent he or she is vested with and entitled to exercise at the date of cessation but not already exercised or expired) within one months of the date of such cessation (or such period as the Committee may determine and notify to the Grantee), *provided that* such exercise is during the relevant Option Period and the date of cessation shall be the last actual working day with the Group whether salary is paid in lieu of notice or not, failing which it will lapse. In the event that such cessation is due to resignation and such Grantee is a senior management immediately before the date of resignation, he or she shall not offer, pledge, charge, sell or otherwise transfer or dispose of either directly or indirectly, conditionally or unconditionally, any of the Shares transferred to him or her or interest in the Shares held for the benefit of him or her as beneficiary under the trust.

#### **Alternation of the Share Incentive Scheme**

The Committee in its sole and absolute discretion may amend any of the provisions of the Share Incentive Scheme at any time. Any alterations to the terms and conditions of the Share Incentive Scheme must comply with the Cayman Companies Law.

### Termination

The Company by ordinary resolution of its shareholders, or the Board in its sole and absolute discretion, may at any time terminate the operation of the Share Incentive Scheme, and in such event, no further Options will be offered or granted, but in all other respects the Share Incentive Scheme shall remain in full force and effect. Any granted but unexercised and unexpired Options shall continue to be exercisable in accordance with their terms and conditions after the termination of the Share Incentive Scheme.

### Details of the Interests Granted under the Share Incentive Scheme

As of the Latest Practicable Date, the Options under the Share Incentive Scheme corresponding to 21,321,255 Share, being 8.83% of the equity interest in the Company immediately after completion of the Global Offering (assuming that the Offer Size Adjustment Option and the Over-allotment Option are not exercised), have been granted to 74 Participants in full, including two Directors, four senior management and 68 other employees of the Group. The below sets out the details of the interests granted under the Share Incentive Schemes. As of the Latest Practicable Date, all the Shares subject to the Options have been allotted and issued, and are held by the ESOP Platform. Unvested Shares under the Share Incentive Scheme will abstain from voting on the Shareholders' general meetings of the Company upon Listing in compliance with Rule 17.05A of the Listing Rules.

Name of Grantee	Address	Date of Grant	Exercise			Number of Shares under the Options Granted	Approximate Percentage of Issued Share Capital of Our Company Immediately after
			Price (RMB)	Vesting Period	Option Period		Completion of the Global Offering (Note 1)
<b>Directors</b>							
Mr. Zhu Weisong	Room 1102, No.6, Lane 908, Ruining Road, Xuhui District, Shanghai, PRC	April 15, 2024	0.2	Vested upon acceptance of Options	From April 15, 2024 to April 14, 2034	12,577,685	5.21%
Mr. Sheng Xiaofeng	10D, No. 7, Lane 37, Panyu Road, Changning District Shanghai, PRC	April 15, 2024	0.2	Eight years (Note 2)	From April 15, 2024 to April 14, 2034	969,678	0.40%



Name of Grantee	Address	Date of Grant	Exercise		Option Period	Number of Shares under the Options Granted	Approximate Percentage of Issued Share Capital of Our Company Immediately after
			Price (RMB)	Vesting Period			Completion of the Global Offering (Note 1)
<b>Senior Management</b>							
Mr. Huang Zheng	No. 24, Lane 460, Macau Road, Putuo District, Shanghai, PRC	April 15, 2024	0.2	Six years (Note 3)	From April 15, 2024 to April 14, 2034	161,613	0.07%
Mr. Xie Lei	No. 335, Hailun Road, Hongkou District, Shanghai, PRC	March 29, 2024	0.2	To be vested upon listing	From March 29, 2024 to March 28, 2034	221,305	0.09%
		April 15, 2024	0.2	Eight years (Note 2)	From April 15, 2024 to April 14, 2034	484,839	0.20%
Ms. Fu Yifang	Room 601, No. 72 Dujuanyuan, Lane 917 Qinzhou South Road, Xuhui District, Shanghai, PRC	April 15, 2024	0.2	Six years (Note 3)	From April 15, 2024 to April 14, 2034	258,581	0.11%
Mr. Zhu Yuancheng	No. 19, Lane 902, Xikang Road, Jing'an District, Shanghai, PRC	March 29, 2024	0.2	To be vested upon listing	From March 29, 2024 to March 28, 2034	66,392	0.03%
		April 15, 2024	0.2	Eight years (Note 2)	From April 15, 2024 to April 14, 2034	436,355	0.18%
<b>A total of 68 other employees</b>							
A total of 35 other employees	N/A	March 29, 2024	0.2	To be vested upon listing	From March 29, 2024 to March 28, 2034	3,256,670	1.35%
A total of 45 other employees	N/A	April 15, 2024	0.2	Four years (Note 4)	From April 15, 2024 to April 14, 2034	703,018	0.29%
A total of 14 other employees	N/A	April 15, 2024	0.2	Six years (Note 3)	From April 15, 2024 to April 14, 2034	1,344,731	0.56%
A total of 2 other employees	N/A	April 15, 2024	0.2	Eight years (Note 2)	From April 15, 2024 to April 14, 2034	840,388	0.35%
					Total	21,321,255	8.83%

*Note 1:* Assuming the Offer Size Adjustment Option and the Over-allotment Option are not exercised.

*Note 2:* 13%, 13%, 13%, 13%, 13%, 13%, 13% and 9% of the total number of the Options granted shall vest on the first, second, third, fourth, fifth, sixth, seventh and eighth anniversary of the Option Period commencement date, respectively. The Option Period commencement date is April 15, 2024.

*Note 3:* 17%, 17%, 17%, 17%, 17%, and 15% of the total number of the Options granted shall vest on the first, second, third, fourth, fifth and sixth anniversary of the Option Period commencement date, respectively. The Option Period commencement date is April 15, 2024.

*Note 4:* 25%, 25%, 25% and 25% of the total number of the Options granted shall vest on the first, second, third and fourth anniversary of the Option Period commencement date, respectively. The Option Period commencement date is April 15, 2024.

## **F. OTHER INFORMATION**

### **Agency Fees or Commissions Received**

The Underwriters will receive an underwriting commission in connection with the Underwriting Agreements, as detailed in “Underwriting — International Offering — Commissions and Expenses”. Save in connection with the Underwriting Agreements, no commissions, discounts, brokerages or other special terms have been granted by the Group to any person (including the Directors, promoters and experts referred to in “— Qualifications and Consents of Experts” below) in connection with the issue or sale of any capital or security of the Company or any member of the Group within the two years immediately preceding the date of this prospectus.

Within the two years immediately preceding the date of this prospectus, no commission has been paid or is payable for subscription, agreeing to subscribe, procuring subscription or agreeing to procure subscription for any share in or debentures of the Company.

### **Estate Duty**

The Directors have been advised that no material liability for estate duty is likely to fall on the Group in Hong Kong and the Cayman Islands.

### **Litigation**

As of the Latest Practicable Date, the Company was not engaged in any outstanding litigation or arbitration which may have material adverse effect on the Global Offering and, so far as the Directors are aware, no material litigation or claim was pending or threatened by or against the Company.

### **The Joint Sponsors**

The Joint Sponsors have made an application on behalf of the Company to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, all the Shares in issue and to be issued as mentioned in this prospectus.

Each of the Joint Sponsor confirm that it satisfies the independence criteria applicable to sponsors set out in Rule 3A.07 of the Listing Rules. Each of the Joint Sponsors will receive a fee of US\$350,000 for acting as the sponsors for the Listing.

### Promoters

The Company does not have any promoter (as defined in the Listing Rules). Within the two years immediately preceding the date of this prospectus, no cash, securities or other benefit has been paid, allotted or given nor are any proposed to be paid, allotted or given to any promoters in connection with the Global Offering and the related transactions described in this prospectus.

### Preliminary Expenses

The Company has not incurred any material preliminary expenses.

### Qualifications and Consents of Experts

The qualifications of the experts which have given opinions or advice which are contained in, or referred to in, this prospectus are as follows:

Name of Expert	Qualifications
Goldman Sachs (Asia) L.L.C.	A licenced corporation under the SFO to conduct type 1 (dealing in securities), type 4 (advising on securities), type 5 (advising on futures contracts), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the SFO
Huatai Financial Holdings (Hong Kong) Limited	A licenced corporation under the SFO to conduct type 1 (dealing in securities), type 2 (dealing in futures contracts), type 4 (advising on securities), type 6 (advising on corporate finance), type 7 (providing automated trading services) and type 9 (asset management) regulated activities under the SFO
Ernst & Young	Certified Public Accountants and Registered Public Interest Entity Auditor
Campbells	Legal advisors as to Cayman Islands law
Jingtian & Gongcheng	Legal advisors as to PRC law
Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.	Independent industry consultant

Each of the experts listed above has given and has not withdrawn its written consent to the issue of this prospectus with the inclusion of its report and/or letter and/or opinion and/or references to its name included herein in the form and context in which they respectively appear.

**Binding Effect**

This prospectus shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of Sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance so far as applicable.

**Bilingual Prospectus**

The English language and Chinese language versions of this prospectus are being published separately, in reliance upon the exemption provided in Section 4 of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

**Miscellaneous**

- (a) Save as disclosed in “— A. Further Information about the Company” in this section, within the two years preceding the date of this prospectus, no share or loan capital of the Company or any of its subsidiary has been issued or has been agreed to be issued fully or partly paid either for cash or for a consideration other than cash.
- (b) No share or loan capital of the Company or any of its subsidiary is under option or is agreed conditionally or unconditionally to be put under option.
- (c) No founder, management or deferred shares of the Company or any of its subsidiary have been issued or have been agreed to be issued.
- (d) None of the equity and debt securities of the Company or its subsidiary is presently listed or dealt in on any other stock exchange nor is any listing or permission to deal being or proposed to be sought.
- (e) The Company has no outstanding convertible debt securities or debentures.
- (f) There is no arrangement under which future dividends are waived or agreed to be waived.

- (g) None of the experts listed under “— Qualifications and Consents of Experts” in this section:
  - (i) is interested beneficially or non-beneficially in any shares in any member of the Group; or
  - (ii) has any right or option (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group save in connection with the Underwriting Agreements.
- (h) The English text of this prospectus shall prevail over their respective Chinese text.
- (i) There has not been any interruption in the business of the Group which may have or has had a significant effect on the financial position of the Group in the 12 months preceding the date of this prospectus.

**DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG**

The documents attached to the copy of this prospectus delivered to the Registrar of Companies in Hong Kong for registration were:

- (a) a copy of each of the material contracts referred to in “*Appendix IV — Statutory and General Information — B. Further Information about the Business — 1. Summary of Material Contracts*”; and
- (b) the written consents referred to in “*Appendix IV — Statutory and General Information — F. Other Information — Qualifications and Consents of Experts*”.

**DOCUMENTS AVAILABLE ON DISPLAY**

Copies of the following documents will be available on display on the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) and the website of the Company at <https://www.bloks.com/> during a period of 14 days from the date of this prospectus:

- (a) the Memorandum and the Articles of Association;
- (b) the Accountants’ Report and the report on the unaudited pro forma financial information prepared by Ernst & Young, the texts of which are set out in “*Appendix I — Accountants’ Report*” and “*Appendix II — Unaudited Pro Forma Financial Information*”, respectively;
- (c) the audited consolidated financial statements of the Group for the years ended December 31, 2021, 2022 and 2023 and six months ended June 30, 2024;
- (d) the PRC legal opinion issued by Jingtian & Gongcheng, our PRC Legal Advisor, in respect of certain general corporate matters and property interests in the PRC of the Group;
- (e) the letter of advice prepared by Campbells, our legal advisor on Cayman Islands law, summarizing certain aspects of the Cayman Islands company law referred to in Appendix III to this prospectus;
- (f) the industry report prepared by Frost & Sullivan;
- (g) the written consents referred to under the section headed “*Appendix IV — Statutory and General Information — F. Other Information — Qualifications and Consents of Experts*”;

- (h) the material contracts referred to in “*Appendix IV — Statutory and General Information — B. Further Information about the Business — 1. Summary of Material Contracts*”;
- (i) the service contracts and appointment letters with the Directors referred to in “*Appendix IV — Statutory and General Information — D. Further Information about Directors — 1. Particulars of Directors’ service contracts and appointment letters*”;
- (j) the terms of the Share Incentive Scheme; and
- (k) the Cayman Companies Act.



BLOKEES FIGURES  
布鲁可积木人



**Bloks Group Limited 布鲁可集团有限公司**

Floor 4, Willow House  
Cricket Square  
Grand Cayman KY1-9010  
Cayman Islands

31 December 2024

Dear Sirs

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Our Ref: 16296-43024  
Your Ref:

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CAYMAN | BVI | HONG KONG

**Bloks Group Limited 布鲁可集团有限公司 (the "Company") Listing on the Main Board of The Stock Exchange of Hong Kong Limited**

We refer to the prospectus of the Company dated 31 December 2024 (the "**Prospectus**") in connection with the Global Offering (as defined in the Prospectus).

We hereby give our consent and confirm that we have not withdrawn our consent to the issue of the Prospectus and the inclusion therein of, and all references to, our name, qualifications and of the summary of certain aspects of Cayman Islands company law and constitutional document of the Company, in the form and context in which they respectively appear in the Prospectus.

We hereby consent to a copy of this letter and the documents referred to above being made available on display as described in Appendix V to the Prospectus.

Yours faithfully



Campbells

**The Board of Directors**  
**Bloks Group Limited**  
布魯可集團有限公司  
Floor 4, Willow House  
Cricket Square  
Grand Cayman KY1-9010  
Cayman Islands

31 December 2024

Dear Sir/Madam,

**Re: Bloks Group Limited 布魯可集團有限公司 (the *Company*)**

We refer to the prospectus of the Company dated 31 December 2024 (the *Prospectus*) in connection with the global offering and listing of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited.

We hereby give, and confirm that we have not withdrawn, our written consent to the issue of the Prospectus with the inclusion of our report and/or letter and/or opinion and/or references to our name and qualifications included therein in the form and context in which they respectively appear.

We hereby consent to you releasing this letter to the Registrar of Companies in Hong Kong and The Stock Exchange of Hong Kong Limited and referring to it in the Prospectus.

We hereby consent to a copy of this letter being made available for public inspection as described in Appendix V to the Prospectus.

Yours faithfully

For and on behalf of  
**Jingtian & Gongcheng**

Jingtian & Gongcheng

**The Board of Directors**  
**Bloks Group Limited**  
布魯可集團有限公司  
Floor 4, Willow House  
Cricket Square  
Grand Cayman KY1-9010  
Cayman Islands

31 December 2024

Dear Sir/Madam,

**Re: Bloks Group Limited 布魯可集團有限公司 (the Company)**

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We hereby consent to you releasing this letter to the Registrar of Companies in Hong Kong and The Stock Exchange of Hong Kong Limited and referring to it in the Prospectus.

We hereby consent to a copy of this letter being made available for public inspection as described in Appendix V to the Prospectus.

Yours faithfully

For and on behalf of

**Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.**



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Name: Charles Lau

Title: Executive Director