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**Post Hearing Information Pack of**

# HANGZHOU TONGSHIFU CULTURAL AND CREATIVE (GROUP) CO., LTD.

# 杭州銅師傅文創(集團)股份有限公司

(the "**Company**")

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

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TONGSHIFU

# HANGZHOU TONGSHIFU CULTURAL AND CREATIVE (GROUP) CO., LTD.

# 杭州銅師傅文創(集團)股份有限公司

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

**[REDACTED]**

| | | |
|---|---|---|
| **Number of [REDACTED] under the [REDACTED]** | **:** | **[REDACTED] H Shares (subject to the [REDACTED])** |
| **Number of [REDACTED]** | **:** | **[REDACTED] H Shares (subject to adjustment)** |
| **Number of [REDACTED]** | **:** | **[REDACTED] H Shares (subject to adjustment and the [REDACTED])** |
| **Maximum [REDACTED]** | **:** | **HK$[REDACTED] per H Share, plus brokerage of 1.0%, SFC transaction levy of 0.0027%, Stock Exchange trading fee of 0.00565% and the AFRC transaction levy of 0.00015% (payable in full on application in Hong Kong dollars and subject to refund)** |
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| **[REDACTED]** | **:** | **[REDACTED]** |

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

## OVERVIEW

We, TONGSHIFU (銅師傅), have focused on developing copper-based cultural and creative products by integrating traditional techniques with modern design and usage scenarios since our inception. According to the F&S Report, we ranked No. 1 in China's copper-based cultural and creative crafts market in terms of overall revenue for the year ended December 31, 2024, with a market share of 35.0%. The PRC copper-based cultural and creative crafts market accounted for approximately 6.3% of the PRC metal cultural and creative craft market in 2024 and is a narrow sub-segment of the broader PRC cultural and creative craft market, in which we held an approximately 0.2% market share in 2024.

We have extended our materials portfolio to include gold, silver, and plastic, reaching a broader audience and unlocking new creative possibilities. Our copper, gold, and silver products are made from pure metals. Certain copper-based cultural and creative product SKUs feature a layer of pure gold or silver coating to enhance their aesthetic appeal and value.

Copper-based cultural and creative products remain at the core of our offerings. The copper-based cultural and creative crafts segment is relatively concentrated, with the top three market participants collectively accounting for over 71.9% of the total market by revenue for the year ended December 31, 2024. For the years ended December 31, 2022, 2023, 2024 and the nine months ended September 30, 2024 and 2025, revenue from our copper-based cultural and creative products amounted to RMB479.6 million, RMB488.0 million, RMB551.3 million, RMB389.2 million, and RMB424.6 million, respectively, representing 95.4%, 96.3%, 96.6%, 96.7%, and 94.8% of our total revenue for the same periods. Building on this foundation, we have progressively expanded into diverse material categories, including plastic figures and toys, silver cultural and creative products, and gold cultural and creative products.

## OUR PRODUCTS

### Our Product Categories

Our products can be classified into four main categories based on material and craftsmanship: (i) copper-based cultural and creative products, (ii) plastic figures and toys, (iii) silver cultural and creative products, and (iv) gold cultural and creative products. Each product category is curated to integrate traditional craftsmanship with modern techniques, catering to various consumer preferences and market trends. Our product portfolio is primarily positioned within the metal cultural and creative craft market, with a strong focus on copper-based cultural and creative products. The copper cultural and creative market represents a specialized segment within the broader metal cultural and creative craft market. For further details on the market structure, please refer to the "Industry Overview" section in this document.

Our products blend traditional craftsmanship with modern design, serving a variety of functions to meet the diverse needs of our customers. In addition to decorating purpose and ideal for gifting, they are suitable for festive occasions, personal milestones, and corporate events. Limited-edition items, particularly those inspired by our proprietary IPs, are also sought after by collectors. Additionally, our copper engraved artworks add a touch of artistic refinement to commercial spaces, office environments, and furniture. Meanwhile, our gold and silver cultural and creative products offer compact, versatile pieces such as pendants and small figurines, which can be worn as accessories on bags and clothing or displayed as decorative items.

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

| | For the year ended December 31, | | | | | | For the nine months ended September 30, | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2022 | | 2023 | | 2024 | | 2024 | | 2025 | |
| | *RMB'000* | *% of revenue* | *RMB'000* | *% of revenue* | *RMB'000* | *% of revenue* | *RMB'000* | *% of revenue* | *RMB'000* | *% of revenue* |
| | | | | | | | *(unaudited)* | | | |
| Copper-based cultural and creative products | 479,645 | 95.4 | 488,005 | 96.3 | 551,251 | 96.6 | 389,196 | 96.7 | 424,600 | 94.8 |
| – Copper ornaments | 428,004 | 85.1 | 434,161 | 85.7 | 497,831 | 87.2 | 351,260 | 87.3 | 390,203 | 87.2 |
| – Copper engraved artworks | 51,641 | 10.3 | 53,844 | 10.6 | 53,420 | 9.4 | 37,936 | 9.4 | 34,397 | 7.6 |
| Plastic figures and toys | 3,286 | 0.7 | 13,304 | 2.6 | 14,252 | 2.5 | 11,089 | 2.8 | 6,959 | 1.6 |
| Silver cultural and creative products | 4,771 | 0.9 | 3,320 | 0.7 | 4,232 | 0.7 | 1,086 | 0.3 | 6,538 | 1.5 |
| Gold cultural and creative products | – | – | – | – | 1,274 | 0.2 | 820 | 0.2 | 9,496 | 2.1 |
| Wooden cultural and creative products | 15,483 | 3.0 | 1,754 | 0.4 | 179 | 0.0 | 164 | 0.0 | 79 | 0.0 |
| **Total** | **503,185** | **100.0** | **506,383** | **100.0** | **571,188** | **100.0** | **402,355** | **100.0** | **447,672** | **100.0** |

The following table sets forth the breakdown of our gross profit and gross profit margin by product categories during the Track Record Period. For further details of the trend discussion, please refer to the section headed "Financial Information – Description of Selected Components of Statements of Profit or Loss – Revenue – Sales Channel" in this document.

| | For the year ended December 31, | | | | | | For the nine months ended September 30, | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2022 | | 2023 | | 2024 | | 2024 | | 2025 | |
| | **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** |
| | *RMB'000* | *%* | *RMB'000* | *%* | *RMB'000* | *%* | *RMB'000* | *%* | *RMB'000* | *%* |
| | | | | | | | *(unaudited)* | | | |
| Copper-based cultural and creative products | 155,654 | 32.5 | 155,902 | 31.9 | 194,024 | 35.2 | 137,378 | 35.3 | 147,050 | 34.6 |
| Plastic figures and toys | 1,491 | 45.4 | 6,806 | 51.2 | 6,215 | 43.6 | 5,157 | 46.5 | 2,162 | 31.1 |
| Silver cultural and creative products | 1,883 | 39.5 | 1,339 | 40.3 | 1,558 | 36.8 | 617 | 56.8 | 2,807 | 42.9 |
| Gold cultural and creative products | – | – | – | – | 205 | 16.1 | 150 | 18.3 | 1,585 | 16.7 |
| Wooden cultural and creative products | 3,200 | 20.7 | 162 | 9.2 | 83 | 46.4 | 95 | 57.9 | 3 | 3.8 |
| **Total** | **162,228** | **32.2** | **164,209** | **32.4** | **202,085** | **35.4** | **143,397** | **35.6** | **153,607** | **34.3** |

Building on our expertise in copper craftsmanship, we have progressively expanded our product offerings into gold-based cultural and creative crafts in late 2024. The shared properties between these metals allow us to leverage synergies in design, craftsmanship, and production processes. Our gold cultural and creative products are marketed under a dedicated sub-brand, "Xijiang Gold Shop (璽匠金舖)." These products are crafted with 999 pure gold. In addition to our gold offerings, select SKUs under the "Xijiang Gold Shop" sub-brand are also available in pure silver versions.

During the Track Record Period, we also offered a limited range of wooden cultural and creative products under our "Weitan (唯檀)" brand. Both the absolute value and proportion of revenue from this category were low, and the significant decrease resulted from our decision to cease production of wooden cultural and creative products starting in 2022. The cessation of our wooden cultural and creative products was a strategic decision made after evaluating market conditions and customer feedback, as we streamlined our product portfolio to focus on materials and categories more aligned with our core strengths and long-term development direction. Revenue in the subsequent period was primarily derived from the sale of remaining inventory. For more details, please refer to "Business – Our Products – Our Product Categories" in this document.

**Our Product Development**

Our product development is integral to our business, focusing on original design, sample creation, and process improvement rather than fundamental technological advancements. For more details, please refer to "Business – Our Products – Our Product Development" in this document.

## STRENGTHS

We believe that the following strengths contribute to our success and differentiate us from our competitors: (i) balancing quality and accessibility through structured pricing and craftsmanship; (ii) enhancing traditional techniques with structured workflows and process optimization; (iii) original design as drivers of long-term development; (iv) a wide multi-channel reach powered by diverse channels; and (v) experienced management and creative team supporting long-term business growth. For details, please refer to "Business – Strengths" in this document.

## STRATEGIES

We plan to implement the following targeted strategies: (i) ongoing product development to catalyze new growth momentum; (ii) optimizing an multi-channel sales network for an integrated retail ecosystem; (iii) improving demand forecasting and resource allocation to optimize order fulfillment; (iv) international expansion strategy and regional market development; and (v) selective digital enhancement to support operational efficiency. For details, please refer to "Business – Strategies" in this document.

## OUR IP PORTFOLIO

We have built a comprehensive IP portfolio, comprising both self-developed IPs and licensed IP collaborations, supported by a robust framework of design patents, copyrights, and proprietary techniques.

For the years ended December 31, 2022, 2023, 2024 and the nine months ended September 30, 2024 and 2025, revenue generated from SKUs based on our self-developed IPs was approximately RMB473.5 million, RMB447.2 million, RMB535.4 million, RMB372.7 million and RMB395.3 million, accounted for approximately 94.1%, 88.3%, 93.7%, 92.6% and 88.3% of our total revenue, respectively. SKUs based on our licensed IPs, on the other hand, generated revenue of approximately RMB29.7 million, RMB59.1 million, RMB35.8 million, RMB29.7 million and RMB52.4 million, representing 5.9%, 11.7%, 6.3%, 7.4%, and 11.7% of our total revenue, respectively.

We have continued to enrich our intellectual property portfolio through both self-developed and licensed IPs, with new SKUs introduced each year/period to support our evolving product roadmap. For the years ended December 31, 2022, 2023, 2024 and the nine months ended September 30, 2024 and 2025, we introduced 407, 350, 528, 342, and 327 new SKUs based on our self-developed IPs, respectively. Over the same periods, we introduced 176, 164, 179, 87, and 77 new SKUs based on our licensed IPs, respectively. The number of new SKUs is calculated based on those that were newly made available for sale during the respective periods.

Revenue from our top five IPs in each year/period during the Track Record Period in aggregation represented 20.5%, 20.1%, 23.9%, and 23.4% of total revenue for the years ended December 31, 2022, 2023, 2024, and the nine months ended September 30, 2025, respectively. We have cultivated a broad and diversified IP portfolio, ensuring that we do not materially rely on any single IP.

As of September 30, 2025, we had obtained 1,776 artistic copyrights, 171 design patents, 12 utility model patents, 9 software copyrights and 3 invention patents, reflecting our sustained investment in research and development and IP protection. In support of our IP strategy, we have established a dedicated creative research and development system composed of 142 research and development personnel as of September 30, 2025. We continue to expand our research and development talent base and deepen design specialization, as reflected by a steady increase in new SKU output across a broadening range of product categories and themes during the Track Record Period. For more details, please refer to "Business – Our IP Portfolio" in this document.

## OUR PRICING

Our pricing strategy is based on the principle of value-driven quality, emphasizing the artistic, cultural, and material value of each product while ensuring broad consumer accessibility. During the Track Record Period, our online average transaction value per customer was approximately RMB958, RMB822, RMB777 and RMB598 for the years ended December 31, 2022, 2023, 2024 and the nine months ended September 30, 2025, respectively. During the Track Record Period, the offline average transaction value per customer from our offline self-operated stores was approximately RMB1,918, RMB1,734, RMB568 and RMB726 for the years ended December 31, 2022, 2023, 2024 and the nine months ended September 30, 2025, respectively. For more details, please refer to "Business – Our Pricing" in this document.

## OUR PRODUCTION

We operate an integrated production and procurement model that combines in-house manufacturing with limited outsourced production. Our in-house production is conducted at our Hangzhou Facility, which spans a total gross floor area of approximately 155,626 square meters as of September 30, 2025. For the years ended December 31, 2022, 2023, 2024 and the nine months ended September 30, 2024 and 2025, our outsourcing costs accounted for 3.7%, 4.1%, 4.8%, 5.2% and 5.1% of our cost of sales, respectively, reflecting our disciplined use of external resources in support of production efficiency.

Copper is the primary raw material used in our production process, with its price volatility being a key factor influencing our procurement costs. During the Track Record Period, direct materials, which primarily comprising copper used in our copper-based cultural and creative products, accounted for approximately 51.9%, 47.1%, 47.1%, 46.9% and 47.6% of our total cost of sales for the years ended December 31, 2022, 2023, 2024 and the nine months ended September 30, 2024 and 2025, respectively. For more details, please see "Financial Information — Description of Selected Components of Statements of Profit or Loss — Cost of Sales" in this document.

Our production capacity reflects the artisanal nature of our copper-based cultural and creative products and is based on the annual volume of copper processed (in kilograms). Our designed capacity is derived from standardized labor assumptions, accounting for the manual processes involved. During the Track Record Period, our production capacity utilization remained relatively stable at a high level. In the years ended December 31, 2022, 2023, 2024 and the nine months ended September 30, 2024 and 2025, our production capacity utilization rate was 99.7%, 99.3%, 101.7%, 96.0% and 98.7%, respectively.

During the Track Record Period, there was no material revenue concentration or contribution attributable to any single skilled worker.

For more details, please refer to "Business – Our Production" in this document.

## SALES AND MARKETING

The following table sets forth our revenue by overall online sales and offline sales during the Track Record Period:

| | For the year ended December 31, | | | | | | For the nine months ended September 30, | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2022 | | 2023 | | 2024 | | 2024 | | 2025 | |
| | *RMB'000* | *%* | *RMB'000* | *%* | *RMB'000* | *%* | *RMB'000* | *%* | *RMB'000* | *%* |
| | | | | | | | *(unaudited)* | | | |
| Online sales | 410,780 | 81.7 | 414,994 | 82.0 | 455,070 | 79.7 | 317,100 | 78.9 | 363,447 | 81.2 |
| Offline sales | 92,405 | 18.3 | 91,389 | 18.0 | 116,118 | 20.3 | 85,255 | 21.1 | 84,225 | 18.8 |
| **Total** | **503,185** | **100.0** | **506,383** | **100.0** | **571,188** | **100.0** | **402,355** | **100.0** | **447,672** | **100.0** |

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

| | For the year ended December 31, | | | | | | For the nine months ended September 30, | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2022 | | 2023 | | 2024 | | 2024 | | 2025 | |
| | Revenue | % of revenue | Revenue | % of revenue | Revenue | % of revenue | Revenue | % of revenue | Revenue | % of revenue |
| | *RMB'000* | *%* | *RMB'000* | *%* | *RMB'000* | *%* | *RMB'000* | *%* | *RMB'000* | *%* |
| | | | | | | | *(unaudited)* | | | |
| **Direct sales** | | | | | | | | | | |
| Online direct sales | 355,392 | 70.6 | 353,977 | 69.9 | 402,889 | 70.5 | 278,823 | 69.3 | 317,286 | 70.9 |
| Offline direct sales | 3,648 | 0.7 | 3,624 | 0.7 | 17,627 | 3.1 | 10,940 | 2.7 | 21,573 | 4.8 |
| Other direct sales[(1)] | 12,805 | 2.5 | 13,354 | 2.6 | 17,761 | 3.1 | 12,556 | 3.1 | 12,279 | 2.7 |
| **Subtotal** | **371,845** | **73.8** | **370,955** | **73.2** | **438,277** | **76.7** | **302,319** | **75.1** | **351,138** | **78.4** |
| **Distribution partnerships** | | | | | | | | | | |
| Online distributors | 51,842 | 10.3 | 47,027 | 9.3 | 37,996 | 6.7 | 30,656 | 7.6 | 25,951 | 5.8 |
| Offline distributors | 75,952 | 15.1 | 74,342 | 14.7 | 78,986 | 13.8 | 60,781 | 15.1 | 48,673 | 10.9 |
| **Subtotal** | **127,794** | **25.4** | **121,369** | **24.0** | **116,982** | **20.5** | **91,437** | **22.7** | **74,624** | **16.7** |

| | For the year ended December 31, | | | | | | For the nine months ended September 30, | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2022 | | 2023 | | 2024 | | 2024 | | 2025 | |
| | Revenue | % of revenue | Revenue | % of revenue | Revenue | % of revenue | Revenue | % of revenue | Revenue | % of revenue |
| | *RMB'000* | *%* | *RMB'000* | *%* | *RMB'000* | *%* | *RMB'000* | *%* | *RMB'000* | *%* |
| | | | | | | | *(unaudited)* | | | |
| **Consignment arrangement** | **3,546** | **0.8** | **14,059** | **2.8** | **15,929** | **2.8** | **8,599** | **2.2** | **21,910** | **4.9** |
| **Total** | **503,185** | **100.0** | **506,383** | **100.0** | **571,188** | **100.0** | **402,355** | **100.0** | **447,672** | **100.0** |

*Note:*

(1) Other direct sales refer to institutional and individual customers who place order directly with the Group. Institutional customers comprise of enterprises, governmental entities, and other organizations purchasing our products tailored for particular festivals, events, or promotional activities.

We operate a multi-channel sales network comprising: (i) direct sales, including online direct sales through e-commerce flagship stores and offline direct sales through self-operated retail stores; (ii) distribution partnerships, consisting of online and offline distributors operating under a buyout model; and (iii) consignment arrangement, primarily through managed third-party online platforms.

The following table sets forth our gross profit and gross profit margin of product sales by sales channel during the Track Record Period. Among all channels, online direct sales have had the most significant impact on our gross profit and gross profit margin. For the year ended December 31, 2024, online direct sales showed a strong gross profit increase to RMB155.2 million, driven by a pricing adjustment across all sales channels. This increase led to an improved gross profit margin of 38.5%, up from 35.8% in 2023. These adjustments, along with the expansion of our offline self-operated store network and positive customer response, have positively influenced our overall profitability. For more details, please refer to "Business – Sales and Marketing" in this document.

| | For the year ended December 31, | | | | | | For the nine months ended September 30, | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2022 | | 2023 | | 2024 | | 2024 | | 2025 | |
| | 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 |
| | *RMB'000* | *%* | *RMB'000* | *%* | *RMB'000* | *%* | *RMB'000* | *%* | *RMB'000* | *%* |
| | | | | | | | *(unaudited)* | | | |
| **Direct sales** | | | | | | | | | | |
| Online direct sales | 126,525 | 35.6 | 126,598 | 35.8 | 155,167 | 38.5 | 109,827 | 39.4 | 117,637 | 37.1 |
| Offline direct sales | 1,422 | 39.0 | 1,291 | 35.6 | 7,477 | 42.4 | 4,636 | 42.4 | 8,927 | 41.4 |
| Other direct sales | 4,590 | 35.8 | 4,706 | 35.2 | 6,135 | 34.5 | 4,794 | 38.2 | 4,143 | 33.7 |
| **Distribution partnerships** | | | | | | | | | | |
| Sales to online distributors | 13,899 | 26.8 | 12,211 | 26.0 | 10,323 | 27.2 | 8,190 | 26.7 | 6,566 | 25.3 |
| Sales to offline distributors | 14,472 | 19.1 | 13,484 | 18.1 | 16,169 | 20.5 | 12,262 | 20.2 | 8,980 | 18.4 |
| **Consignment arrangements** | 1,320 | 37.2 | 5,919 | 42.1 | 6,814 | 42.8 | 3,688 | 42.9 | 7,354 | 33.6 |
| **Total** | **162,228** | **32.2** | **164,209** | **32.4** | **202,085** | **35.4** | **143,397** | **35.6** | **153,607** | **34.3** |

## OUR CUSTOMERS AND SUPPLIERS

Across all sales channels, our online flagship stores account for the largest proportion of our total revenue. Customers in this channel are primarily individual consumers who make fragmented purchases through our online flagship stores. These consumers, despite their individual scale, collectively form the dominant revenue base of our business. In addition to direct retail customers, our major customers also include distributors and consignment sales partners. Revenue from our five largest customers in each year/period during the Track Record Period amounted to RMB51.6 million, RMB47.2 million, RMB51.5 million and RMB42.5 million for the years ended December 31, 2022, 2023, 2024 and the nine month ended September 30, 2025, respectively, representing 10.2%, 9.3%, 9.0% and 9.6% of our total revenue for the same year/period. For details, please refer to "Business – Customers – Major Customers" in this document.

Our suppliers primarily include providers of metal raw materials, auxiliary materials, and e-commerce platforms that offer online sales and marketing infrastructure. Purchase costs payable to our five largest suppliers in each year/period during the Track Record Period amounted to

RMB67.4 million, RMB79.3 million, RMB90.9 million and RMB72.5 million for the years ended December 31, 2022, 2023, 2024 and the nine months ended September 30, 2025, respectively, representing 29.0%, 37.6%, 35.3% and 33.1% of our total purchase costs for the same year/period. For details, please refer to "Business – Suppliers – Major Suppliers" in this document.

## RISK FACTORS

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

## SUMMARY OF HISTORICAL FINANCIAL INFORMATION

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

### Summary of Consolidated Statements of Profit or Loss

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

| | For the year ended December 31, | | | | | | For the nine months ended September 30, | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2022 | | 2023 | | 2024 | | 2024 | | 2025 | |
| | *RMB'000* | *% of revenue* | *RMB'000* | *% of revenue* | *RMB'000* | *% of revenue* | *RMB'000* | *% of revenue* | *RMB'000* | *% of revenue* |
| | | | | | | | *(unaudited)* | | | |
| **Revenue** | **503,185** | **100.0** | **506,383** | **100.0** | **571,188** | **100.0** | **402,355** | **100** | **447,672** | **100** |
| Cost of sales | (340,957) | 67.8 | (342,174) | 67.6 | (369,103) | 64.6 | (258,958) | 64.4 | (294,065) | 65.7 |
| **Gross profit** | **162,228** | **32.2** | **164,209** | **32.4** | **202,085** | **35.4** | **143,397** | **35.6** | **153,607** | **34.3** |
| Other income | 13,747 | 2.7 | 15,620 | 3.1 | 14,370 | 2.5 | 10,034 | 2.5 | 7,974 | 1.8 |
| Other gains and losses | 42 | 0.0 | 105 | 0.0 | 260 | 0.0 | (140) | 0.0 | 1,093 | 0.3 |
| Impairment losses under expected credit loss model, net of reversal | (756) | 0.1 | 715 | 0.1 | (190) | 0.0 | (80) | 0.0 | 39 | 0.0 |
| Selling and marketing expenses | (62,667) | 12.4 | (72,448) | 14.3 | (71,590) | 12.5 | (53,502) | 13.3 | (59,623) | 13.3 |
| Administrative expenses | (27,972) | 5.6 | (30,426) | 6.0 | (26,923) | 4.7 | (18,675) | 4.6 | (20,108) | 4.5 |
| Other operating expenses | (2,479) | 0.5 | (2,291) | 0.4 | (1,637) | 0.3 | (1,232) | 0.3 | (1,205) | 0.3 |
| [**REDACTED**] expenses | – | – | – | – | – | – | – | – | (12,821) | 2.9 |
| Research and development expenses | (18,802) | 3.7 | (28,638) | 5.7 | (28,212) | 5.0 | (20,714) | 5.2 | (24,703) | 5.5 |
| Finance costs | (896) | 0.2 | (5) | 0.0 | (97) | 0.0 | (69) | 0.0 | (83) | 0.0 |
| **Profit before tax** | **62,445** | **12.4** | **46,841** | **9.2** | **88,066** | **15.4** | **59,019** | **14.7** | **44,170** | **9.9** |
| Income tax expenses | (5,507) | 1.1 | (2,710) | 0.5 | (9,084) | 1.6 | (5,751) | 1.4 | (2,617) | 0.6 |
| **Profit and total comprehensive income for the year/period** | **56,938** | **11.3** | **44,131** | **8.7** | **78,982** | **13.8** | **53,268** | **13.3** | **41,553** | **9.3** |

***Non-IFRS measures***

To supplement our consolidated financial statements that are presented in accordance with IFRS, we also use adjusted net profit (non-IFRS measure) as additional financial measures, which are not required by, or presented in accordance with, IFRS. We believe that these measures provide useful information to [**REDACTED**] and others in understanding and evaluating our consolidated results of operations in the same manner as they help our management. However, our presentation of adjusted net profit (non-IFRS measure) may not be comparable to similarly titled 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 results of operations or financial condition as reported under IFRS.

*Adjusted net profit (non-IFRS measures)*

We define adjusted net profit (non-IFRS measure) as profit and total comprehensive income for the year/period, comprising [**REDACTED**] expenses, as they are expenses relating to the [**REDACTED**].

The following table provides the reconciliation from profit and total comprehensive income for the year/period to adjusted net profit (non-IFRS measure) for the year/period indicated.

| | For the year ended December 31, | | | For the nine months ended September 30, | |
|---|---|---|---|---|---|
| | **2022** | **2023** | **2024** | **2024** | **2025** |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000 (unaudited)* | *RMB'000* |
| ***Reconciliation of profit and total comprehensive income for the year/period to adjusted net profit (non-IFRS measure)*** | | | | | |
| Profit and total comprehensive income for the year/period | 56,938 | 44,131 | 78,982 | 53,268 | 41,553 |
| Add: | | | | | |
| [**REDACTED**] expenses | – | – | – | – | 12,821 |
| **Adjusted net profit (non-IFRS measure)** | **56,938** | **44,131** | **78,982** | **53,268** | **54,374** |

***Net profit***

Our net profit for the year ended December 31, 2024, increased to RMB79.0 million, up from RMB56.9 million in 2022, but then decreased to RMB41.6 million for the nine months ended September 30, 2025. For the year ended December 31, 2023, our net profit decreased from RMB56.9 million in 2022 to RMB44.1 million, primarily due to lower production output caused by technical upgrades, higher selling and marketing expenses, and continued investment in research and development. For the year ended December 31, 2024, our net profit rebounded strongly, increasing by approximately 79.0% to RMB79.0 million compared to 2023. This growth was primarily driven by stronger sales performance in copper-based cultural and creative products, particularly copper ornaments, improved production efficiency, and a more favorable product mix, which contributed to a higher gross profit margin. For the nine months ended September 30, 2025, our net profit decreased by 22.0% compared to the same period in 2024, amounting to RMB41.6 million. This decline was primarily attributed to the [**REDACTED**] expenses incurred. For the year ended December 31, 2025, we anticipate that the [**REDACTED**] expenses will result in a [**REDACTED**] net profit compared to 2024.

***Revenue***

During the Track Record Period, we derived substantially all of our revenue from the Chinese Mainland, which accounted for over 98% of our total revenue in each of the years/periods presented. The remaining revenue was primarily generated from Taiwan, with a minimal contribution from the United States. For more details, please refer to "Financial Information – Description of Selected Components of Statements of Profit or Loss – Revenue – Geographical Region" in this document.

**Summary of Consolidated Statements of Financial Position**

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

| | As of December 31, | | | As of September 30, |
|---|---|---|---|---|
| | 2022 | 2023 | 2024 | 2025 |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| **Current assets** | | | | |
| Inventories | 115,681 | 107,161 | 132,305 | 153,277 |
| Trade and other receivables | 10,972 | 9,469 | 18,631 | 27,768 |
| Right to returned goods asset | 434 | 548 | 558 | 505 |
| Tax recoverable | 1,349 | 1,527 | 9 | 1,945 |
| Financial asset at FVTPL | – | – | 30,097 | 32,299 |
| Time deposits | – | – | 17,019 | 17,234 |
| Restricted bank deposit | * | – | – | – |
| Bank balances and cash | 55,677 | 114,094 | 88,044 | 91,940 |
| **Total current assets** | **184,113** | **232,799** | **286,663** | **324,968** |
| **Current liabilities** | | | | |
| Trade and other payables | 66,667 | 73,035 | 68,584 | 71,534 |
| Income tax payable | * | 216 | 2,114 | 217 |
| Lease liabilities | – | 403 | 2,016 | 3,638 |
| Contract liabilities | 5,662 | 11,638 | 5,284 | 6,949 |
| Refund liabilities | 688 | 831 | 889 | 794 |
| **Total current liabilities** | **73,017** | **86,123** | **78,887** | **83,132** |
| **Total non-current assets** | **175,888** | **184,680** | **202,361** | **211,619** |
| **Total non-current liabilities** | **956** | **1,197** | **996** | **2,761** |
| **Net current assets** | **111,096** | **146,676** | **207,776** | **241,836** |
| **Net assets** | **286,028** | **330,159** | **409,141** | **450,694** |

* Amount below RMB1,000

As of December 31, 2022, December 31, 2023, December 31, 2024, and September 30, 2025, our net current assets were RMB111.1 million, RMB146.7 million, RMB207.8 million, and RMB241.8 million, respectively. These fluctuations in our net current assets reflect a consistent improvement in our liquidity position over the Track Record Period. The increase in net current assets from December 31, 2022, to September 30, 2025, can be attributed to both the growth in current assets and the stability in current liabilities. The changes in the balance sheet items include an increase in inventories and trade receivables, alongside the strategic management of liabilities, particularly trade payables and lease liabilities, which remained relatively stable during the period. The increase in current assets from RMB184.1 million as of December 31, 2022, to RMB325.0 million as of September 30, 2025, was driven by sustained profitability, which enhanced operating cash inflows. This allowed the accumulation of surplus liquidity, some of which was invested in low-risk structured deposits. Additionally, inventories rose from RMB115.7 million in 2022 to RMB153.3 million in the nine months ended September 30, 2025, supporting demand growth and ensuring supply chain resilience. Similarly, trade receivables increased in line with revenue growth, contributing further to the overall rise in current assets.

As of December 31, 2022, December 31, 2023, December 31, 2024, and September 30, 2025, our net assets amounted to RMB286.0 million, RMB330.2 million, RMB409.1 million, and RMB450.7 million, respectively. The fluctuations in net assets were driven by consistent profitability, which led to the accumulation of retained earnings and statutory reserve transfers. Total comprehensive income for the period increased from RMB56.9 million in 2022 to RMB79.0 million in 2024, contributing to the steady accumulation of reserves and strengthening our net asset position. Looking forward, the estimated net [**REDACTED**] from the [**REDACTED**] (approximately HK$[**REDACTED**]) are expected to further enhance our net asset position upon [**REDACTED**]. For more information, please refer to "Financial Information – Discussion of Certain Selected Items from the Consolidated Statements of Financial Position" in this document.

### Summary of Consolidated Cash Flow Statements

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

| | As of December 31, | | | As of September 30, | |
|---|---|---|---|---|---|
| | 2022 | 2023 | 2024 | 2024 | 2025 |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000 (unaudited)* | *RMB'000* |
| Net cash generated from operating activities | 28,414 | 82,493 | 58,548 | 14,410 | 34,673 |
| Net cash used in investing activities | (19,203) | (24,024) | (83,058) | (54,445) | (24,777) |
| Net cash used in financing activities | (68,315) | (62) | (1,683) | (172) | (5,990) |
| Cash and cash equivalents at the beginning of the year/period | 114,520 | 55,677 | 114,094 | 114,094 | 88,044 |
| Cash and cash equivalents at the end of the year/period | 55,677 | 114,094 | 88,044 | 73,964 | 91,940 |

### KEY FINANCIAL RATIOS

| | As of December 31/ For the year ended December 31, | | | As of September 30/ For the nine months ended September 30, | |
|---|---|---|---|---|---|
| | 2022 | 2023 | 2024 | 2024 | 2025 |
| | | | | *(unaudited)* | |
| Net profit margin | 11.3% | 8.7% | 13.8% | 13.2% | 9.3% |
| Return on equity | 22.1% | 14.3% | 21.4% | 14.9% | 9.7% |
| Return on total assets | 15.2% | 11.4% | 17.4% | 12.2% | 8.1% |
| Current ratio | 2.52 | 2.70 | 3.63 | 3.62 | 3.91 |
| Quick ratio | 0.94 | 1.46 | 1.96 | 1.70 | 2.07 |

For more details, please refer to "Financial Information – Key Financial Ratios" in this document.

### OUR SINGLE LARGEST SHAREHOLDER

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

### [**REDACTED**] INVESTORS

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

### APPLICATION FOR [REDACTED] ON THE STOCK EXCHANGE

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

## [**REDACTED**] STATISTICS

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

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

*Notes:*

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

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

## [**REDACTED**] EXPENSES

The total estimated [**REDACTED**] expenses in connection with the [**REDACTED**] are approximately RMB[**REDACTED**] (equivalent to approximately HK$[**REDACTED**]), representing approximately [**REDACTED**]% of the [**REDACTED**] from the [**REDACTED**], assuming an [**REDACTED**] of HK$[**REDACTED**] per [**REDACTED**] (being the mid-point of the indicative [**REDACTED**]) and the [**REDACTED**] is not exercised. We estimate to incur [**REDACTED**] of approximately HK$[**REDACTED**], of which approximately HK$[**REDACTED**] had been and is expected to be recognized in the consolidated statements of profit or loss and other comprehensive income as administrative expenses, and approximately HK$[**REDACTED**] is expected to be recognized as a deduction in equity directly upon the [**REDACTED**]. As of September 30, 2025, a total of approximately HK$[**REDACTED**] of the [**REDACTED**] has already been recognized in profit or loss. The remaining amount of HK$[**REDACTED**] will be recognized in the future. By nature, our [**REDACTED**] are composed of (i) [**REDACTED**] commission of approximately HK$[**REDACTED**]; and (ii) [**REDACTED**] related expenses of approximately HK$[**REDACTED**], which consist of fees and expenses of legal advisers and reporting accountants of approximately HK$[**REDACTED**] and other fees and expenses of approximately HK$[**REDACTED**]. The [**REDACTED**] expenses above are the current estimate for reference only and the final amount to be recognized to our consolidated income statement is subject to audit and the then changes in variables and assumptions.

## FUTURE PLANS AND [**REDACTED**]

Assuming an [**REDACTED**] of HK$[**REDACTED**] per Share (being the mid-point of the indicative [**REDACTED**]), we estimate that we will receive [**REDACTED**] of approximately HK$[**REDACTED**] from the [**REDACTED**], after deducting the [**REDACTED**] commissions and other estimated expenses payable by us in connection with the [**REDACTED**], and assuming the [**REDACTED**] is not exercised.

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

- Invest in product development and design capabilities (approximately [**REDACTED**]%, equivalent to approximately HK$[**REDACTED**]),
- Enhance production capacity and fulfillment agility (approximately [**REDACTED**]%, equivalent to approximately HK$[**REDACTED**]),
- Strengthen sales channels and marketing capabilities (approximately [**REDACTED**]%, equivalent to approximately HK$[**REDACTED**]),
- Upgrade digital and information infrastructure (approximately [**REDACTED**]%, equivalent to approximately HK$[**REDACTED**]), and
- Working capital and general corporate purposes (approximately [**REDACTED**]%, equivalent to approximately HK$[**REDACTED**]).

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

## DIVIDEND

During the Track Record Period, we did not declare or pay any dividends. No dividend has been proposed, paid or declared by our Company since its incorporation, or by any of the subsidiaries of our Group during the Track Record Period. Currently, we do not have, nor do we intend to adopt, a formal dividend policy, or a fixed dividend distribution ratio following the [**REDACTED**].

[**REDACTED**]

## NO MATERIAL ADVERSE CHANGE

Our Directors confirm that, up to the date of this document, there has been no material adverse change in our financial or trading position or prospects since September 30, 2025, being the end of the last financial year/period reported on in the Accountant's Report as set out in Appendix I to this document.

## IMPACT OF THE COVID-19 PANDEMIC

The COVID-19 pandemic led to temporary supply chain and logistics disruptions. However, our vertically integrated operations and strong e-commerce presence enabled us to maintain business continuity. Unlike companies reliant on third-party manufacturing, our in-house production minimized external dependencies and mitigated operational risks. Logistics delays were the most notable challenge during the pandemic, but digital channels remained resilient, allowing us to sustain sales momentum. Overall, COVID-19 did not have a material adverse effect on our business or financial performance.

## RECENT DEVELOPMENT

Based on our [**REDACTED**], our revenue [**REDACTED**] by approximately [**REDACTED**]% from RMB571.2 million for the year ended December 31, 2024 to RMB[**REDACTED**] for the year ended December 31, 2025, primarily driven by continued growth in our core copper-based cultural and creative products (from RMB551.3 million to RMB[**REDACTED**]). Over the same period, our cost of sales [**REDACTED**] from RMB369.1 million to RMB[**REDACTED**], and our gross profit [**REDACTED**] from RMB202.1 million to [**REDACTED**]; however, our gross profit margin [**REDACTED**] from 35.4% to [**REDACTED**], mainly due to higher raw material costs, primarily due to increases in copper prices. Our profit and total comprehensive income for the year [**REDACTED**] from RMB79.0 million in 2024 to RMB[**REDACTED**] in 2025, primarily attributable to [**REDACTED**] expenses of RMB[**REDACTED**] incurred during the year, and was also impacted by higher raw material costs (primarily driven by copper prices) and higher selling and marketing expenses incurred in connection with our offline channel expansion initiatives, including our initial development of premium retail supermarket chain channels toward the end of 2025, and, as we ramped up production and deliveries in anticipation of such premium retail supermarket chain channels which typically operate under customary credit terms, increases in inventories and trade receivables.

In line with our strategy to develop an integrated multi-channel sales network, particularly by strengthening our offline presence , our self-operated store network expanded from 18 stores as of September 30, 2025 to 36 stores as of the Latest Practicable Date, covering 18 cities in the PRC. Building on this offline expansion, we began to develop additional offline channels toward the end of 2025 and into 2026, including premium retail supermarket chains and museum and cultural tourism collaborations. For example, in December 2025, we launched a co-branded copper-based cultural and creative product associated with a recently released PRC costume television drama initially through these newly developed premium retail supermarket chains and commenced online sales of the same product subsequently in January 2026.

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

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

[**REDACTED**]

| | |
|---|---|
| ''China'' or ''the PRC'' | the People's Republic of China, but for the purpose of this document and for geographical reference only and except where the context requires otherwise, references in this document to ''China'' and ''the PRC'' do not apply to Hong Kong, the Macau Special Administrative Region of the People's Republic of China and Taiwan |
| "close associates" | has the meaning ascribed thereto under the Listing Rules |
| "Companies Ordinance" | the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time |

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| "Companies (Winding up and Miscellaneous Provisions) Ordinance" | the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time |
| "Company" or "our Company" or "the Company" | Hangzhou Tongshifu Cultural and Creative (Group) Co., Ltd.* (杭州銅師傅文創(集團)股份有限公司), a limited liability company established in the PRC on March 26, 2013 and converted into a joint stock company with limited liability on November 11, 2014 |
| "Company Law" or "PRC Company Law" | Company Law of the PRC (《中華人民共和國公司法》) as amended and supplemented or otherwise modified from time to time |
| "connected person(s)" | has the meaning ascribed thereto under the Listing Rules |
| "core connected person(s)" | has the meaning ascribed to it under the Listing Rules |
| "Corporate Governance Code" or "CG Code" | the Corporate Governance Code as set out in Appendix C1 to the Listing Rules |
| "COVID-19" | novel coronavirus (COVID-19), a coronavirus identified as the cause of an outbreak of respiratory illness |
| "CSDCC" | China Securities Depository and Clearing Corporation Limited (中國證券登記結算有限責任公司) |
| "CSRC" | China Securities Regulatory Commission (中國證券監督管理委員會) |
| "Demerger" | the demerger of our Company into two companies, namely our Company and Tongmu Zhuyi, which was registered in Jiande Municipal Market Supervision Administration (建德市場監督管理局) on December 17, 2020 |
| "Director(s)" | the director(s) of our Company |
| "Domestic Unlisted Shares" | ordinary shares in the share capital of our Company, with a nominal value of RMB1.00 each, which are subscribed for and paid up in Renminbi |
| "East China" | the eastern geographical region of the People's Republic of China, which comprises the following provincial-level administrative divisions: Shanghai Municipality, Jiangsu Province, Zhejiang Province, Anhui Province, Fujian Province, Jiangxi Province, and Shandong Province |
| "EIT" | enterprise income tax |

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| "EIT Law" | Enterprise Income Tax Law of the People's Republic of China* (《中華人民共和國企業所得税法》), as amended, supplemented or otherwise modified from time to time |
| "ESG" | environmental, social and governance |

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| "Extreme Conditions" | the occurrence of "extreme conditions" as announced by the Hong Kong Government due to serious disruption of public transport services, extensive flooding, major landslides, large-scale power outage or any other adverse conditions before Typhoon Signal No. 8 or above is replaced with Typhoon Signal No. 3 or below |
| "F&S" or "Frost & Sullivan" | Frost & Sullivan (Beijing) Inc., Shanghai Branch Co., our industry consultant, which is an independent third party |
| "F&S Report" | an independent market research report commissioned by us and prepared by F&S, a summary of which is set forth in the section headed "Industry Overview" for the purpose of this document |

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| "Greater China" | the People's Republic of China, together with the Hong Kong Special Administrative Region, the Macao Special Administrative Region and Taiwan Province |
| "Group", "the Group", "our Group", "we", "our" or "us" | our Company and its subsidiaries at the relevant time or, where the context otherwise requires, in respect of the period prior to our Company becoming the holding company of its present subsidiaries, such subsidiaries as if they were subsidiaries of our Company at the relevant time |

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| "Guide for New Listing Applicants" or the "Guide" | the Guide for New Listing Applicants published by the Stock Exchange and as amended, supplemented or otherwise modified from time to time |
| "H Share(s)" | overseas [**REDACTED**] foreign invested ordinary share(s) in the share capital of our Company, with a nominal value of RMB1.00 each, which are to be subscribed for and traded in Hong Kong dollars and for which an application has been made for the granting of [**REDACTED**], and permission to deal in, on the Main Board of the Stock Exchange |
| | [**REDACTED**] |
| "Hangzhou Weitan" | Hangzhou Weitan Artwork Co., Ltd.* (杭州唯檀藝術品有限公司), a company established in the PRC on March 29, 2021 and a wholly-owned subsidiary of our Company |
| "Hangzhou Yueyin" | Yueyin (Hangzhou) Cultural and Creative Co., Ltd.* (閱銀(杭州)文化創意有限公司), a company established in the PRC on June 27, 2022 and a wholly-owned subsidiary of our Company |
| "Hangzhou Zhibo" | Hangzhou Zhibo Sanitary Ware Co., Ltd.* (杭州至鉑衛浴有限公司), a company established in the PRC on June 1, 2012 and a wholly-owned subsidiary of our Company |
| "HK$" or "Hong Kong dollars" or "HK dollars" | Hong Kong dollars, the lawful currency of Hong Kong |
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| "Hong Kong" or "HK" | the Hong Kong Special Administrative Region of the PRC |

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

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| "IPs" | intellectual properties |
| "IT" | information technology |
| "KPI" | Key Performance Indicator, a quantifiable measure used to evaluate an organization or a person's success in achieving its objectives and goals |
| "Latest Practicable Date" | March 6, 2026, being the latest practicable date for the purpose of ascertaining certain information contained in this document prior to its publication |

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| "Listing Rules" | the Rules Governing the Listing of Securities on the Stock Exchange, as amended or supplemented from time to time |
| "Main Board" | the stock exchange (excluding the option market) operated by the Stock Exchange, which is independent from and operated in parallel with the GEM of the Stock Exchange |

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| "MOF" | Ministry of Finance of the PRC (中華人民共和國財政部) |
| "Mr. Yu" or the "Single Largest Shareholder" | Mr. Yu Guang (俞光), the chairman of the Board, executive Director and the general manager of our Company. For details, please see the section headed "Relationship with the Single Largest Shareholder" |
| "NDRC" | National Development and Reform Commission of the PRC (中華人民共和國國家發展和改革委員會) |
| "Nomination Committee" | the nomination committee of our Board |
| "North China" | the northern geographical region of the People's Republic of China, which comprises the following provincial-level administrative divisions: the municipalities of Beijing and Tianjin, and the provinces of Hebei and Shanxi |
| "NPC" | National People's Congress of the PRC (中華人民共和國全國人民代表大會) |

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| "Overseas Listing Trial Measures" | The Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies (《境內企業境外發行證券和上市管理試行辦法》) released by the CSRC on February 17, 2023 and became effective on March 31, 2023, as amended, supplemented or otherwise modified from time to time |
| "PBOC" | the People's Bank of China (中國人民銀行), the central bank of the PRC |
| "POS" | point of sale |
| "POS Machine" | a device that allows businesses to accept payments from customers |
| "PRC Data Compliance Legal Adviser" | JunHe LLP, the legal adviser to our Company as to PRC data compliance laws |
| "PRC GAAP" | generally accepted accounting principles of PRC |
| "PRC government" or "State" | the Central People's Government of the People's Republic of China, including all governmental subdivisions (including provincial, municipal and other regional or local government entities) and their instrumentalities or, where the context requires, any of them |
| "PRC Legal Adviser" | JunHe LLP, the legal adviser to our Company as to PRC laws |
| "PRC Securities Law" | the Securities Law of the PRC (《中華人民共和國證券法》), as amended and supplemented from time to time |

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| "Regulation S" | Regulation S under the U.S. Securities Act |
| "Remuneration and Appraisal Committee" | the remuneration and appraisal committee of our Board |
| "RMB" or "Renminbi" | Renminbi, the lawful currency of the PRC |
| "SAFE" | State Administration of Foreign Exchange of the PRC (中華人民共和國國家外匯管理局), a PRC governmental agency responsible for matters relating to foreign exchange administration, including local branches, when applicable |
| "SAMR" | the State Administration for Market Regulation of the PRC (中華人民共和國國家市場監督管理總局) |
| "SASAC" | State-owned Assets Supervision and Administration Commission of the State Council (國務院國有資產監督管理委員會) |
| "SAT" | State Administration of Taxation of the PRC (中華人民共和國國家税務總局) |
| "SCNPC" | the Standing Committee of the National People's Congress (全國人民代表大會常務委員會) |
| "Securities Law" | the Securities Law of the PRC (中華人民共和國證券法), as amended, supplemented or otherwise modified from time to time |
| "SFC" | the Securities and Futures Commission of Hong Kong |
| "SFO" | the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended or supplemented from time to time |
| "Share(s)" | the ordinary share(s) in the share capital of our Company with a nominal value of RMB1.00 each, including our Domestic Unlisted Shares and H Shares |
| "Shareholder(s)" | holder(s) of the Shares |

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| "Sole Sponsor" and [**REDACTED**] | the sole sponsor and the [**REDACTED**] as named in the section headed "Directors and Parties Involved in the [**REDACTED**]" in this document |
| "South China" | the southern geographical region of the People's Republic of China, which comprises the following provincial-level administrative divisions: Guangdong Province, Guangxi Zhuang Autonomous Region, Hainan Province |
| | [**REDACTED**] |
| "State Council" | State Council of the PRC (中華人民共和國國務院) |
| "Stock Exchange" or "Hong Kong Stock Exchange" | The Stock Exchange of Hong Kong Limited |
| "Strategy Committee" | the strategy committee of our Board |
| "subsidiary(ies)" | has the meaning ascribed to it in section 15 of the Companies Ordinance |
| "substantial shareholder(s)" | has the meaning ascribed to it under the Listing Rules |
| "Tai Tong (太銅)" | A sub-brand of our Company dedicated to copper cultural and creative products positioned at a higher price range. "Tai Tong" serves as a premium extension of our principal "TONGSHIFU" brand |
| "Tongmu Zhuyi" | Hangzhou Tongmu Zhuyi Furniture Co., Ltd* (杭州銅木主義傢具股份有限公司), a company established in the PRC pursuant to the Demerger in December 17, 2020 |
| "TONGSHIFU (銅師傅)" | The principal brand name of our Company, under which we develop, produce, and market our cultural and creative craft products |
| "Tongshifu Cultural and Creative" | Tongshifu (Hangzhou) Cultural and Creative Co., Ltd.* (銅師傅(杭州)文化創意有限公司), a company established in the PRC on April 17, 2023 and a wholly-owned subsidiary of our Company |
| "Track Record Period" | the three years ended December 31, 2022, 2023 and 2024 and nine months ended September 30, 2025 |
| "U.S. dollars", "US$" or "USD" | United States dollars, the lawful currency of the United States |
| "U.S. Securities Act" | the United States Securities Act of 1933, as amended and supplemented or otherwise modified from time to time, and the rules and regulations promulgated thereunder |

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

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

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

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

# GLOSSARY OF TECHNICAL TERMS

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

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| "ASP" | Average Selling Price, which represents the average amount of revenue generated per unit of product sold over a year/period. It is calculated by dividing the total revenue for that year/period by the total sales volume during the same year/period. |
| "burning (燒色)" | A traditional surface finishing technique involving the application of controlled heat to copper or other metals to produce naturally occurring color gradients, oxidized patinas, or vibrant tonal effects. |
| "carving" or "engraving" | A technique of using designed specific tools to carve different patterns on the surface of an object. |
| "CCI" or "cultural creative industry" | An industry that leverages cultural resources and integrates one or more elements such as history, art and, where applicable, technology, to create products and services with cultural, aesthetic and commercial value. |
| "cloisonné Enameling (景泰藍)" | A decorative metalworking technique where colored enamel is applied within wire partitions affixed to a metal surface, then fired at high temperature to create intricate, glossy patterns. |
| "CNC carving machines" | Computer-controlled carving equipment used to precisely cut, engrave, or shape materials based on pre-programmed designs. |
| "copper engraved artworks" | A form of copper cultural and creative craft characterized by relief carving on flat copper plates, combining traditional engraving techniques with compositional aesthetics inspired by classical Chinese painting. Unlike ordinary two-dimensional artworks, copper engraved artworks feature sculptural depth and textured detailing. |
| "concession (聯營)" | A common commercial arrangement between a shopping mall and the stores located therein, where the shopping mall (instead of the stores by themselves) collects the sales proceeds of the stores and invoice end customers, and settle with the stores later in an agreed period. |
| "cultural and creative craft" | Tangible creative products rooted in cultural themes and aesthetic expression, where craftsmanship and process quality are key value drivers. Such products may be produced through traditional artisanal techniques or standardised industrial processes, including casting, embossing, engraving and patination, and are designed to deliver cultural, aesthetic and commercial value. |

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| "filigree (花絲)" | A technique of drawing various kinds of metals such as gold, silver and copper into delicate threads and fashioning them into different shapes. |
| "Great Sage (大聖)" | One of our most iconic original IP product lines, the Great Sage series is inspired by the legendary Chinese figure Sun Wukong (孫悟空), the Monkey King. |
| "Guochao (國潮)" | A consumer and design trend that blends traditional Chinese cultural elements with modern aesthetics, popular among younger generations. Guochao emphasizes national identity, cultural confidence, and consumer identification through products that reinterpret heritage with contemporary style and storytelling. |
| "hand-painting (手繪)" | An artisanal technique in which colors are manually applied to a crafted surface, typically metal, using fine brushes and mineral or pigment-based paints. |
| "Hangzhou Facility" | Our production facility located in Hangzhou, Zhejiang Province, which is primarily engaged in the manufacturing of our cultural and creative craft products. |
| "high-polish finishing (鏡面打磨)" | A surface treatment technique involving progressive manual or mechanical polishing to achieve a smooth, mirror-like finish. |
| "Koucai (口彩)" | A traditional Chinese practice of using phonetic puns and visual metaphors to convey blessings or emotional messages. It creatively fuses sound-alike words with corresponding symbolic imagery to express themes such as peace (*ping'an* 平安), wealth (*cai* 財), and joy (*xi* 喜). |
| "lost-wax casting method (失蠟鑄銅法)" | An ancient metal casting technique in which a wax model is coated with refractory material to form a mold. After the wax is melted and drained, molten metal is poured into the cavity to create a detailed sculpture. |
| "new tier-one cities" | Cities ranked immediately below tier-one cities and above tier-two cities in terms of comprehensive business attractiveness, as defined in the *Ranking of Cities' Business Attractiveness in China 2023* (《2023城市商業魅力排行榜》) released by the New Tier One Cities Research Institute of YiMagazine (《第一財經周刊》新一線城市研究所). According to this ranking, new tier-one cities comprise of Chengdu, Chongqing, Hangzhou, Wuhan, Suzhou, Xi'an, Nanjing, Changsha, Tianjin, Zhengzhou, Dongguan, Qingdao, Kunming, Ningbo, and Hefei. |

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

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

# FORWARD-LOOKING STATEMENTS

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

You are strongly cautioned that reliance on any forward-looking statements involves known and unknown risks and uncertainties. The risks and uncertainties facing the Company which could affect the accuracy of forward-looking statements include, but are not limited to, the following:

- our business strategies and plans to achieve these strategies;
- changes to the political and regulatory environment in the industry and markets in which we operate;
- changes in our customers' preferences, demands and business performance;
- changes in competitive conditions and our ability to compete under these conditions;
- the actions and development of our competitors;
- future developments, trends and conditions in the industry and markets in which we operate;
- general economic, political and business conditions in the markets in which we operate;
- effects of the global financial markets and economic conditions;
- our future debt levels and capital needs;
- our financial conditions and performance;
- our dividend policy; and
- change or volatility in interest rates, foreign exchange rates, equity prices, volumes, operations, margins, risk management and overall market trends.

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

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

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

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

***An* [REDACTED] *in our H Shares involves significant risks. You should carefully consider all of the information in this document, including the risks and uncertainties described below, before making an* [REDACTED] *in our H Shares. The following is a description of what we consider to be our material risks. Any of the following risks could materially and adversely affect our business, financial condition, and results of operations. The* [REDACTED] *of our H Shares could significantly decrease due to any of these risks, and you may lose all or part of your* [REDACTED].**

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

## RISKS RELATING TO OUR BUSINESS AND INDUSTRY

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

Our business operates within the cultural and creative crafts market. We maintain the balance between design refinement and pricing discipline requires continuous iteration, optimization of cost structures, and timely responsiveness to consumer expectations. Any erosion of this advantage may compromise consumer trust and weaken our market position.

To keep pace with changing consumer preferences and aesthetic sensibilities, we regularly launch new SKUs and product collections. For the years ended December 31, 2022, 2023, 2024 and the nine months ended September 30, 2024 and 2025, we newly launched 583, 514, 707, 429 and 404 SKUs, respectively. Our product development process is guided by cultural insight, trend research, and cross-department collaboration between our creative team, marketing team, and business team. For further details, please refer to the section headed "Business – Our Products – Our Products Development" in this document. We draw upon both classical Chinese cultural references and modern interpretations to develop original IPs, while also engaging in international IP collaborations to broaden appeal and reach global audiences. For the years ended December 31, 2022, 2023, 2024 and the nine months ended September 30, 2024 and 2025, our costs incurred for securing IP collaborations were RMB1.7 million, RMB4.9 million, RMB2.9 million, RMB2.0 million and RMB4.5 million, respectively. This dual-track approach enables us to cater to diverse consumer bases across demographic, regional, and cultural lines. Please refer to the section headed "Business – Our IP Portfolio" in this document for more details.

The development of cultural and creative products requires significant time investment for sculpting, prototyping, and finishing. One of the challenges we face lies in the accurate alignment of production planning with sales demand. In recent years, we have encountered situations where strong consumer response exceeded our forecasts, resulting in long pre-order periods and slower delivery times.

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

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

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

Our principal brand, "TONGSHIFU," is integral to our business identity and consumer engagement. Incorporating traditional Chinese craftsmanship and expressed through modern sculptural design, TONGSHIFU embodies symbolic value that resonates strongly with our customers. Any deviation from this positioning, whether through design inconsistency, product defects or negative consumer experiences, may lead to unfavorable word-of-mouth and online

reviews, which can spread rapidly through social media, livestreaming platforms and e-commerce channels. In a category driven by cultural factors and consumer behavior, even a temporary loss of consumer trust may result in significant harm to our brand reputation and sales.

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

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

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

We actively monitor the market and enforce our trademark rights to combat infringement. As of September 30, 2025, we had registered 577 trademarks in China covering our core brand names and sub-brands. As of the Latest Practicable Date, we owned 13 registered trademarks in jurisdictions such as the United States, the United Kingdom, and the European Union. Additionally, we are currently applying for ten trademarks in jurisdictions such as Hong Kong and Canada. However, there is no assurance that all our trademark applications will be approved or that our existing rights will not be challenged, diluted, or bypassed in emerging sales channels. The evolving landscape of online marketplaces and short-video commerce platforms presents ongoing enforcement challenges.

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

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

Our product development team was composed of 155 staff as of the Latest Practicable Date. The team operates under a centralized management mechanism coordinated by our founder and our dedicated Research and Development Center, which guides product roadmaps, thematic planning, and iteration protocols.

Our research and development expenditures are primarily allocated toward original design, sample development, and process improvement, rather than conventional engineering research and development. In the years ended December 31, 2022, 2023, 2024 and the nine months ended September 30, 2024 and 2025, we allocated approximately RMB18.8 million, RMB28.6 million,

RMB28.2 million, RMB20.7 million and RMB24.7 million to research and development activities, representing approximately 3.7%, 5.7%, 5.0%, 5.2% and 5.5% of our total revenue in the respective periods. This reflects the nature of our business model, which emphasizes cultural creation and artisanal production over technological advancement. Each product requires extensive investment in labor, time, and materials. For copper-based products in particular, the creative cycle includes time-intensive steps such as hand-sculpting, mold adjustment, lost-wax casting, polishing, and patina finishing. Any misalignment between our creative and production functions could lead to delays, elevated costs, or inconsistent product quality.

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

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

We have adopted a long-term strategy focused on expanding our own IP system to build brand equity and reinforce consumer recognition. In the years ended December 31, 2022, 2023, 2024, and the nine months ended September 30, 2024 and 2025, revenue generated from SKUs based on our self-developed IPs were RMB473.5 million, RMB447.2 million, RMB535.4 million, RMB372.7 million and RMB395.3 million, accounting for approximately 94.1%, 88.3%, 93.7%, 92.6% and 88.3% of our total revenue, respectively. These figures underscore our strategic focus on building a proprietary IP system that enhances brand identity, consumer engagement and gross profit margins. Our IP assets are central to our ability to deliver differentiated products and maintain brand relevance. While we maintain a limited number of licensed IP through partnerships with cultural institutions, museums, and entertainment companies, our product portfolio is primarily supported by self-developed IPs and proprietary designs. For the years ended December 31, 2022, 2023, 2024 and the nine months ended September 30, 2024 and 2025, SKUs based on our licensed IP contributed revenue of RMB29.7 million, RMB59.1 million, RMB35.8 million, RMB29.7 million and RMB52.4 million, accounted for approximately 5.9%, 11.7%, 6.3%, 7.4% and 11.7% of our total revenue, respectively. These include original sculptural images, character series, commemorative themes, and reinterpretations of traditional cultural elements that are independently created by our internal creative team. Please refer to the section headed "Business – Our IP Portfolio" in this document for more details.

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

Separately, while licensed IPs remain a relatively small part of our portfolio, accounting for approximately 5.9%, 11.7%, 6.3%, 7.4% and 11.7% of our total revenue for the years ended December 31, 2022, 2023, 2024 and the nine months ended September 30, 2024 and 2025, respectively, we cannot assure you that all such licenses will be renewed or extended on commercially favorable terms. In the event that any licensing arrangements are terminated, expire, or become unavailable due to disputes or changes on the part of the licensors, we may lose the right to commercialize affected products. In addition, there is no assurance that products developed based on licensed IPs will achieve the desired commercial performance.

**Fluctuations in commodity prices, in particular copper, may materially and adversely affect our business, results of operations or financial condition.**

Copper is the primary raw material used in our manufacturing process, with its price volatility being a key factor influencing our procurement costs. During the Track Record Period, direct materials, which primarily comprising copper used in our copper-based cultural and creative products, accounted for approximately 51.9%, 47.1%, 47.1%, 46.9% and 47.6% of our total cost of sales for the years ended December 31, 2022, 2023, 2024 and the nine months ended September 30, 2024 and 2025, respectively. For more details, please see "Financial Information – Description of Selected Components of Statements of Profit or Loss – Cost of Sales" in this document. During the Track Record Period, copper prices in the PRC exhibited a generally upward yet volatile trend. According to the F&S Report, the average annual price of copper increased from RMB47,621.8 per ton in 2019 to RMB74,958.3 per ton in 2024, reaching a historical peak of RMB88,600.0 per ton in May 2024. As of September 30, 2025, the copper price has reached RMB83,110.0 per ton. The increase in copper prices during this period was primarily driven by factors such as sustained

infrastructure investment, industrial expansion, speculative activities in commodity markets, and regional demand-supply dynamics. Moreover, recent market developments suggest a potential upward trend in copper prices due to tightening global supply and increased demand from infrastructure, electric vehicle, and renewable energy sectors. In particular, rising tensions in global trade and renewed concerns over global supply chain security have contributed to increased copper price volatility.

We remain exposed to commodity price volatility of raw materials used in our products, including copper, and, to a lesser extent, gold and silver. Any sharp or prolonged increases in such raw materials' prices could significantly elevate our production costs, while we may not be able to fully pass such increase in costs to customers, as we typically do not enter into contractual arrangements with customers that automatically pass through increases in raw material costs, nor do we raise the prices of products already on sale solely due to increases in copper or other raw material costs. Nevertheless, we try to offset such potential negative impact on our overall profitability through alternative measures such as product iteration and new product launches. For more details of our measures to manage the impact of fluctuations in the prices of copper and other raw materials, please see "Business — Our Production — Our Procurement Process." Additionally, our in-house production model is copper-intensive and centralized at a single facility in Hangzhou. This heightens our vulnerability to raw material supply chain disruptions and delays, particularly during seasonal demand surges. If we are unable to secure timely and cost-effective supply of copper materials, our production scheduling, inventory turnover and order fulfillment may be adversely affected. We cannot guarantee that we will fully offset the impact of future commodity price fluctuations. Any adverse movement in copper prices or related supply costs could materially affect our gross margins, operating results and overall financial condition.

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

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

Our production process itself involves multiple complex and interdependent stages such as wax modeling, casting, grinding, surface finishing, patina coloring, assembly, and inspection, and many of which are labor-intensive and require skilled artisans. The artisanal nature of our core product lines makes our operations especially sensitive to disruptions in workforce availability, interdepartmental coordination, and workshop scheduling. Production delays may be caused by labor shortages, staff absenteeism, equipment breakdowns, or inconsistencies in upstream processes. Manual steps such as finishing and coloring are particularly sensitive to timing mismatches, environmental conditions, and staff expertise. We also implement rigorous internal standards to uphold craftsmanship and visual quality and they may result in rework, rejection, or slower throughput when intermediate outputs fall short of expectations. Please refer to the section headed "Business – Our Production" in this document for further details. Additionally, certain SKUs, especially those involving new visual or structural elements, may require longer production cycles or iterative refinements, adding complexity to production planning. Any failure to manage these risks effectively could lead to delivery delays, reduced customer satisfaction, and negative brand perception, particularly during peak seasons, cultural festivals or promotional campaigns.

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

We have experienced strong revenue growth during the Track Record Period, driven by favorable macroeconomic conditions, increased consumer interest in cultural and creative products, and the continued success of our copper-based product portfolio. For the years ended December 31, 2022, 2023, 2024 and the nine months ended September 30, 2024 and 2025, our revenue amounted to approximately RMB503.2 million, RMB506.4 million, RMB571.2 million, RMB402.4 million and RMB447.7 million, respectively.

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

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

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

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

For the years ended December 31, 2022, 2023, 2024 and the nine months ended September 30, 2024 and 2025, outsourced production accounted for approximately 3.7%, 4.1%, 4.8%, 5.2% and 5.1% of our cost of sales, respectively. Please refer to the section headed "Business – Our Production – Our Outsourced Production" in this document for more details. The external manufactures introduces risks that are not fully within our operational control.

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

**We may not be able to effectively coordinate and control our multi-channel sales network including third-party e-commerce platforms and distributors, which may result in channel conflicts, inconsistent pricing, and brand dilution, and could materially and adversely affect our business and results of operations.**

We sell our products through a multi-channel network comprising online and offline direct sales, distributor sales and consignment arrangements. While this structure allows us to reach different consumer segments and retail scenarios, it increases the complexity of coordinating pricing discipline, brand positioning and customer experience across channels. We cannot guarantee that our distributors, consignees or other third parties will adhere to our unified retail pricing policies or maintain consistent downstream pricing and promotional practices. Any deviation from our pricing guidance or brand positioning may result in pricing discrepancies across channels, consumer confusion and dilution of perceived product value. If we fail to effectively coordinate and manage our sales channels, maintain pricing discipline in practice, or timely monitor, manage or replace underperforming distributors and address platform-related uncertainties, our sales performance, consumer loyalty, market reputation and long-term brand value may be materially and adversely affected.

A substantial portion of our revenue in the PRC is derived from online sales through a concentrated set of third-party e-commerce platforms. For the years ended December 31, 2022, 2023 and 2024 and the nine months ended September 30, 2024 and 2025, our online direct sales accounted for approximately 69.3% to 70.9% of our total revenue, and online distribution contributed a further 5.8% to 10.3% of total revenue, underscoring our continued dependence on digital platforms. During the Track Record Period, Tmall accounted for approximately 40.0%-48.0% of our online direct sales revenue, and Douyin accounted for approximately 33.0%-39.0%, while JD.com accounted for approximately 14.0%-16.0%, with other platforms accounting for the remainder. Given that a substantial portion of our online direct sales is generated through Tmall and Douyin, we have a certain degree of reliance on these platforms, and any change, deterioration or disruption in our relationship with either platform, including reduced access to key promotional resources or platform support, could materially and adversely affect our online sales performance and brand visibility. Furthermore, we are subject to the business practices, technical environments and commercial policies of e-commerce platforms, over which we have limited control, and any material changes to their rules, algorithms, commission structures, traffic allocation mechanisms or promotional requirements may adversely affect our product visibility, customer traffic, conversion rates, sales performance and margins. For example, if a platform were to downgrade our store or products in search rankings, restrict participation in major promotional campaigns or livestreaming activities, impose penalties or suspension for alleged non-compliance, or increase commission rates or advertising charges, our online sales and profitability could be materially and adversely affected.

We also partially rely on distributors to sell our products in certain markets, and we have limited ability to supervise their day-to-day conduct and performance. Additionally, we generally do not monitor the inventory levels of our distributors' downstream channels. This approach is intended to offer them necessary operational flexibility, provided that they adhere to our established channel and platform restrictions. For more details, please refer to "Business – Sales and Marketing – Channel Management and Risk Control – Measures to Manage Channel Stuffing Risk." As of September 30, 2025, we had six authorized online distributors operating six independent online storefronts and 53 authorized offline distributors operating a total of 63 stores. Our distribution agreements set out key terms including pricing requirements and return mechanisms. However, we cannot guarantee that distributors will fully comply with such terms, and we may not be able to effectively monitor or enforce compliance, particularly at the downstream retail or platform level. Distributors may engage in unauthorized low-price sales, promotions or bundling that is inconsistent with our pricing and brand positioning, and may underperform in promotion, carry competing products, or delay payments, which may adversely affect our sales, cash flows and brand equity. For example, in 2023, we identified four distributors engaged in unauthorized low-price sales on secondary market platforms, and we responded by suspending supply for one quarter or confiscating security deposits ranging from RMB30,000 to RMB50,000. In 2024, three distributors significantly underperformed against their annual sales targets, which in certain cases led to the termination of cooperation and the refund of their security deposits. In addition, distributors may over-order products around promotional periods or year-end, leading to inventory backlogs or channel stuffing and potentially distorting sell-in data and future ordering patterns.

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

In addition to our core online sales channels, we operate self-operated offline stores in selected cities in the PRC. As of September 30, 2025, we operated 18 self-operated stores strategically located in high-traffic commercial areas across new tier-one and tier-two cities. These physical stores are primarily located in shopping malls or cultural retail districts and are designed to strengthen brand visibility, offer immersive product experiences, and support campaign-based launches and gifting occasions. Please refer to the section headed "Business – Sales and Marketing – Direct Sales – Offline Direct Sales" in this document for more details.

As we continue to enhance our offline presence as part of our broader multi-channel expansion strategy, we may face challenges in selecting suitable store locations, negotiating favorable lease terms, managing rent fluctuations, and attracting consistent foot traffic. In-store operations may also be affected by seasonal consumer behavior, regional demand variations, and the ability of frontline staff to deliver a brand-consistent experience. We may also encounter increasing complexity in maintaining retail efficiency and standardization as we scale our store network, particularly in terms of inventory planning, visual merchandising, and service quality. Any misalignment between our store offerings and local market preferences, or any failure to execute operational procedures effectively, could result in underperformance, cost inefficiencies or reduced consumer satisfaction.

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

The cultural and creative craft industry is inherently labor-intensive, with many production processes requiring a high degree of manual skill, artistic judgment, and cultural interpretation. Despite advancements in machinery and industrial management, the value and distinctiveness of handcrafted products rely on techniques that cannot be easily replaced or replicated by automation. As a result, the cultural and creative craft industry is depended on skilled craftsmen for the execution of intricate, multi-step processes such as hand engraving, polishing, oxidation coloring, and detailed hand-painting. These processes require manual dexterity, aesthetic judgment, and cultural interpretation that are difficult to replicate through automation. During the Track Record Period, we employed approximately 271, 379, 421 and 479 skilled craftsmen as of December 31, 2022, 2023, 2024 and September 30, 2025, respectively, representing approximately 29.6%, 38.7%, 50.8% and 54.2% of our total production workforce in each year/period. Our operations may be affected by shortages of suitable workers, inability to scale training in response to demand, or higher labor costs due to market conditions. Any decline in the availability, performance or retention of skilled craftsmen may impact our production quality, delivery schedule and operational stability. For further details, please refer to "Business – Our Production – Our Production Facility – Production Capacity."

However, due to demographic changes and evolving employment preferences, younger generations may be less inclined to pursue careers in traditional handcraft or factory-based roles. Labor costs have continued to rise in China, especially in urban manufacturing hubs such as

Hangzhou, where our principal production facilities are located. Any shortage of qualified artisans, unexpected staff turnover, weakening of internal craftsmanship standards, or labor-related disruptions could affect our production schedule, quality control, or product consistency. This may in turn compromise consumer trust in our brand and adversely affect our commercial performance and reputation.

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

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

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

Our overseas business model emphasizes partnerships with local distributors. This model allows for localized merchandising and consumer interaction, but also limits our direct control over execution. Overseas expansion may also expose us to unfamiliar legal and regulatory frameworks, including import regulations, labeling standards, marketing restrictions, and consumer protection laws. In certain jurisdictions, rising geopolitical tensions or changes in trade policies may further impact market access and commercial execution.

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

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

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

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

Our ability to build brand awareness, communicate cultural meaning, and drive product conversion depends heavily on the effectiveness of our marketing efforts. During the Track Record Period, our selling and marketing expenses amounted to approximately RMB62.7 million, RMB72.4 million, RMB71.6 million, RMB53.5 million and RMB59.6 million for the years ended December 31, 2022, 2023, 2024 and the nine months ended September 30, 2024 and 2025, respectively, representing approximately 12.4%, 14.3%, 12.5%, 13.3% and 13.3% of our revenue for the same respective years/periods.

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

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

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

We rely on online platforms such as e-commerce marketplaces, short-video and livestreaming platforms, and social media to promote and sell our products. As digital content consumption habits evolve and platform ecosystems grow more complex, we face increasing challenges in maintaining visibility, controlling costs, and delivering consistent consumer engagement. In particular, newer marketing formats such as livestreaming, short videos, and user-generated reviews have become integral to product discovery and consumer influence. These formats are algorithm-driven and trend-sensitive, and may be subject to frequent changes in exposure rules, advertising policies, and content regulation. If we fail to adapt to such changes or deliver content that resonates with platform audiences, our online traffic and conversion rates may decline. Consumer behavior in the digital space is highly dynamic and difficult to predict. Preferences related to cultural aesthetics and symbolic gifting may shift over time. If prevailing trends diverge from our brand tone or product style, or if demand for culturally themed artisanal products weakens, our marketing effectiveness and brand relevance may be adversely affected.

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

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

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

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

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

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

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

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

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

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

Environmental protection is also a growing focus of regulatory enforcement. Discharges of dust, fumes or polishing waste must meet applicable standards, and local authorities may conduct unannounced inspections or require rectification. We cannot assure you that future inspections or regulatory changes will not increase our compliance burden or result in additional capital expenditure for facility upgrades, protective equipment or monitoring systems.

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

We maintain inventories of raw materials, work-in-progress, finished goods, and goods in transit to support production and sales activities. During the Track Record Period, our inventory levels and turnover days remained relatively stable, primarily supported by steady customer demand. As of December 31, 2022, 2023, 2024 and September 30, 2025, our inventory amounted to RMB115.7 million, RMB107.2 million, RMB132.3 million and RMB153.3 million, respectively, with an average inventory turnover days of 107, 119, 119 and 133 days. However, we cannot assure you that such levels will remain appropriate.

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

**We may be subject to penalties or other regulatory actions if we fail to fully comply with applicable PRC labor laws, including with respect to social insurance and housing provident fund contributions.**

Pursuant to applicable PRC labor laws and regulations, we are required to enter into written employment contracts with our employees and to make contributions, and withhold employee contributions, to various statutory schemes, including pension insurance, medical insurance, unemployment insurance, work-related injury insurance, maternity insurance, and the housing provident fund, in accordance with local regulations.

Historically, due to reasons including administrative complexities, differences in local practices and internal management constraints, certain of our subsidiaries may not have fully complied with such obligations in all respects. For example, in some cases, contributions may not have been made based on the actual wages of employees or within the prescribed time frame. The total shortfall amount of social insurance fund was approximately RMB13.5 million, RMB13.8 million, RMB17.1 million, and RMB13.4 million for the years ended December 31, 2022, 2023, 2024, and the nine months ended September 30, 2025, respectively. On the other hand, the total shortfall amount of housing provident fund was approximately RMB3.5 million, RMB3.5 million, RMB4.4 million, and RMB3.5 million for the years ended December 31, 2022, 2023, 2024, and the nine months ended September 30, 2025, respectively. As of the Latest Practicable Date, we had not received any administrative penalty or rectification notice from the relevant PRC authorities in connection with such matters.

According to our PRC Legal Adviser, based on the current regulatory environment and our compliance records, the likelihood of the Company being subject to penalties or required to make up for underpaid social insurance and housing provident fund contributions during the Track Record Period is considered remote. However, we cannot assure you that the relevant authorities will not adopt a stricter stance, conduct retrospective inspections, or impose retroactive contributions, surcharges or administrative penalties in the future. Any such actions may increase our compliance costs, create labor disputes or reputational risks, and adversely affect our financial condition, business operations and prospects. For further details, see "Regulatory Overview – Regulations Relating to Labor Contract, Social Insurance and Housing Provident Fund" and "Business – Non-Compliance Incidents" in this document.

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

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

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

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

From January 1, 2022 to February 14, 2023, we received payments from third parties on behalf of a limited number of our distributors through accounts that did not belong to the contractual counterparties under the relevant sales and purchase agreements. In the years ended December 31, 2022 and 2023, we received such payments from four and two distributors, respectively, totaling approximately RMB11.3 million and RMB6,000, which represented approximately 2.3% and 0.001% of our total revenue in the respective years. We did not receive any third-party payments in the year ended December 31, 2024 or up to the Latest Practicable Date. For more information, please see "Business – Customers – Third-Party Payment Arrangement." We may face risks arising from such historical third-party payment arrangements, including, among others, potential claims from third-party payors or their liquidators, lack of visibility over the source or intended use of funds, or legal proceedings that may be initiated against us in connection with such payments. If any of these risks materialize, we may be required to allocate additional financial and management resources to address the related matters, which could materially and adversely affect our business and financial performance.

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

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

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

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

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

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

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

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

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

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

Under PRC law, the lack of lease registration generally does not affect the validity of the lease agreement but may subject the lessor or lessee to administrative warnings or fines. Leasing properties without ownership certificates may present higher legal risks. If the lessor lacks lawful title or if a third party asserts ownership or the government enforces land use changes, we may be required to vacate or relocate the affected stores. At present, we are not aware of any dispute, regulatory penalty or eviction notice regarding these properties. Based on current assessment, the likelihood of enforced relocation is low. However, future developments may affect our ability to continue occupying these premises. If relocation is required, we believe it would be commercially feasible to secure alternative premises on acceptable terms. Nevertheless, relocation may lead to temporary operational disruption, additional leasehold investment, or impact customer experience in the affected locations.

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

Our operations were affected during the COVID-19 pandemic due to temporary production suspensions, logistics delays and fluctuations in offline consumer traffic. While the overall impact has subsided and business conditions have generally normalized, uncertainties remain regarding potential public health emergencies in the future. For further details, please refer to the section headed "Business – Impact of the COVID-19 Outbreak" in this document. Any resurgence of COVID-19 or outbreak of similar infectious diseases, as well as related public health measures, could again disrupt our supply chain, offline retail activities, or logistics operations, and may adversely affect our financial condition and results of operations.

**Our sales may be affected by seasonality.**

Our sales are subject to seasonality, with higher online order value typically recorded during major online promotional events such as "Double Eleven," "Double Twelve" and the "618" mid-year festival. For example, in 2024, the online order value in each of June, November and December exceeded the monthly average order value for the year by approximately 12% to 45%. For further details on our seasonality, please refer to the section headed "Financial Information – Seasonality" in this document.

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

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

We currently benefit from a preferential tax rate under the High and New Technology Enterprise ("**HNTE**") status in the PRC, which allows us to enjoy a reduced corporate income tax rate at 15%. Our HNTE certificate is valid until December, 2027, after which renewal will be required to maintain this preferential tax treatment. While this status is common among listed

companies in our industry, there is no absolute assurance that we will successfully renew it. Failure to renew our HNTE status would result in the loss of the associated tax benefits, subjecting us to the standard corporate income tax rate and potentially increasing our tax expenses. This could adversely impact our profitability and financial performance. Additionally, if there are changes to the HNTE qualification requirements or stricter enforcement by tax authorities, our ability to meet renewal criteria could be affected, further impacting our tax liabilities.

We have historically received government grants and enjoyed tax incentives to support areas such as research and development, talent recruitment, and cultural development. These forms of support contributed to our other income and helped offset certain operating costs. For the years ended December 31, 2022, 2023, 2024 and the nine months ended September 30, 2024 and 2025, we recognized government grants of approximately RMB2.4 million, RMB3.0 million, RMB2.6 million, RMB2.2 million and RMB0.8 million, respectively. Such grants and policy benefits contributed to our other income. However, most government grants are non-recurring and subject to government fiscal budgets, policy shifts, or administrative discretion. Similarly, our eligibility for tax incentives depends on compliance with evolving regulations and performance-based reassessments. There is no assurance that we will continue to receive such support in the future. Any reduction, delay or discontinuation of these benefits could increase our operating costs and adversely affect our financial condition and profitability.

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

In line with our strategy to expand into international markets and diversify our revenue base, we are increasingly exposed to evolving global trade policies, particularly those between China and the United States. Currently, our products are primarily marketed in the PRC. However, as we seek to enter overseas markets, we may become subject to heightened risks stemming from international trade frictions. For further information, please see "Business – Our Strategies – International Expansion Strategy and Regional Market Development" in this document.

The global trade environment continues to evolve rapidly. Since 2025, the U.S. has adjusted additional ad valorem duties on articles of China, including suspending 24 percentage points of an additional ad valorem rate of duty for an initial 90-day period while retaining a remaining 10% ad valorem rate, with China announcing corresponding tariff adjustments. The U.S. has also announced product-specific tariffs on certain home furnishing and wood-derivative products, and similar measures may be expanded to other consumer product categories. In February 2026, the U.S. Supreme Court held that the International Emergency Economic Powers Act does not authorize the U.S. President to impose tariffs, which may affect the legal basis of tariffs previously imposed under that statute and may prompt further policy adjustments under other legal authorities. Separately, the U.S. President imposed a temporary 10% ad valorem import surcharge for 150 days, effective February 24, 2026, in connection with balance-of-payments measures, which may increase the cost of importing consumer goods into the United States. These developments underscore continued volatility and unpredictability in U.S. trade policy and the broader trade environment.

We cannot predict how these geopolitical factors will evolve, but continued tariffs, trade restrictions, or retaliatory measures may undermine our competitiveness, affect pricing strategies, and disrupt our logistics and market entry efforts. As we expand into new markets, these trade challenges may influence our strategic plans, including potential shifts in consumer demand or relationships with foreign distributors. Moreover, sustained trade conflicts may dampen consumer sentiment or discretionary spending in certain jurisdictions, particularly for non-essential or consumer-preference-driven categories such as cultural and creative crafts. These developments could also discourage foreign distributors or licensing partners from engaging with Chinese producers, or lead to a reassessment of our international expansion plans. If adverse import conditions, higher tariffs or broader trade restrictions are imposed, extended or re-imposed, our efforts to penetrate new markets, establish brand recognition abroad, or secure global partnerships may be materially and adversely affected.

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

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

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

**Fluctuations in foreign exchange rates may affect our financial performance.**

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

During the Track Record Period, we recorded net foreign exchange gains of RMB394,000, RMB26,000, RMB157,000 and RMB66,000 and losses of RMB19,000 for the years ended December 31, 2022, 2023, 2024, and the nine months ended September 30, 2024 and 2025, respectively. These fluctuations were mainly attributable to the settlement of certain transactions in foreign currencies, including cross-border procurement, logistics or international service fees.

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

## RISKS RELATING TO DOING BUSINESS IN THE PRC

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

On July 6, 2021, the relevant PRC government authorities issued the Opinions on Strictly Cracking Down Illegal Securities Activities in Accordance with the Law (《關於依法從嚴打擊證券違法活動的意見》), which emphasized the need to strengthen the administration over illegal securities activities and the supervision on overseas listings by PRC-based companies. These opinions proposed to take effective measures, such as promoting the establishment of regulatory systems to address the risks and incidents faced by PRC-based overseas-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 jointly promulgated the Provisions on Strengthening Confidentiality and Archives Administration of Overseas Securities Offering and Listing by Domestic Companies (《關於加強境內企業境外發行證券和上市相關保密和檔案管理工作的規定》) (the "Archives Rules"), which came into effect on March 31, 2023. The Archives Rules require that, in relation to the overseas securities 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, must strictly comply with the requirements on confidentiality and archives management, establish sound internal systems, and take necessary measures to implement relevant management responsibilities.

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

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

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

On February 17, 2023, the CSRC released the Trial Administrative Measures for Overseas Securities Offering and Listing by Domestic Companies (《境內企業境外發行證券和上市管理試行辦法》) (the "**Trial Measures**"), together with five interpretative guidelines thereof, which became effective on March 31, 2023. The Trial Measures comprehensively improved and reformed the prior regulatory regime for overseas listing of securities of PRC domestic companies, and had regulated both direct and indirect overseas listing of PRC domestic companies' securities by adopting a filing based regulatory regime. According to the Trial Measures, we, as a PRC domestic company seeking to [**REDACTED**] securities in overseas markets, are required to apply for the filing procedure with the CSRC within three working days after submitting the [**REDACTED**] to the overseas supervisory authorities and report relevant information.

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

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

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

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

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

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

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

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

We are a company incorporated under the laws of the PRC, and a substantial majority of our assets are located in the PRC. In addition, most of our Directors and senior management reside within the PRC. As a result, the service of process, investigation, collection of evidence, ratification, and enforcement procedure inside the PRC should follow the rules set forth in the Civil Procedure Law of the People's Republic of China (《中華人民共和國民事訴訟法》) as well as other applicable laws, regulations and interpretations. On July 14, 2006, the Supreme People's Court of China and Hong Kong entered into the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region Pursuant to Choice of Court Agreements between

Parties Concerned (關於內地與香港特別行政區法院相互認可和執行當事人協議管轄的民商事案件判決的安排) (the "**2006 Arrangement**"), which was issued on July 3, 2008 and became effective on August 1, 2008. Pursuant to the 2006 Arrangement, a party with a final judgment rendered by a Hong Kong court requiring payment of money in a civil and commercial case according to a choice of court agreement in writing may apply for recognition and enforcement of the judgment in China, and vice versa. However, it is subject to the parties in the dispute agreeing to enter into a choice of court agreement in writing under the 2006 Arrangement.

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

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

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

## RISKS RELATING TO THE [REDACTED]

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

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

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

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

Additionally, under PRC law, all existing Shareholders (including [**REDACTED**] Investors) are restricted from disposing of any of their Shares within the first 12 months following the [**REDACTED**]. This lock-up period may affect the liquidity and [**REDACTED**] of our H Shares shortly after the [**REDACTED**]. These factors, independent of our actual business performance, could contribute to substantial [**REDACTED**] and potential losses for investors in our H Shares.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

## WAIVER IN RELATION TO MANAGEMENT PRESENCE IN HONG KONG

Pursuant to Rule 8.12 and Rule 19A.15 of the Listing Rules, we must have a sufficient management presence in Hong Kong. This normally means that at least two of our executive Directors must be ordinarily resident in Hong Kong.

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

Accordingly, we have applied to the Stock Exchange for, and the Stock Exchange [has granted] us, a waiver from strict compliance with the requirements under Rule 8.12 and Rule 19A.15 of the Listing Rules, provided that our Company implements the following arrangements:

(1) We have appointed two authorized representatives pursuant to Rule 3.05 of the Listing Rules, who will act as our principal channel of communication with the Stock Exchange. The two authorized representatives appointed are Mr. Luo Renxiang (羅仁祥), executive Director and Ms. Leung Hoi Yan (梁皚欣) ("**Ms. Leung**"), one of our joint company secretaries. Ms. Leung is situated and based in Hong Kong. Each of our authorized representatives will be available to meet with the Stock Exchange in Hong Kong within a reasonable time frame upon the request of the Stock Exchange and will be readily contactable by telephone, facsimile and email;

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

(3) Each Directors who is not ordinarily resident in Hong Kong possesses or can apply for valid travel documents to visit Hong Kong and is able to meet with the Stock Exchange within a reasonable period of time, when required;

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

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

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

## JOINT COMPANY SECRETARIES

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

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

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

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

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

(d) professional qualifications in other jurisdictions.

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

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

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

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

Further, pursuant to Chapter 3.10 of the Guide, such waiver, if granted, will be for a fixed period of time and on the following conditions:

(a) the proposed company secretary must be assisted by a person who possesses the qualifications or experience as required under Rule 3.28 of the Listing Rules and is appointed as a joint company secretary throughout the fixed period of time; and

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

Our Company has appointed Ms. Xu Jiaying (徐佳穎) ("**Ms. Xu**"), secretary of the Board and manager of international department, as one of our joint company secretaries, considering her past working experiences within our Group and her understanding of our internal administration, business operations and corporate culture. As such, although Ms. Xu does not possess the specified qualifications strictly required by Rule 3.28 of the Listing Rules, our Directors believe that Ms. Xu is capable of discharging the functions of a joint company secretary with the assistance of Ms. Leung, who meets the requirements under Rule 3.28 of the Listing Rules and has been appointed to act as the other joint company secretary and to assist Ms. Xu in the compliance matters for the

[**REDACTED**] as well as other Hong Kong regulatory requirements for an initial period of three years from the [**REDACTED**]. Over such period, we will implement the following measures to assist Ms. Xu to satisfy the requisite qualifications as prescribed in Rules 3.28 and 8.17 of the Listing Rules:

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

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

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

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

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

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

[**REDACTED**]

[**REDACTED**]

[**REDACTED**]

[**REDACTED**]

[REDACTED]

[REDACTED]

[**REDACTED**]

## DIRECTORS

| Name | Address | Nationality |
|---|---|---|
| **Executive Directors** | | |
| Mr. Yu Guang (俞光) | Room 502, Unit 2,<br>Building 15,<br>Yijiang Chunshui Jiangfengyuan,<br>Yangxi Street,<br>Jiande City,<br>Zhejiang Province,<br>PRC | Chinese |
| Mr. Luo Renxiang (羅仁祥) | Room 1501, Building 1,<br>Wanhexiyuan,<br>Xiacheng District,<br>Hangzhou City,<br>Zhejiang Province,<br>PRC | Chinese |
| Mr. He Yun (何贇) | No. 5-121<br>Zhonglounan Village,<br>Nanming Street,<br>Xinchang County,<br>Zhejiang Province,<br>PRC | Chinese |
| Ms. Wang Xiaoxia (汪小霞) | No. 8,<br>Wangshan Village,<br>Daciyan Town,<br>Jiande City,<br>Zhejiang Province,<br>PRC | Chinese |
| Mr. Chen Ruiguang (陳銳廣) | No. 5 Xiasiheng Road,<br>Shimen Lane Road,<br>Shihu Village,<br>Guantang Town,<br>Xiangqiao District,<br>Chaozhou City,<br>Guangdong Province,<br>PRC | Chinese |
| **Non-executive Director** | | |
| Mr. Xiao Feng (肖峰) | No. 55 Dawu,<br>Tanger Village,<br>Lizhu Town,<br>Keqiao District,<br>Shaoxing City,<br>Zhejiang Province,<br>PRC | Chinese |

| Name | Address | Nationality |
|---|---|---|
| **Independent non-executive Directors** | | |
| Mr. Tu Bisheng (涂必勝) | Room 1401,<br>Building 12,<br>Yaojiang Wendingyuan,<br>Xihu District,<br>Hangzhou City,<br>Zhejiang Province,<br>PRC | Chinese |
| Dr. Huang Wenli (黃文禮) | No. 38,<br>Zheda Road,<br>Xihu District,<br>Hangzhou City,<br>Zhejiang Province,<br>PRC | Chinese |
| Mr. Fong Chun Fai (方俊輝) | Room A, 6/F,<br>Block 5,<br>One Beacon Hill,<br>Kowloon Tong,<br>Hong Kong | Chinese<br>(Hong Kong) |

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

## PARTIES INVOLVED IN THE [REDACTED]

**Sole Sponsor**

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

[**REDACTED**]

**Legal Advisers to the Company**

*As to Hong Kong laws:*

**Jun He Law Offices**
7/F, AIA Central
1 Connaught Road Central
Central
Hong Kong

*As to PRC laws:*

**JunHe LLP**
20/F, China Resources Building,
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Beijing, PRC

*As to PRC cybersecurity and data privacy laws:*

**JunHe LLP**
26/F HKRI Centre One,
HKRI Taikoo Hui,
288 Shimen Road (No.1),
Shanghai 200041, PRC

**Legal Advisers to the Sole Sponsor and the [REDACTED]**

*As to Hong Kong laws:*

**Jingtian & Gongcheng LLP**
Suites 3203-3209,
32/F, Edinburgh Tower,
The Landmark,
15 Queen's Road Central,
Hong Kong

*As to PRC laws:*

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

**Auditor and Reporting Accountants**

**Deloitte Touche Tohmatsu**
*Certified Public Accountants*
*Registered Public Interest Entity Auditor*
35/F One Pacific Place
88 Queensway
Hong Kong

| | |
|---|---|
| **Industry Consultant** | **Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.**<br>Room 2504, Wheelock Square<br>No. 1717 Nanjing West Road<br>Jing'an District<br>Shanghai, PRC |
| **Property Valuer** | **Cushman & Wakefield Limited**<br>27/F, One Island East, Taikoo Place<br>18 Westlands Road<br>Quarry Bay, Hong Kong |

[**REDACTED**]

# CORPORATE INFORMATION

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

| | |
|---|---|
| **Strategy Committee** | Mr. Yu Guang (俞光) *(Chairman)*<br>Mr. Luo Renxiang (羅仁祥)<br>Dr. Huang Wenli (黃文禮) |
| **Compliance Adviser** | **Innovax Capital Limited**<br>Unit B, 13/F, Neich Tower, 128 Gloucester Road<br>Wanchai, Hong Kong |

[**REDACTED**]

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

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

## OVERVIEW OF CULTURAL AND CREATIVE CRAFT MARKET

The cultural and creative craft market is part of the broader cultural and creative industry, which are craft-based consumer goods rooted in cultural resources, typically featuring historical or artistic elements, and may incorporate modern craftsmanship, materials or digital approaches to enable creative transformation. It supports cultural heritage preservation while promoting contemporary innovation. Growth is driven by rising demand for offerings that combine artistic expression, cultural heritage and emotional symbolism. As consumers seek personalised, aesthetically refined and meaning-rich products reflecting identity and values, preferences evolve rapidly, shaped by generational tastes, cultural discourse, lifestyle shifts and real-time social media influence.

### Market Size of Global Cultural and Creative Industry

The global cultural and creative industry (CCI) is an integrated ecosystem that commercialises cultural resources through creative design and value creation, translating cultural heritage and narratives into content, consumer products and related services and experiences. Typical offerings include cultural content (such as film and TV, music, publishing, animation, games and digital content), creative consumer goods (such as cultural and creative crafts, art derivatives, gifts and collectibles, designer lifestyle products, pop-toy derivatives and related merchandise), cultural experiences and services (such as exhibitions and performances, immersive experiences, cultural tourism, and related creative design and branding services), as well as IP commercialisation activities (such as IP operation, licensing and co-branding, and merchandising). Accordingly, market participants generally include content producers and IP owners/operators (including artists and designers), creative product developers and supply chain participants (including craft and manufacturing partners), distribution channels and operators (including online and offline retail channels, platforms and venue/experience operators), and professional service providers supporting the ecosystem (including design, branding, marketing and digital enablement service providers).

The cultural and creative industry is an expansive and evolving sector that translates cultural heritage into contemporary relevance. Globally, the CCI has emerged as a key driver of consumer engagement, fostering innovation at the intersection of art, design, and commerce. From 2019 to 2024, the global cultural and creative industry expanded steadily, with the market size rising from RMB16.0 trillion in 2019 to RMB19.5 trillion in 2024. This period recorded a CAGR of 4.0%. In the subsequent five years, the market is projected to maintain a stable upward trajectory, reaching approximately RMB23.1 trillion by 2029. The CAGR for the 2024 to 2029 period is expected to reach 3.4%, reflecting relatively stable growth in cultural consumption and content-driven economic activity.

### Market Size of Global Cultural and Creative Craft Market

The global cultural and creative craft market is a sub-segment within the cultural and creative industry, covering tangible creative consumer goods rooted in cultural themes and aesthetics, where material quality and craftsmanship are core value drivers. Such products typically embed craftsmanship-intensive design and multi-step production or finishing processes, such as moulding or casting, carving or engraving, polishing, colouring or patination, glazing or enamelling, and surface treatments. In this context, "craft" refers to the craftsmanship and process attributes embodied in the product rather than an all-handmade requirement, and products may be handmade, hand-finished, or produced with machine-assisted or industrial processes, provided that craftsmanship and material and process quality remain central to value creation. Typical products include cultural and creative decorative items, art products and souvenirs, gifts and collectibles, designer lifestyle accessories, as well as culturally themed figurines and fashion toys. Market participants generally include cultural institutions, artists and designers and IP holders, creative product developers and operators responsible for design and merchandising, manufacturing and craft partners for prototyping, production and finishing, and distribution channels such as museum stores, specialty retail and e-commerce platforms.

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

### Market Size of Cultural and Creative Industry in the PRC

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

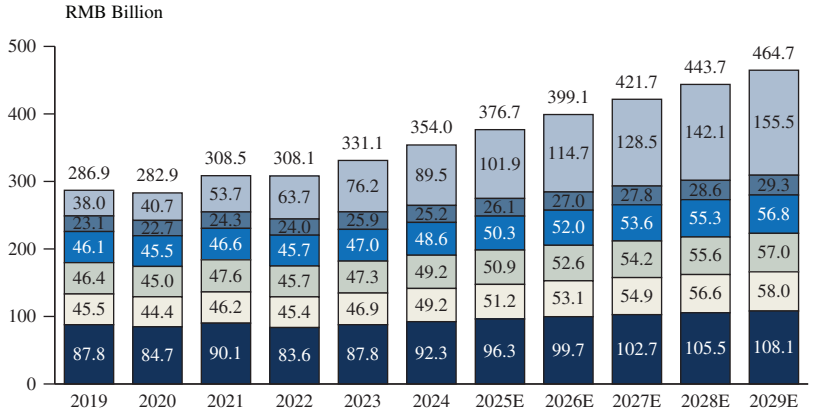
### Market Size of Cultural and Creative Craft Market in the PRC

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

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

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

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




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

*Source: National Bureau of Statistics of China, China National Light Industry Council, Frost & Sullivan*

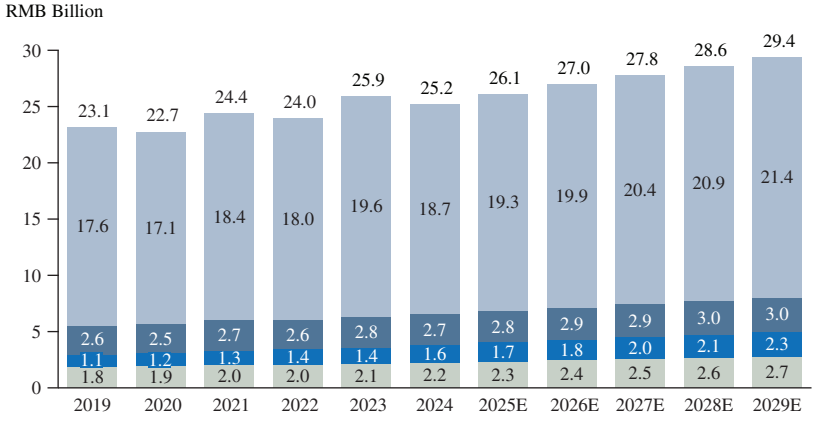
## Market Size of Metal Cultural and Creative Craft Market in the PRC

From 2019 to 2024, the overall market size of metal cultural and creative crafts in the PRC grew moderately from RMB23.1 billion to RMB25.2 billion, reflecting a CAGR of 1.8%. Among the various metal categories, copper crafts demonstrated the strongest growth momentum, rising from RMB1.1 billion in 2019 to RMB1.6 billion in 2024, representing a CAGR of 7.3%. In comparison, gold and silver crafts remained relatively weaker growth during the same period, with CAGRs of 1.2% and 0.8%, respectively. Looking ahead, copper crafts are expected to maintain strong momentum, reaching RMB2.3 billion by 2029 at a projected CAGR of 7.7% from 2024 to 2029, outperforming all other material segments. The overall metal craft market is forecast to grow to RMB29.4 billion by 2029, supported in part by the sustained performance of copper-based products.

The metal cultural and creative craft market in the PRC is supported by rising demand for culturally inspired, visually distinctive and high-quality decorative items, with copper gaining popularity for affordability, symbolic value and design flexibility. The market is shifting toward more differentiated offerings integrating traditional craftsmanship, contemporary aesthetics and IP-driven design. However, complex processes such as casting, engraving and inlaying remain craftsmanship-intensive, limiting large-scale mechanisation and making artisans critical to preserving artistic integrity and uniqueness.

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

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




*Note:* Others comprise of iron, bronze, steel, etc

*Source: National Bureau of Statistics of China, Frost & Sullivan*

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

### *Rise of "Guochao" Culture*

The rise of "Guochao" aesthetics, which reflects the reinterpretation of traditional Chinese culture through a contemporary design lens, has emerged as a key driver of consumer engagement in the cultural and creative crafts sector. This trend reflects a growing desire among consumers, particularly younger generations, to reconnect with their cultural roots in a way that feels relevant to modern life. In response, brands are placing greater emphasis on storytelling and symbolic meaning of crafting products that not only preserve cultural heritage but also evoke personal connection. The increasing popularity of culturally inspired gifting further illustrates a shift toward products that carry blessings, identity, and artistic value, enriching everyday life with deeper cultural significance. The sharp rise in search popularity for China-chic brands indicates a broader and more sustained consumer interest in culturally rooted design, which directly stimulates demand for handcrafted cultural and creative craft. Higher online visibility translates into stronger brand awareness and consumer education, encouraging both trial and repeat purchases across lifestyle, gifting, and decorative segments. As consumers increasingly seek products that embody cultural symbolism and aesthetic identity, the Group's product categories, characterized by traditional craftsmanship and modern interpretation, are well positioned to capture this incremental demand.

## OVERVIEW OF COPPER CULTURAL AND CREATIVE CRAFT MARKET IN THE PRC

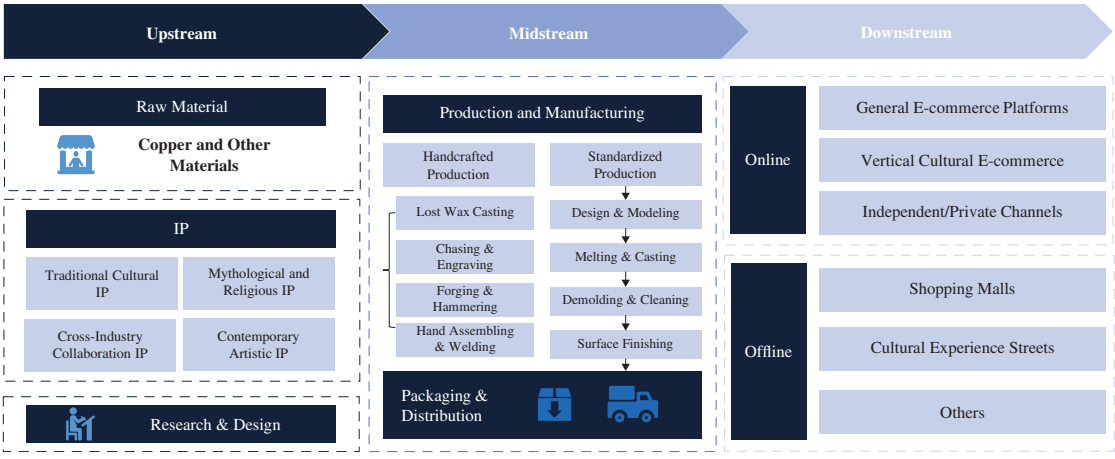
The copper cultural and creative craft market is a sub-segment of the metal cultural and creative craft market. Products are primarily made of copper and produced through processes such as carving, casting, embossing, welding and patination. Integrating cultural themes and aesthetics, they are used for decoration, gifting, tourism souvenirs and cultural display, offering ornamental and collectible value.

The target customers of the copper cultural and creative craft market value symbolic meaning, emotional resonance, and aesthetics, covering both male and female consumers across products ranging from traditional cultural motifs to trendy IP collaborations. Adults over 30, particularly male consumers, remain a key audience for collectible and culturally rich pieces. Meanwhile, as brands adopt popular domestic and international IPs and move toward more fashion-forward designs, engagement among consumers aged 20+ is rising, indicating a broadening age profile of the market.

### Value Chain of Copper Cultural and Creative Craft Market

The upstream segment covers raw material sourcing, IP development, and product R&D and design. IP is derived from traditional culture, mythology, museum collections, and cross-industry collaborations. Design firms, museums, and creators translate cultural elements into product concepts through cultural research and conceptual development. The midstream segment includes production, manufacturing, and packaging. Most companies use standardized processes such as casting, molding, and surface finishing to improve efficiency and consistency, while some retain handcrafted techniques such as lost-wax casting and engraving to strengthen cultural expression. The downstream segment involves omni-channel distribution. Online channels include major e-commerce platforms, vertical cultural e-commerce platforms, and private traffic platforms.

**Value Chain of Copper Cultural and Creative Craft Market**




*Source: Frost & Sullivan*

### Market Size of Global Copper Cultural and Creative Craft Market

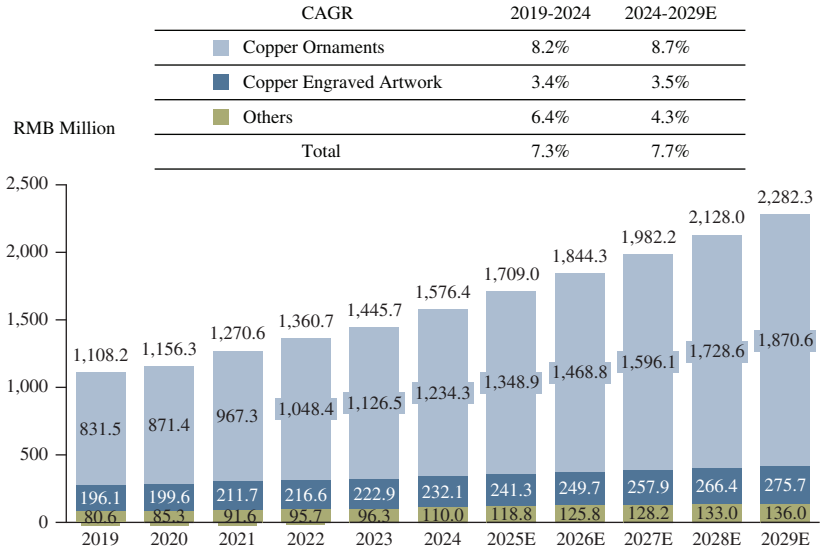
The global copper cultural and creative craft market recorded a sales revenue of RMB4,573.9 million in 2019 and reached approximately RMB6,267.0 million by 2024, representing a CAGR of 6.5% during the period from 2019 to 2024. Looking ahead, the market is expected to continue its upward momentum, with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

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

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

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

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




*Source: Tongling Copper Artworks Association, Frost & Sullivan*

*Notes:*

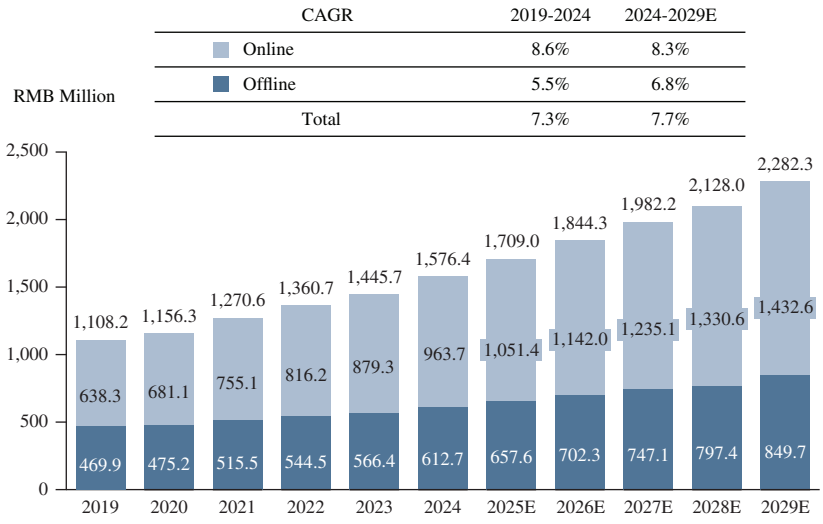
(1) Others comprise of copper statues, copper bookmarks, copper incense burners, and other lifestyle-oriented copper items (e.g., cups and teapots).

(2) Copper cultural and creative crafts represented 6.3% of metal cultural and creative crafts in 2024.

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

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

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



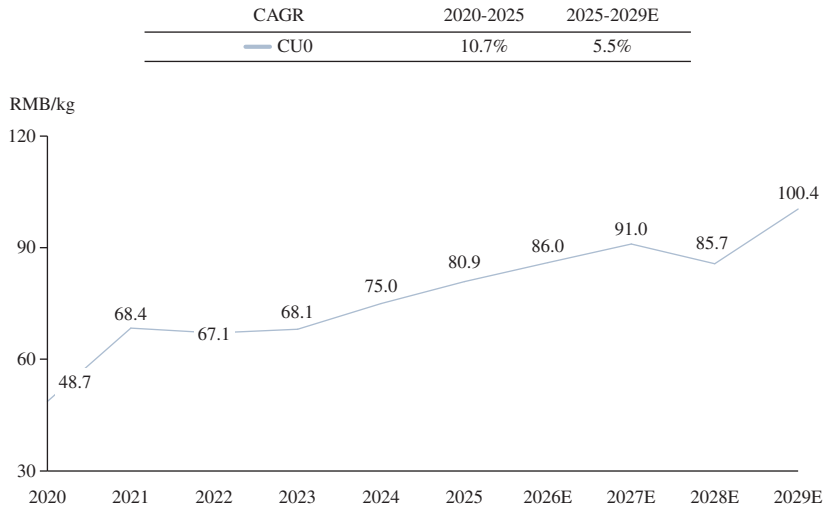

*Source: Tongling Copper Artworks Association, Frost & Sullivan*

## Cost Analysis

The price trend of copper (CU0) in the PRC from 2020 to 2029. Copper prices surged from RMB48.7 per kg in 2020 to RMB80.9 per kg in 2025, representing a high CAGR of 10.7%. As of December 31, 2025, the copper price has reached RMB98.2 per kg. From 2025 to 2029, prices are expected to grow at a more moderate CAGR of 5.5%, reaching RMB100.4 per kg by 2029.

The sharp increase in copper prices from 2020 to 2025 was primarily driven by post-pandemic economic recovery, increased infrastructure investment, and growing demand from green energy sectors such as electric vehicles and renewable energy. Additionally, geopolitical uncertainties and global supply chain disruptions contributed to price volatility. From 2025 onward, copper prices are expected to continue to fluctuate under the influence of market supply-demand dynamics and macroeconomic conditions. While incremental supply additions may support a gradual rebalancing, price movements may still be affected by external factors such as monetary policy shifts and broader commodity market sentiment.

**Raw Material Price Analysis of CU0, 2020-2029E**

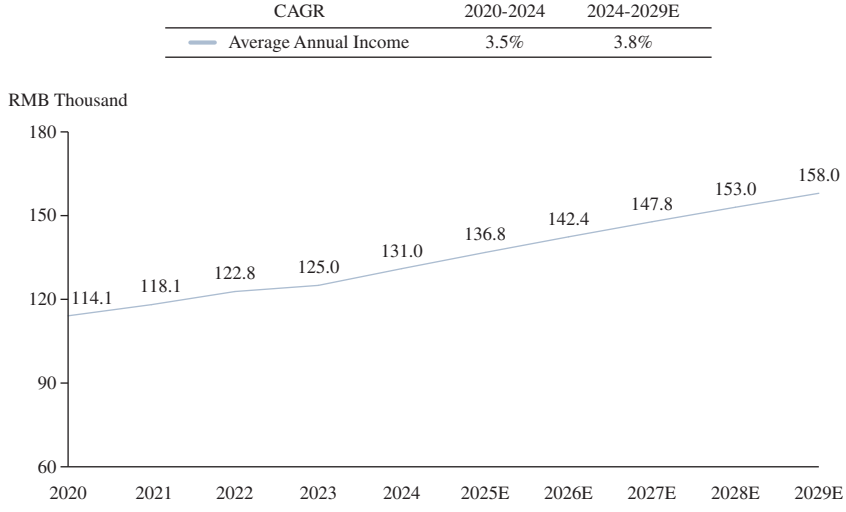



*Note:* The copper price of each year is calculated based on averaging the daily prices of that year. Copper prices from 2026 onwards are projections only and may not materialise.

*Source: Shanghai Futures Exchange, Frost & Sullivan*

From 2020 to 2024, the average annual income of skilled workers in the PRC increased from RMB114.1 thousand to RMB131.0 thousand, representing a CAGR of 3.5%. This upward trend is expected to continue, with wages projected to reach RMB158.0 thousand by 2029 at a CAGR of 3.8% from 2024 onward. The steady growth reflects rising labor costs driven by tightening skilled labor supply, increased demand for craftsmanship in high-value manufacturing and cultural sectors, and broader wage growth across China's industrial upgrading.

**Average Annual Income of Skilled Workers, 2020-2029E**




*Note:* The average annual income includes salary and bonus. The average annual income of skilled workers from 2026 onwards are projections only and may not materialise.

*Source: National Bureau of Statistics of China, Frost & Sullivan*

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

### *Emotional Value Appeal*

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

### *Policy-driven Industry Development*

During the 14th Five-Year Plan period, the PRC rolled out a series of supportive policies, including the "Key Projects of the Inheritance and Development of Fine Traditional Chinese Culture", the "Guiding Opinions on Promoting the Inheritance and Innovative Development of the Arts and Crafts Industry" and related guidelines promoting cultural-tourism integration, on cultural heritage, crafts innovation and cultural-tourism, together with local funding (local government fiscal incentives and special funds for cultural and creative industries, such as project grants, subsidies and reward-based support) and industry parks, to upgrade copper crafts toward more standardised and higher value-added cultural and creative products, while expanding commercial channels for enterprises such as the Group by promoting the integration of cultural and creative products into cultural-tourism consumption scenarios (e.g., museums, cultural venues and tourist attractions) and facilitating market access through industry-park platforms, exhibitions and compliant digital distribution channels. Policy support focuses on standards and certification, quality and compliance, design and R&D, IP protection, and compliant distribution and digital channels, strengthening product awareness, pricing power and market reach. Xinhua's "Guochao Young Consumer Report", published in 2022. cites a 528% increase in China-chic search popularity over the past decade, with post-90s consumers representing 87% of the consumption group, indicating solid demand support.

### *Cultural Storytelling and IP-Driven Engagement*

"Guochao" is pushing consumers toward narrative-led experiences. Copper craft brands lift engagement by combining traditional culture with contemporary IPs through formats such as mythology, museums, animation and entertainment content. Collaborations with cultural sources like the Palace Museum and Dunhuang enhance symbolic meaning and visual relevance, strengthening market appeal. Beyond short-term attention, IP storytelling builds deeper emotional ties and a recognisable cultural identity, supporting long-term brand vitality.

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

### *Broadening Consumer Reach and Usage Scenarios*

The consumer in the PRC base for copper cultural and creative crafts is broadening beyond affluent, culturally inclined mature buyers with stronger purchasing powers. Driven by "Guochao" aesthetics, stronger brand storytelling, contemporary design and more diversified pricing, brands are expanding product lines across price tiers and styles to meet varied preferences. Usage is also shifting from gifting and decoration to personal collecting, self-reward and everyday cultural expression, supporting broader, multi-dimensional growth.

### *Growing Global Presence of Chinese Cultural Craftsmanship*

Driven by China's growing cultural influence and exchange, copper cultural and creative crafts are gaining international visibility. Supported by initiatives such as the Belt and Road Initiative and policies encouraging overseas expansion, and reinforced by overseas interest in Guochao aesthetics, cultural brands are expanding through products that retain Chinese artistry while adapting to local preferences. International exhibitions, art fairs, museum collaborations and cross-border retail partnerships help build traction in Southeast Asia, Europe and North America, creating growth opportunities.

## Threats and Challenges of Copper Cultural and Creative Craft Market in the PRC

### *Volatility in Raw Material and Craftsmanship Costs*

As copper is the core material, its price is highly sensitive to global commodity trends, environmental regulations, and supply chain shifts. Furthermore, copper crafts often involve intricate casting and manual techniques, leading to high and unpredictable production costs. In a market where value-for-money is crucial, rising material and labor expenses may squeeze profit margins, especially for small and medium-sized enterprises.

### *Insufficient Original Design Capabilities and Rising Risk of Homogenization*

Amid the growing emphasis on IP collaboration and evolving consumer aesthetics, the copper cultural and creative craft industry faces a significant challenge in original design. Many small and medium-sized players lack dedicated creative teams and often rely on traditional motifs or market trends, resulting in homogeneous product offerings with limited cultural depth and brand distinction. This not only constrains pricing power but also weakens appeal to younger consumers. Establishing a sustainable system for original content creation and enhancing cultural expression and visual uniqueness are becoming essential for long-term industry advancement.

## COMPETITIVE LANDSCAPE

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

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

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

*Source: Chan Mama (蟬媽媽), Qi Chacha (企查查), Frost & Sullivan*

*Notes:*

(1) Headquartered in Hangzhou and established in 2006, the company specializes in the design, production and selling of copper crafts in the construction field.

(2) Headquartered in Tai'an and established in 2024, the company is engaged in the selling of metal handicrafts, and its main business is mainly copper handicrafts designed based on Feng Shui.

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

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

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

*Source: Chan Mama, Qi Chacha, Frost & Sullivan*

*Notes:*

(1) Headquartered in Hangzhou and established in 2006, the company specializes in the design, production and selling of copper crafts in the construction field.

(2) Headquartered in Tai'an and established in 2024, the company is engaged in the selling of metal handicrafts, and its main business is mainly copper handicrafts designed based on Feng Shui.

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

In the PRC metal cultural and creative craft market, the number of industry participants is significant, with more than 30,000 entities registered according to business registration data. The vast majority are small-scale enterprises or workshop-style operations, geographically dispersed and forming a "long-tail" structure. However, in terms of market share, leading enterprises leverage their brand influence, design and R&D capabilities, and channel control to capture a major portion of the market. As a result, market concentration is much higher than the distribution of market participants, reflecting a typical structure of "numerous small players combined with a few dominant leaders."

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

| Ranking | Company | Listing Status | Metal Craft Revenue, 2024 (RMB Million) | Market Share 2024 |
|---|---|---|---|---|
| 1 | Company C[1] | Private | 2,880.0 | 11.4% |
| 2 | Company D[2] | Private | 2,160.0 | 8.6% |
| 3 | Company E[3] | Private | 1,310.4 | 5.2% |
| | | Top 3 Subtotal | 6,350.4 | 25.2% |

*Notes:*

(1) Headquartered in Beijing and established in 1987, it is the official institution authorized by the People's Bank of China to exclusively issue and distribute legal tender precious metal commemorative coins.

(2) Headquartered in Beijing and established in 2004, it supports national commemorative projects and cultural promotion of precious metal products.

(3) Headquartered in Xuzhou and established in 2011, it is primarily engaged in the design, production, and manufacturing of metal arts and crafts.

(4) The company took up a share of approximately 2.2% in the metal cultural and creative craft market in 2024 in the PRC.

*Source: Chan Mama, Qi Chacha, Frost & Sullivan*

## Entry Barrier Analysis

### *Design Barrier*

Original design is a key barrier in copper cultural and creative crafts, enabling differentiation and brand value creation. Leading players build professional design teams that blend traditional culture, market trends and modern aesthetics into distinctive product styles. Collaborations with renowned artists and licensed IP further enhance cultural depth and consumer affinity, raising entry barriers and supporting sustainable competitive advantages.

### *Craftsmanship Barrier*

Copper cultural and creative crafts rely on complex, multi-step processes (e.g., casting, engraving, polishing, patination and gilding) and tacit artisanal know-how and aesthetic judgement built through long-term practice. These capabilities are hard to standardise, automate or replicate quickly, yet they directly affect yield, consistency and delivery reliability. New entrants without established artisan pipelines typically face longer ramp-up, higher labour and rework costs, and difficulties meeting premium requirements, particularly for customisation and IP-related restoration.

### *Brand and Cultural Recognition Barrier*

Purchasing decisions are driven not only by product quality but also by brand identity, cultural narrative and emotional resonance. Established players build long-term equity via collaborations with museums, cultural institutions and well-known IPs, strengthening trust and market recognition. New entrants may struggle to gain traction, particularly in mid-to-high-end segments where emotional attachment and cultural credibility strongly influence choice.

## OVERVIEW OF OTHER MARKETS

### Overview of Gold Cultural and Creative Craft Market in the PRC

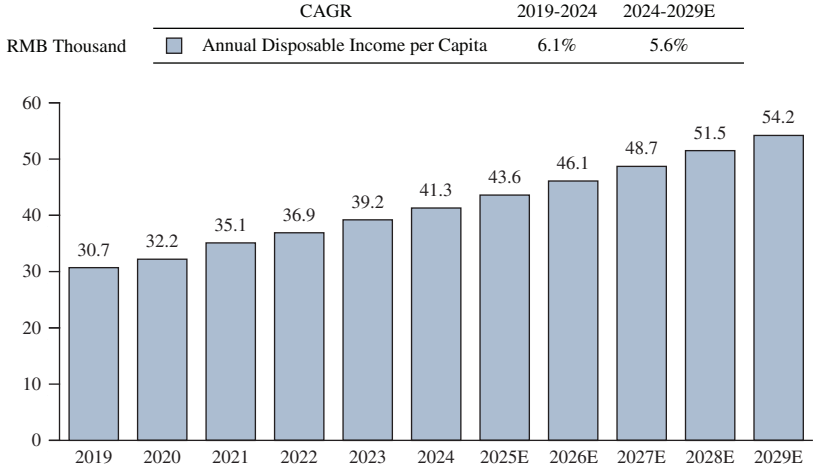
Gold cultural and creative crafts are gold-based products that combine traditional craftsmanship with cultural narratives, symbolic motifs, and modern aesthetics for gifting, decoration, and collecting, focusing on heritage, emotion, and storytelling rather than pure material value and investment attributes. Key scenarios include festive gifting, religious or spiritual rituals, cultural expression, and artistic collecting, and products often draw on mythology, historical figures, intangible cultural heritage, or licensed IPs, typically covering broader price bands and more diverse consumers who value symbolic meaning and personalized cultural identity. In the PRC, sales revenue increased from RMB17.6 billion in 2019 to RMB18.7 billion in 2024 (CAGR 1.2%), with temporary declines in 2020 and 2022 due to the public health crisis, and is projected to reach RMB21.4 billion by 2029 (2024-2029 CAGR 2.7%).

### Overview of Fashion Toy Market in the PRC

Fashion toys (also known as art toys or collectible toys) are stylized, limited-edition figures created by artists, designers, or brands, typically built around original IP characters, distinctive aesthetics, and strong visual identity, and they differ from mass-produced children's toys by targeting adult collectors and young consumers seeking emotional resonance, cultural value, and personal expression. The PRC fashion toy market expanded rapidly, with sales revenue rising from RMB20.7 billion in 2019 to RMB71.3 billion in 2024 (CAGR 28.1%), and is projected to reach RMB132.1 billion by 2029 (2024-2029 CAGR 13.1%) as growth moderates and the category shifts from an emerging niche to a more structured and maturing consumer sector. Growth is driven by stronger cultural consumption among Gen Z and millennials, wider acceptance of collectible and expressive products, and deeper IP-based content integration, while continued innovation in IP collaboration, cross-sector partnerships, and digital interaction is expected to sustain market momentum.

From 2019 to 2024, annual disposable income per capita in the PRC increased steadily from RMB30.7 thousand to RMB41.3 thousand, representing a 6.1% CAGR supported by improving economic conditions, urbanisation and employment growth, which in turn strengthened consumers' capacity for discretionary spending and supported broader consumption upgrades; looking ahead, it is projected to reach RMB54.2 thousand by 2029, implying a 5.6% CAGR, and the continued rise in purchasing power is expected to underpin demand across a wider range of categories, including decorative and lifestyle products.

**Annual Disposable Income per Capita in the PRC, 2019-2029E**




*Note:* Annual disposable income per capita in the PRC from 2026 onwards are projections only and may not materialise.

*Source: National Bureau of Statistics of China, Frost & Sullivan*

## SOURCE OF INFORMATION

In connection with the [**REDACTED**], we engaged Frost & Sullivan to prepare a market research report on the cultural and creative craft market and the copper cultural and creative craft market in the PRC. Frost & Sullivan is an independent global market research and consulting company founded in 1961 and based in the U.S. The agreed fee for the preparation and use of the Frost & Sullivan Report was RMB420,000, which was not contingent on our successful [**REDACTED**] or the report's results. Except for the Frost & Sullivan Report, we did not commission any other market research report. Unless otherwise indicated, the market estimates and forecasts in this section are Frost & Sullivan's views.

In preparing the Frost & Sullivan Report, Frost & Sullivan relied on its in-house database, independent third-party reports and publicly available data from reputable industry organisations, and, where necessary, conducted industry interviews. Frost & Sullivan exercised due care in collecting and reviewing such information and considers the underlying assumptions, including those used for forecasts, to be factual, correct and not misleading, although conclusions depend on data accuracy. In compiling the research, Frost & Sullivan assumed stable social, economic and political conditions in the relevant markets during the forecast period. Its forecasts are based on the following assumptions: (i) the global economy will maintain steady growth over the next decade; and (ii) the copper cultural and creative craft market will grow accordingly. Results may be affected by these assumptions and source selection. Unless otherwise noted, all data and forecasts are from the Frost & Sullivan Report.

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

## COMPANY LAW

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

## REGULATIONS RELATING TO FOREIGN INVESTMENT

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

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

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

## REGULATIONS RELATING TO PRODUCT QUALITY AND CONSUMER PROTECTION

The PRC Product Quality Law (《中華人民共和國產品質量法》) promulgated by the SCNPC on February 22, 1993 and most recently amended on December 29, 2018 is the principal governing law related to the supervision and administration of product quality. According to the PRC Product Quality Law, manufacturers shall be liable for the quality of products produced by them and sellers shall take measures to ensure the quality of the products sold by them. A manufacturer shall be liable to compensate for any physical injuries or damage to property other than the defective product itself resulting from the defects in the product, unless the manufacturer is able to prove that: (i) the product has not been put into circulation; (ii) the defects causing injuries or damage did not exist at the time when the product was put into circulation; or (iii) the science and technology at the time when the product was put into circulation were at a level incapable of detecting the existence of the defect. A seller shall be liable to compensate for any physical injuries or damage to property of others caused by the defects in the product. Where a product is defective due to a mistake made by the seller and such defect causes physical injury or damage to the property

of others, the seller shall bear liability for compensation. Where a seller cannot specify the producer of a defective product nor the supplier of such defective product, the seller shall be liable for compensation. Where a defect in a product causes physical injuries to others or damages to the property of others, the victim may claim compensation from the producer of the product or from the seller of the product.

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

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

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

## REGULATIONS RELATING TO THE SALE OF PRODUCTS

### Anti-Unfair Competition Law

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

or disseminate false or misleading information to harm the business reputation of their competitors or the products of their competitors. In addition, business operators making use of internet for their business operations shall also comply with the provisions of the PRC Anti-Unfair Competition Law.

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

**Advertisement Law**

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

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

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

**E-Commerce Law**

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

**REGULATIONS RELATING TO WORK SAFETY**

The PRC Work Safety Law (《中華人民共和國安全生產法》), which was promulgated by the SCNPC on June 29, 2002, most recently amended with effect from September 1, 2021, applies to all entities engaging in production and business activities in the PRC. Such entities shall strengthen work safety management, establish and improve the all-staff work safety responsibility system and internal rules and regulations in relation to work safety, increase investment in funds,

materials, technologies and staff for work safety, improve working conditions, strengthen the development of a standardized and information technology enabled work safety system, establish a dual prevention mechanism of graded management and control of safety risks and the screening and handling of hidden dangers, improve the risk prevention and resolution mechanism so as to ensure work safety. Violations of the PRC Work Safety Law may result in administrative penalties such as fine, suspension of operation and revocation of license.

## REGULATIONS RELATING TO CYBERSECURITY AND DATA SECURITY

On November 7, 2016, the SCNPC promulgated the PRC Cybersecurity Law (《中華人民共和國網絡安全法》), which became effective on June 1, 2017. It defines "networks" as systems that are composed of computers or other information terminals and relevant facilities used for the purpose of information collecting, storing, transmitting, exchanging and processing in accordance with certain rules and procedures, and "network operators" as owners or administrators of networks or the providers of network services. Network operators are subject to various security protection-related obligations, including: (i) complying with security protection obligations in accordance with tiered cybersecurity system's protection requirements, which include formulating internal security management systems and operation instructions, appointing responsible personnel for cybersecurity, adopting technical measures to prevent computer viruses and cybersecurity endangering activities, adopting technical measures to monitor and record network operation status and events relating to cybersecurity, taking data security measures such as data classification, backups and encryption; (ii) formulating cybersecurity emergency response plans, timely handling of security risks, initiating emergency response plans, taking appropriate remedial measures and reporting to regulatory authorities in case of any incident endangering cybersecurity; and (iii) providing technical assistance and support for public security authorities and national security authorities for protection of national security and criminal investigations in accordance with applicable laws.

On June 10, 2021, the SCNPC promulgated the PRC Data Security Law (《中華人民共和國數據安全法》), which took effect on September 1, 2021. The PRC Data Security Law stipulates the obligations in relation to data security and privacy of entities and individuals carrying out data processing activities. The PRC Data Security Law also introduces a data classification system and a layered protection system based on the importance of data in the socio-economic development, as well as the degree of harm it will cause to national security, public interests, or legitimate rights and interests of individuals or organizations when such data is tampered with, destroyed, leaked, or illegally acquired or used. The appropriate level of protection measures is required to be taken respectively for each category of data.

On April 13, 2020, the Cybersecurity Review Measures (《網絡安全審查辦法》) was promulgated by the CAC together with other 12 PRC governmental authorities, which took effect from June 1, 2020 and was amended on December 28, 2021. Pursuant to these measures, the purchase of network products and services by a critical information infrastructure operator or the data processing activities of a network platform operator that affect or may affect national security will be subject to a cybersecurity review. In addition, network platform operators with personal information of over one million users shall also be subject to cybersecurity review before listing abroad. The competent governmental authorities may also initiate a cybersecurity review against the operators if the authorities believe that the network product or service or data processing activities of such operators affect or may affect national security. If the Office of Cybersecurity Review deems it necessary to conduct a cybersecurity review, it should complete a preliminary review within 30 business days from the issuance of a written notice to the operator, or 45 business days for complicated cases. Upon the completion of a preliminary review, the Office of Cybersecurity Review should reach a review conclusion suggestion and send the review conclusion suggestion to the members of the cybersecurity review working mechanism and relevant authorities for their comments. These members and authorities shall give a written reply within 15 business days from the receipt of the review conclusion suggestion. If the Office of Cybersecurity Review and these authorities can reach a consensus, then the Office of Cybersecurity Review shall inform the operator

in writing, otherwise, the case will go through a special review procedure. The special review procedure should be completed within 90 business days, or longer for complicated cases. The Cybersecurity Review Measures provide that the relevant violators thereof shall be subject to legal consequences in accordance with the PRC Cybersecurity Law and the PRC Data Security Law.

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

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

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

### Labor Contract

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

### Social Insurance and Housing Provident Fund

According to the PRC Social Insurance Law (《中華人民共和國社會保險法》) promulgated by the SCNPC on October 28, 2010 and most recently amended on December 29, 2018, the Administrative Regulations on Housing Provident Fund (《住房公積金管理條例》) promulgated by the State Council of the PRC on April 3, 1994 and most recently amended on March 24, 2019, and the Interim Regulations on the Collection and Payment of Social Insurance Premiums (《社會保險費徵繳暫行條例》) promulgated by the State Council of the PRC and most recently

amended on March 24, 2019, an enterprise established within the PRC shall pay premium for basic pension insurance, unemployment insurance, maternity insurance, work injury insurance, basic medical insurance and contribute to the housing provident fund for its employees at a rate stipulated by the relevant authorities.

Pursuant to the Interpretation II of the Supreme People's Court of Issues Concerning the Application of Law in the Trial of Labor Dispute Cases (《最高人民法院關於審理勞動爭議案件適用法律問題的解釋(二)》) enacted by the Supreme People's Court on July 31, 2025 and implemented on September 1, 2025, any agreement between an employer and an employee for the non-payment of social insurance or any employee undertaking to waive such payment shall be deemed as void by the people's court.

## REGULATIONS RELATING TO INTELLECTUAL PROPERTY

### Patent

According to the PRC Patent Law (《中華人民共和國專利法》) promulgated by the SCNPC on March 12, 1984, and most recently amended with effect from June 1, 2021 as well as the Implementation Rules for the PRC Patent Law (《中華人民共和國專利法實施細則》) promulgated by the State Council of the PRC on June 15, 2001, most recently amended with effect from January 20, 2024, invention creations that are eligible for the application of a patent shall include inventions, utility models and designs. The validity period of patent for inventions is 20 years, the validity period of patent for utility models is ten years, and the validity period of patent for designs is 15 years, in each case starting from the date of application.

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

### Trademark

The PRC Trademark Law (《中華人民共和國商標法》) promulgated by the SCNPC on August 23, 1982, and most recently amended with effect from November 1, 2019, and the Implementation Regulations of the PRC Trademark Law (《中華人民共和國商標法實施條例》) promulgated by the State Council of the PRC on August 3, 2002 and most recently amended with effect from May 1, 2014, prescribe the process of registration, de-registration, renewal, alteration, transfer and invalidation of a trademark. The registration of a trademark shall be valid for ten years from the date of approval. If there is a continuous need for the use of trademark, a renewal process shall be initiated within 12 months before the expiry of the registration. If the renewal process is not initiated within the stipulated period, a grace period of six months may be given for the filing of the renewal process. Each renewal of the trademark registration shall be valid for ten years from the date of the expiry of the previous registration.

### Copyright

According to the PRC Copyright Law (《中華人民共和國著作權法》) promulgated by the SCNPC on September 7, 1990, and most recently amended with effect from June 1, 2021, the works protected by copyright refer to original intellectual achievements in the fields of literature, art and science which can be expressed in a certain form, including: (i) written works; (ii) oral works; (iii) musical, drama, opera, dance, acrobatic artistic works; (iv) fine arts, architectural works; (v)

photographic works; (vi) audio-visual works; (vii) graphic works and model works, such as engineering design plans, product design plans, maps, and schematic diagrams; (viii) computer software; and (ix) any other intellectual achievements which share the same characteristics of the aforesaid works. Copyright is a collection of personal and property rights, which, among others, includes the right of publication, the right of authorship, the right of modification, the right of distribution, the right of reproduction, and the right of internet information transmission.

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

**Domain Name**

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

## REGULATIONS RELATING TO TAX

**Enterprise Income Tax**

Pursuant to the PRC Enterprise Income Tax Law (《中華人民共和國企業所得税法》) promulgated by the SCNPC on March 16, 2007 and most recently amended on December 29, 2018, and the Implementation Regulations for the PRC Enterprise Income Tax Law (《中華人民共和國企業所得税法實施條例》) promulgated by the State Council of the PRC on December 6, 2007, most recently amended with effect from January 20, 2025, an enterprise that is established within the PRC, and an enterprise that is established under the law of a foreign country (region) but whose actual functions of management is within the PRC, shall both be considered as a PRC resident enterprise. A resident enterprise shall pay enterprise income tax on its income originating from both inside and outside the PRC at a rate of 25%. According to the Administrative Measures on Accreditation of High and New Technology Enterprises (《高新技術企業認定管理辦法》) promulgated by the Ministry of Technology of the PRC, the Ministry of Finance of the PRC and State Taxation Administration of the PRC on April 14, 2008 and most recently amended on January 29, 2016, high and new technology enterprises accredited by the government may enjoy a reduced enterprise income tax rate of 15%. Further, qualified small low-profit enterprises are given a reduced enterprise income tax rate of 20%.

**Value-added Tax**

Pursuant to the PRC Value-added Tax Law (《中華人民共和國增值税法》) promulgated by the SCNPC on December 25, 2024, which came into effect on January 1, 2026, as well as the Implementation Regulations for the Value-added Tax Law of the PRC (《中華人民共和國增值税法實施條例》) promulgated by the State Council on December 25, 2025, which came into effect on January 1, 2026, all entities selling goods, providing services or importing goods within the PRC shall pay value-added tax ("**VAT**"). The VAT rate for general VAT taxpayers engaging in sale of goods, provision of processing, repair and replacement services, lease of tangible and movable goods or importation of goods was adjusted to 13%, the VAT rate for general VAT taxpayers

engaging in, among others, the sale of transportation services, postal services, basic telecommunications services, construction services, the lease and sale of real properties, the transfer of land use rights, and the sale or importation of certain goods as specified in the PRC Value-added Tax Law, was adjusted to 9%.

## REGULATIONS RELATING TO ENVIRONMENTAL PROTECTION

### Environment Protection

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

### Environmental Impact Appraisal

According to the Administration Rules on Environmental Protection of Construction Projects (《建設項目環境保護管理條例》), which was promulgated by the State Council of the PRC on November 29, 1998 and most recently amended on July 16, 2017, depending on the impact of the construction project on the environment, an construction proprietor shall submit an environmental impact report or an environmental impact statement, or file a registration form.

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

### Pollutant Discharge

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

## REGULATIONS RELATING TO FIRE PREVENTION

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

bay and firebreak distance comply with relevant technical standards; (v) organize fire prevention checks to promptly eliminate hidden fire hazards; (vi) organize and carry out targeted fire drills; and (vii) perform any other fire safety duties stipulated by applicable laws and regulations.

According to the Interim Provisions on the Administration of Examination and Acceptance of Fire Prevention Design of Construction Projects (《建設工程消防設計審查驗收管理暫行規定》) promulgated by the Ministry of Housing and Urban-Rural Development ("**MOHURD**") of the PRC on April 1, 2020 and most recently amended on August 21, 2023, special construction projects as defined thereunder shall conduct fire protection design review and fire protection acceptance inspection, construction projects other than such special construction projects shall file protection acceptance of the project with competent authority.

## REGULATIONS RELATING TO LEASE OF REAL ESTATE

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

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

## REGULATIONS RELATING TO FOREIGN EXCHANGE

According to the Regulations on Foreign Exchange Administration of the PRC (《中華人民共和國外匯管理條例》) promulgated on January 29, 1996 and most recently amended on August 5, 2008, foreign currency transactions under the capital account, such as transactions incurred under direct investment or capital contribution, will be subject to restrictions and require approvals from, or registration with, the foreign exchange administrative authorities, i.e. the State Administration of Foreign Exchange (the "**SAFE**") or its local counterparts.

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

On March 30, 2015, the SAFE issued the Circular on Reforming the Management Approach Regarding the Foreign Exchange Capital Settlement of Foreign-Invested Enterprises (《國家外匯管理局關於改革外商投資企業外匯資本金結匯管理方式的通知》, the "**SAFE Circular 19**"), which took effect on June 1, 2015. According to SAFE Circular 19, as amended by the Circular on Reforming and Regulating Policies on the Control over Foreign Exchange Settlement of Capital Accounts (《國家外匯管理局關於改革和規範資本項目結匯管理政策的通知》, the "**SAFE Circular 16**") issued by the SAFE on June 9, 2016, and further amended by the SAFE on December

30, 2019, the flow and use of the Renminbi capital converted from foreign currency denominated registered capital of a foreign-invested company is regulated such that Renminbi capital may not be used for business beyond its business scope or to provide loans to persons other than affiliates unless otherwise permitted under its business scope.

## REGULATIONS RELATING TO OVERSEAS SECURITIES OFFERING

### Overseas Securities Offering

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

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

### H Share "Full Circulation"

The Company shall comply with regulations on the H share "full circulation" to converse its domestic shares into H shares and circulate on the Hong Kong Stock Exchange. Pursuant to the Guidelines on Application for "Full Circulation" of Domestic Unlisted Shares of H Share Companies (《H股公司境內未上市股份申請"全流通"業務指引》), promulgated and implemented by the CSRC on November 14, 2019 and revised on August 10, 2023, holders of domestic unlisted shares may determine by themselves through consultation the amount and proportion of shares, for

which an application will be filed for circulation, provided that the requirements in all applicable laws and regulations are met. After domestic unlisted shares are listed and circulated at the stock exchange, they may not be transferred back to the PRC.

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

## OUR HISTORY

### Overview

We, TONGSHIFU (銅師傅), have focused on developing copper-based cultural and creative products by integrating traditional techniques with modern design and usage scenarios since our inception. Our history traces back to March 2013, when Mr. Yu, our founder, chairman and general manager founded our Company. Under the leadership of our founder Mr. Yu, who possesses a fine-arts academic background and is a committed advocate of craftsmanship and cultural heritage, in November 2014, our Company was converted into a joint stock company with limited liability.

### Milestones

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

| Year | Milestones |
|---|---|
| 2013 . . . . . | Our Company was established by Mr. Yu and our first flagship store on Tmall (天貓) commenced operation |
| 2016 . . . . . | Our Company was awarded "Leading companies in the industry" (行業龍頭企業), by the People's Government of Jiande City (建德市人民政府) |
| 2019 . . . . . | The first offline distributorship stores were opened in Beijing, Shanxi Province and Liaoning Province |
| 2020 . . . . . | Our first flagship store on Douyin, JD.com and Pinduoduo commenced operation |
| 2021 . . . . . | We underwent the Demerger through which our main business was separated from Tongmu Zhuyi, which was mainly focused on the production and design of solid wood furniture |
| 2022 . . . . . | We were awarded Startup 100 Future Unicorns (創業邦100未來獨角獸) by CYZone 100 (創業邦100) |
| 2023 . . . . . | We were awarded the 2023 Global Product & Consumer Experience – Most Artisanal Cultural Product of the Year Award (2023年度環球產品與消費體驗最具匠心文創產品獎) by Universal Product & Experience (環球產品與消費體驗) |
| 2024 . . . . . | We were awarded as one of the key cultural enterprises in Zhejiang Province (浙江省重點文化企業) in 2024 by the Publicity Department of Zhejiang Provincial Party Committee of the CPC (中共浙江省委宣傳部) |
| 2025 . . . . . | We were awarded by the People's Government of Jiande City as one of the Municipal – level Key Manufacturing Enterprises (市級重點製造業企業) |

## ESTABLISHMENT AND DEVELOPMENT OF THE COMPANY

### A. Establishment of our Company

Our Company was established on March 26, 2013 with an initial registered capital of RMB3 million. The shareholding structure of our Company at the time of our establishment were as follows:

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

*Notes:*

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

(2) The registered capital were paid by Mr. Yu to these persons, who were at the time employees of our Company or Yading Creative Home Furnishing Co., Ltd (雅鼎創意家居股份有限公司), now known as Xijiang Technology (Hangzhou) Co., Ltd.* (璽匠科技(杭州)有限公司) ("**Xijiang Technology**"), a company founded by Mr. Yu, for the purpose of retaining, incentivizing and remunerating the these persons and building a foundation for our Company's long-term success. The circumstances leading to this arrangement included the following key factors:

1. Retention and incentivization of employees: The incentivized employees were key members of Xijiang Technology's middle to upper-level management who, to Mr. Yu, substantially contributed to its development through their expertise in corporate management, finance, marketing and product design. Mr. Yu established our Company in 2013 and sought the support of these trusted employees to contribute to our development. Recognizing their expertise, reliability and commitment, he strategically engaged them in our Company's growth and success by offering our equity, fostering a vested interest in our Company's long-term development and promoting a culture of accountability, dedication, and engagement in driving our success.

2. Remuneration of the incentivized employees: Our Company was founded in a business area distinct from Xijiang Technology, which focused on the design, production and sales of bathroom products. Given the uncertainties surrounding our Company's future development, including but not limited to our Company's market positioning, revenue generation capability, and competitive sustainability, as well as acknowledging the financial constraints of the incentivized employees, Mr. Yu therefore decided to pay for the portion of our registered capital allocated to these employees. This arrangement provided our Company leverage from experienced leadership, retained trusted individuals, and aligned their incentives with corporate success, thereby creating a solid foundation for our future expansion and stability.

**B. Equity transfers in March 2013 and June 2013**

Pursuant to equity transfer agreements dated March 29 and June 21, 2013, Huang Xing and Lu Zheheng(the then employees of our Company or Xijiang Technology) transferred 0.50% and 2% equity interest of our Company to the then Shareholders Yang Feng (楊風) and Liang Yuehua (梁越華), for nil consideration, respectively. As a result of their resignation, according to the arrangement of our Company, Huang Xing and Lu Zheheng transferred the aforesaid equity interests to Yang Feng and Liang Yuehua.

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

Pursuant to Shareholders' resolutions passed on October 15, 2014, October 20, 2014 and October 22, 2014, (i) our Company was converted into a joint-stock company with limited liability on November 11, 2014, and (ii) meanwhile, Mr. Yu would further subscribe for 2,000,000 Shares at a price of RMB1 per share.

**D. Changes in the shareholding structure of our Company**

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

***(i) Capital Increase in May 2015***

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

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

Between January 2016 and April 2017, there were 48 share transfers carried out between the Shareholders. Immediately before the capital increase in May 2017, the then Shareholders included Mr. Yu, three members of our Directors and 56 other Shareholders. In May 2017, the registered capital increased from RMB10,000,000 to RMB10,208,333. The newly increased registered capital of RMB125,000 and RMB83,333 was subscribed by Xie Liangliang (謝亮亮) and Hangzhou Jinyuan Zhecheng Investment Management Partnership (Limited Partnership)* (杭州錦元哲誠投資管理合夥企業(有限合夥)) now known as Changxing Jinyuan Zhecheng Investment Management Partnership (Limited Partnership)* (長興錦元哲誠投資管理合夥企業(有限合夥)) ("**Jinyuan Zhecheng**"), respectively, both at the subscription price of RMB24 per Share.

***(iii) Share Transfers in May and June 2017***

In May 24, 2017, the Shareholders approved the transfer made by Lv Lihan (呂立翰) to Li Li (李麗) for a consideration of RMB5 per Share for a total of 300,000 Shares. In June 21, 2017, the Shareholders approved the transfers made by Liang Yuehua and Ding Hongliang to Mr. Yu for a total of 90,000 Shares for a consideration of RMB3 per Share and nil consideration, respectively. In June 30, 2017, the Shareholders approved the transfer made by Li Li to Luo Wenjuan (羅文娟) for a total of 400,000 Shares at the consideration of RMB23 per Share.

For Ding Hongliang's transfer, Ding Hongliang initially obtained our Shares paid by Mr. Yu for incentive purpose. Upon Mr. Ding's resignation, he transferred the aforementioned Shares back to Mr. Yu per Company arrangement. Luo Wenjuan held 40,000 Shares and 10,000 Shares as a nominee on behalf of Dong Shengfang and Wang Lijing respectively. See subsection headed "(ix) Share Transfer in February 2023" below for further details.

***(iv) Capital Increase between August 2017 and August 2018 and Share Transfers in February and August 2018***

We went through four rounds of capital increase between August 2017 and August 2018. In August 2017, the registered capital increased from RMB10,208,333 to RMB10,698,333. The newly increased registered capital of RMB490,000 was subscribed by Ningbo Jinyuan Hanfei Investment Management Center (Limited Partnership)* (寧波錦元翰飛投資管理中心(有限合夥) now known as Changxing Jinyuan Hanfei Investment Management Center (Limited Partnership)* (長興錦元翰飛投資管理中心(有限合夥) ("**Jinyuan Hanfei**") at a subscription price of approximately RMB25 per Share. In September 2017, the registered capital increased from RMB10,698,333 to RMB13,372,916. The newly increased registered capital of RMB1,872,208 and RMB802,375 were subscribed by Shunwei Ventures III (Hong Kong) Limited ("**Shunwei**") and Tianjin Jinmi Investment Partnership (Limited Partnership)* (天津金米投資合夥企業(有限合夥)) ("**Tianjin Jinmi**"), respectively, at a subscription price of approximately RMB20 per Share. In January 2018, the registered capital increased from RMB13,372,916 to RMB13,676,846. The newly increased registered capital of RMB303,930 was subscribed by Beijing Hezhong Venture Capital Equity Investment Center (Limited Partnership)* (北京合眾創投股權投資中心(有限合夥)) ("**Beijing Hezhong**") at a subscription price of approximately RMB24 per Share. In August 2018, the registered capital increased from RMB13,676,846 to RMB18,890,989. The newly increased registered capital of RMB772,531, RMB1,086,724, RMB192,117, RMB1,966,047 and RMB1,196,724 were subscribed by Shunwei, Tianjin Jinmi, Beijing Hezhong, Euro Master Limited (歐之福有限公司) ("**Euro Master**") and Beijing GX Equity Investment Fund Partnership Enterprise (Limited Partnership)* (北京光信股權投資基金合夥企業(有限合夥)) ("**Beijing GX**"), respectively, at a subscription price of approximately RMB58.49 per Share.

In February 2018, the Shareholders approved the eight transfers made by eight individuals to Beijing Hezhong for a total of 200,000 Shares at the consideration of RMB20 per Share. In August 2018, the Shareholders approved the 23 transfers made by 23 individuals to Shenzhen Guolinfeng Asset Management Center (Limited Partnership)* (深圳市國林豐資產管理中心(有限合夥)) ("**Shenzhen Guolinfeng**") for a total of 215,500 Shares at the consideration of RMB51 per Share.

***(v) Demerger of the Company in December 2020***

In October 2020, the Shareholders resolved to undergo the Demerger, pursuant to which our Company was demerged into our Company and Tongmu Zhuyi. The main purpose of the Demerger is to exclude the production and design of solid wood furniture from our Group so as to allow our Company to concentrate our resources on the development of our Company's current business. As a result of the Demerger, Tongmu Zhuyi was established on December 17, 2020 with a registered capital of RMB11,275,453. Immediately after the restructuring, Tongmu Zhuyi had the same shareholding structure as our Company prior to the Demerger. Upon the Demerger, the registered capital of our Company was reduced from RMB18,890,989 to RMB7,615,536.

***(vi) Capital Increase and Share Transfers in July 2021***

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

On July 30, 2021, Mr. Yu disposed part of and Li Li, Shi Jun and Yu Qing disposed all of their Shares in our Company to Gongqingcheng Jinda Equity Investment Partnership (Limited Partnership)* (共青城金達股權投資合夥企業(有限合夥)) ("**GQC Jinda**") for a total of 243,698 Shares at a price of approximately RMB328.28 per Share.

***(vii) Capitalization Issue in January 2022***

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

***(viii) Share Transfers in December 2022***

In December 2022, Euro Master entered into transfer agreements with Shanghai Ruma Youhua Enterprise Management Partnership (Limited Partnership)* (上海如碼有花企業管理合夥企業(有限合夥)) ("**Shanghai Ruma**"), Zhang Lei (張磊), Jin Hongwei (金宏偉), Chen Lisheng (陳理升), Liang Yu (梁鈺) and Qian Jiayang (錢家陽) respectively, to dispose of a total of 501,625 Shares in our Company, at a subscription price of approximately RMB28.07 per Share.

***(ix) Share Transfer in February 2023***

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

*Background and Termination of Historical Nominee Arrangements*

In June 2017, Luo Wenjuan acquired 400,000 Shares of our Company from Li Li, of which (i) 40,000 Shares were held as a nominee for Dong Shengfang and (ii) 10,000 Shares were held as a nominee for Wang Lijing, and (iii) 350,000 Shares were held for her own benefit. Dong Shengfang and Luo Wenjuan were friends while Wang Lijing was at the time an employee of Luo Wenjuan's controlled entity. It was agreed that the person with the largest shareholding (namely Luo Wenjuan) among themselves would hold and manage the relevant Shares on their behalf.

In June 2017, Dong Shengfang paid Luo Wenjuan RMB920,000 for the 40,000 Shares and a nominee agreement was entered into in this regard in August 2017. On February 18, 2023, Luo Wenjuan and Dong Shengfang terminated the arrangement and 115,429 Shares (being the same 40,000 Shares, but the number of Shares was increased after the completion of the Demerger in December 2020 and the capitalization of capital reserves in January 2022) were transferred to Dong Shengfang for a consideration of RMB920,000.

In May 2017, Wang Lijing paid Luo Wenjuan RMB230,000 for the 10,000 Shares and a nominee agreement was entered into in this regard in August 2017. On August 18, 2022, Luo Wenjuan and Wang Lijing terminated the arrangement and 28,857 Shares (being the same 10,000 Shares, but the number of Shares was increased after the completion of the Demerger in December 2020 and the capitalization of capital reserves in January 2022) were transferred to Luo Wenjuan for a consideration of RMB675,000.

Our PRC Legal Adviser has confirmed that (i) the establishment and existence of the aforesaid nominee arrangements do not violate applicable PRC laws, (ii) their subsequent termination is valid under PRC laws, and (iii) no disputes relating to the termination of such arrangements have been brought before any PRC court by the parties involved, our Company or our Shareholders.

*(x) Share Transfers in May 2023, May 2024 and December 2024*

In May 2023, Euro Master transferred its 2,493,750 Shares, including 1,781,250 Shares to CMG Media Convergence Industry Investment Fund (Limited Partnership)* (央視融媒體產業投資基金(有限合夥) ("**CMG Fund**") and 712,500 Shares to Guangdong Bay Area No. 1 Digital Cultural Industry Investment Partnership (Limited Partnership)* (廣東灣區一號數字文化產業投資合夥企業(有限合夥)) ("**GBA No. 1**") for a consideration of approximately RMB28.07 per Share. In May 2024, due to her family arrangements, Liu Dan (劉丹) transferred her 57,717 Shares to her spouse Ding Yi (丁屹) for nil consideration. In December 2024, Wang Jiaying (王佳瑩) entered into a share transfer agreement with Jin Lihua (金麗華), pursuant to which Wang Jiaying has transferred her 144,282 Shares of the Company to Jin Lihua for a consideration of RMB600,000.

## CAPITALIZATION TABLE

The following table sets out the shareholding structure of our Company immediately after completion of the abovementioned share transfers and as at the Latest Practicable Date and the [**REDACTED**] (assuming the [**REDACTED**] is not exercised and after the conversion of Domestic Unlisted Shares into H Shares):

| Name of Shareholder | Number of Shares held as of the Latest Practicable Date | Approximate shareholding as at the Latest Practicable Date | Number of Domestic Unlisted Shares/H Shares held as at the [REDACTED] (assuming [REDACTED] is not exercised) | Percentage of total number of Shares as at the [REDACTED] (assuming [REDACTED] is not exercised) |
|---|---|---|---|---|
| Mr. Yu[(Note)] | 14,971,100 | 26.27% | [**REDACTED**] | [**REDACTED**] |
| Shunwei | 7,631,981 | 13.39% | [**REDACTED**] | [**REDACTED**] |
| Tianjin Jinmi | 5,451,418 | 9.56% | [**REDACTED**] | [**REDACTED**] |
| Beijing GX | 3,453,413 | 6.06% | [**REDACTED**] | [**REDACTED**] |
| Euro Master | 2,678,093 | 4.70% | [**REDACTED**] | [**REDACTED**] |
| Guozhong Fund | 2,158,766 | 3.79% | [**REDACTED**] | [**REDACTED**] |
| Beijing Hezhong | 2,008,599 | 3.52% | [**REDACTED**] | [**REDACTED**] |
| CMG Fund | 1,781,250 | 3.13% | [**REDACTED**] | [**REDACTED**] |
| GQC Jinda | 1,744,459 | 3.06% | [**REDACTED**] | [**REDACTED**] |
| Luo Wenjuan (羅文娟) | 1,616,002 | 2.84% | [**REDACTED**] | [**REDACTED**] |
| Jinyuan Hanfei | 1,414,004 | 2.48% | [**REDACTED**] | [**REDACTED**] |
| Qiu Dekang (裘德康) | 1,154,287 | 2.03% | [**REDACTED**] | [**REDACTED**] |
| Qingdao Yunzhi Investment Management Partnership (Limited Partnership)* (青島贇智投資管理合夥企業(有限合夥)) ("**Qingdao Yunzhi**") | 1,096,577 | 1.92% | [**REDACTED**] | [**REDACTED**] |
| Xiao Feng (肖峰)[(Note)] | 1,067,715 | 1.87% | [**REDACTED**] | [**REDACTED**] |
| GBA No. 1 | 712,500 | 1.25% | [**REDACTED**] | [**REDACTED**] |
| Shenzhen Guolinfeng | 621,875 | 1.09% | [**REDACTED**] | [**REDACTED**] |
| Ruan Zhuoer (阮卓爾) | 519,434 | 0.91% | [**REDACTED**] | [**REDACTED**] |
| Yang Ke (楊軻) | 490,571 | 0.86% | [**REDACTED**] | [**REDACTED**] |
| Zhao Lei (趙磊) | 481,917 | 0.85% | [**REDACTED**] | [**REDACTED**] |
| Lv Lihan (呂立翰) | 447,285 | 0.78% | [**REDACTED**] | [**REDACTED**] |
| Zhang Lei (張磊) | 431,071 | 0.77% | [**REDACTED**] | [**REDACTED**] |
| He Yun (何贇)[(Note)] | 360,713 | 0.63% | [**REDACTED**] | [**REDACTED**] |
| Fosun Weiying | 298,737 | 0.53% | [**REDACTED**] | [**REDACTED**] |
| Luo Renxiang (羅仁祥)[(Note)] | 288,571 | 0.51% | [**REDACTED**] | [**REDACTED**] |
| Li Wanqiang (黎萬強) | 288,571 | 0.51% | [**REDACTED**] | [**REDACTED**] |
| Ding Pengfei (丁鵬飛) | 288,571 | 0.51% | [**REDACTED**] | [**REDACTED**] |
| Jinyuan Zhecheng | 240,475 | 0.42% | [**REDACTED**] | [**REDACTED**] |

| Name of Shareholder | Number of Shares held as of the Latest Practicable Date | Approximate shareholding as at the Latest Practicable Date | Number of Domestic Unlisted Shares/H Shares held as at the [REDACTED] (assuming [REDACTED] is not exercised) | Percentage of total number of Shares as at the [REDACTED] (assuming [REDACTED] is not exercised) |
|---|---|---|---|---|
| Chen Jingzhi (陳靜芝) | 216,431 | 0.38% | [**REDACTED**] | [**REDACTED**] |
| Yin Xuelong (殷雪龍) | 202,000 | 0.35% | [**REDACTED**] | [**REDACTED**] |
| Zhang Jianmei (張建梅) | 178,914 | 0.31% | [**REDACTED**] | [**REDACTED**] |
| Shanghai Ruma | 171,000 | 0.30% | [**REDACTED**] | [**REDACTED**] |
| Jin Zeguang (金澤廣) | 144,283 | 0.25% | [**REDACTED**] | [**REDACTED**] |
| Jin Lihua (金麗華) | 144,282 | 0.25% | [**REDACTED**] | [**REDACTED**] |
| Zhang Weijiang (張衛江)(Note) | 144,282 | 0.25% | [**REDACTED**] | [**REDACTED**] |
| Lv Hangjun (呂杭軍) | 144,282 | 0.25% | [**REDACTED**] | [**REDACTED**] |
| Shentu Jiahui (申屠佳惠) | 144,282 | 0.25% | [**REDACTED**] | [**REDACTED**] |
| Yang Junjie (楊竣傑) | 144,282 | 0.25% | [**REDACTED**] | [**REDACTED**] |
| Qian Jiayang (錢家陽) | 125,427 | 0.22% | [**REDACTED**] | [**REDACTED**] |
| Yu Hong (俞宏) | 124,089 | 0.22% | [**REDACTED**] | [**REDACTED**] |
| Dong Shengfang (董聖芳) | 115,429 | 0.20% | [**REDACTED**] | [**REDACTED**] |
| Huang Dongsheng (黃東升) | 115,427 | 0.20% | [**REDACTED**] | [**REDACTED**] |
| Ren Bingzhang (任炳章) | 109,658 | 0.19% | [**REDACTED**] | [**REDACTED**] |
| Jin Hongwei (金宏偉) | 106,875 | 0.19% | [**REDACTED**] | [**REDACTED**] |
| Zhou Chengfeng (周乘風) | 95,227 | 0.17% | [**REDACTED**] | [**REDACTED**] |
| Shi Ziming (史子鳴) | 92,342 | 0.16% | [**REDACTED**] | [**REDACTED**] |
| An Hui (安輝) | 92,342 | 0.16% | [**REDACTED**] | [**REDACTED**] |
| Ren Liang (任亮) | 89,457 | 0.16% | [**REDACTED**] | [**REDACTED**] |
| Wang Yuezhen (王玥楨) | 86,572 | 0.15% | [**REDACTED**] | [**REDACTED**] |
| Lu Huahua (盧華華)(Note) | 86,572 | 0.15% | [**REDACTED**] | [**REDACTED**] |
| Hu Wenping (胡文萍)(Note) | 57,717 | 0.10% | [**REDACTED**] | [**REDACTED**] |
| Ding Yi (丁屹) | 57,717 | 0.10% | [**REDACTED**] | [**REDACTED**] |
| Lv Liang (呂亮) | 57,717 | 0.10% | [**REDACTED**] | [**REDACTED**] |
| Zhang Jie (張傑)(Note) | 57,717 | 0.10% | [**REDACTED**] | [**REDACTED**] |
| Wang Qiuxia (王秋霞)(Note) | 57,717 | 0.10% | [**REDACTED**] | [**REDACTED**] |
| Liang Yu (梁鈺) | 35,625 | 0.06% | [**REDACTED**] | [**REDACTED**] |
| Chen Lisheng (陳理升) | 35,625 | 0.06% | [**REDACTED**] | [**REDACTED**] |
| Xu Danni (徐丹妮) | 28,347 | 0.05% | [**REDACTED**] | [**REDACTED**] |
| Jia Jinfu (賈金富) | 14,431 | 0.03% | [**REDACTED**] | [**REDACTED**] |
| Huang Ningning (黃寧寧) | 14,431 | 0.03% | [**REDACTED**] | [**REDACTED**] |
| Cui Yushu (崔玉舒) | 11,546 | 0.02% | [**REDACTED**] | [**REDACTED**] |
| Other public Shareholders | 0 | 0.00% | [**REDACTED**] | [**REDACTED**] |
| **Total:** | **57,000,000** | **100.00%** | [**REDACTED**] **Shares** | **100%** |

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

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

[**REDACTED**]

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

(a) (i) Mr. Yu, our Single Largest Shareholder and executive Director, (ii) Mr. Luo Renxiang, Mr. He Yun and Mr. Xiao Feng, our Directors, (iii) Shunwei, our substantial Shareholder, will be deemed as our core connected persons, while (iv) Zhang Weijiang, Lu Huahua, Lv Liang, Wang Qiuxia and Jia Jinfu, all of whom are our current or previous employees and their Shares were financed directly by Mr. Yu and will not be considered as "public" for the purpose of Rule 8.24 of the Listing Rules. Accordingly, a total of [**REDACTED**] Domestic Unlisted Shares held by them which will be converted into H Shares and [**REDACTED**] on the Stock Exchange will not be counted towards the [**REDACTED**], representing approximately [**REDACTED**]% of our total issued Shares or [**REDACTED**]% of the total number of H Shares upon the conversion of the Domestic Unlisted Shares into H Shares and the completion of the [**REDACTED**];

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

(c) a total of [**REDACTED**] Domestic Unlisted Shares held by 48 Shareholders will be converted into H Shares and [**REDACTED**] on the Stock Exchange, and therefore will be counted as part of the [**REDACTED**], representing approximately [**REDACTED**]% of our total issued Shares or [**REDACTED**]% of the total number of H Shares upon the conversion of the Domestic Unlisted Shares into H Shares and the completion of the [**REDACTED**].

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

Pursuant to Rule 19A.13A(1) of the Listing Rules, assuming that the [**REDACTED**] is not exercised, based on an [**REDACTED**] between HK$[**REDACTED**] per [**REDACTED**] (being the low end of the indicative [**REDACTED**]) and HK$[**REDACTED**] per [**REDACTED**] (being the top end of the indicative [**REDACTED**]), our expected [**REDACTED**] upon the [**REDACTED**] is approximately between HK$[**REDACTED**] to HK$[**REDACTED**], and therefore the minimum prescribed [**REDACTED**] percentage applicable to our Shares is [**REDACTED**]% across the [**REDACTED**].

As a result, immediately upon completion of the [**REDACTED**] and the conversion of Domestic Unlisted Shares into H Shares, taking into account [**REDACTED**] H Shares to be [**REDACTED**] pursuant to the [**REDACTED**] (assuming the [**REDACTED**] is not exercised), an aggregate of [**REDACTED**] H Shares will count towards the [**REDACTED**] of our Company for the purpose of Rule 19A.13A(1) of the Listing Rules, representing approximately [**REDACTED**]% of the total issued Shares or [**REDACTED**]% of the total number of H Shares of our Company, which is in compliance with the requirement under Rule 19A.13A(1) of the Listing Rules.

Based on a minimum [**REDACTED**] of HK$[**REDACTED**] per H Share and that [**REDACTED**] H Shares to be issued pursuant to the [**REDACTED**] (assuming the [**REDACTED**] is not exercised), the Company is expected to satisfy the [**REDACTED**] requirement under Rules 19A.13C(1)(a) and (b) of the Listing Rules.

## PREVIOUS SZSE CHINEXT LISTING ATTEMPT

Our Company previously considered the possibility of seeking an initial public offering on the SZSE Chinext Board in the PRC ("**Chinext Listing Attempt**"). In June 2022, our Company engaged China International Capital Corporation Limited (中國國際金融股份有限公司) (the "**Tutoring Company**") to provide guidance and preliminary compliance advice in regards to the requirements of the CSRC. Due to market conditions and our strategic considerations, we adjusted our [**REDACTED**] plan and terminated our engagement with Tutoring Company in September 2024 and that such termination were filed to the CSRC Zhejiang Regulatory Bureau (中國證券監督管理委員會浙江監管局) and thus, our Company has voluntarily decided not to make formal [**REDACTED**] application to any stock exchange in the PRC.

As our Directors believe that the [**REDACTED**] on the Stock Exchange can enable us to access the overseas financing opportunities and investors on the international [**REDACTED**] and facilitate our strategy of expansion into overseas market, our Directors decided to apply for a [**REDACTED**] on the Stock Exchange. Our Directors confirm that save for the changes in the appointment of the Tutoring Company due to commercial reasons, our Company has not made any changes in professional parties between the Chinext Listing Attempt and our [**REDACTED**] on the Stock Exchange.

To the best of the Directors' knowledge and belief, they consider that (i) there are no matters relating to the Chinext Listing Attempt or there are no outstanding, material or unresolved issues, enquiries or matters between the Company and the parties relating to the Chinext Listing Attempt that may affect the suitability of the Company's [**REDACTED**] on the Stock Exchange; (ii) there were no dispute or disagreement with the Tutoring Company and that they are not aware of any other matters that need to be brought to the attention of the Stock Exchange and [**REDACTED**]; (iii) there are no matters relating to the Chinext Listing Attempt that require the attention of the Stock Exchange and [**REDACTED**]; (iv) there are no matters relating to the Chinext Listing Attempt that will have any material adverse impact on the Company's [**REDACTED**] on the Stock Exchange. Based on the Sole Sponsor's due diligence work, the Sole Sponsor is not aware of any material issue relating to the Chinext Listing Attempt, which materially and adversely affects our Company's suitability for the [**REDACTED**], and of any other matter to be brought to the attention of the Stock Exchange regarding the Chinext Listing Attempt.

## [REDACTED] INVESTMENTS

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

| [REDACTED] Investor | Date of agreement (Month. Date.Year) | Method of investment | Settlement date (Month. Date.Year) | Approximate cost per Share with a nominal value of RMB1.00[(1)] | Discount to the [REDACTED][(2)] | Immediately following the completion of the [REDACTED] (assuming the [REDACTED] is not exercised)[(3)] | |
|---|---|---|---|---|---|---|---|
| | | | | | | Number of Shares | Approximate shareholding |
| **I. Professional investors[(4)]** | | | | | | | |
| Shunwei | 08.25.2017 and | Capital increase | 09.30.2017 and | 6.93 | [REDACTED] | [REDACTED] | [REDACTED] |
| | 07.31.2018 | Capital increase | 08.20.2018 | 20.27 | [REDACTED] | | |
| Tianjin Jinmi | 08.25.2017 and | Capital increase | 09.30.2017 and | 6.93 | [REDACTED] | [REDACTED] | [REDACTED] |
| | 07.31.2018 | Capital increase | 08.22.2018 | 20.27 | [REDACTED] | | |
| Beijing GX | 07.31.2018 | Capital increase | 08.23.2018 | 20.27 | [REDACTED] | [REDACTED] | [REDACTED] |
| Euro Master | 07.31.2018 | Capital increase | 09.12.2018 | 20.27 | [REDACTED] | [REDACTED] | [REDACTED] |
| Guozhong Fund | 06.25.2021 | Capital increase | 07.21.2021 | 45.86 | [REDACTED] | [REDACTED] | [REDACTED] |

| [REDACTED] Investor | Date of agreement (Month. Date.Year) | Method of investment | Settlement date (Month. Date.Year) | Approximate cost per Share with a nominal value of RMB1.00[1] | Discount to the [REDACTED][2] | Immediately following the completion of the [REDACTED] (assuming the [REDACTED] is not exercised)[3] | |
|---|---|---|---|---|---|---|---|
| | | | | | | Number of Shares | Approximate shareholding |
| Beijing Hezhong | 10.25.2017, | Capital increase | 11.10.2017, | 8.32 | [REDACTED] | [REDACTED] | [REDACTED] |
| | 01.15.2018 and | Share transfers | 05.14.2018 and | 6.93 | [REDACTED] | | |
| | 07.31.2018 | Capital increase | 08.28.2018 | 20.27 | [REDACTED] | | |
| CMG Fund | 04.27.2023 | Share transfer | 05.23.2023 | 28.07 | [REDACTED] | [REDACTED] | [REDACTED] |
| GQC Jinda | 07.30.2021 | Capital increase | 08.09.2021 | 45.86 | [REDACTED] | [REDACTED] | [REDACTED] |
| Jinyuan Hanfei | 07.08.2017 | Capital increase | 07.11.2017 | 8.66 | [REDACTED] | [REDACTED] | [REDACTED] |
| Qingdao Yunzhi | 07.20.2018 | Share transfer | 07.27.2018 | 17.67 | [REDACTED] | [REDACTED] | [REDACTED] |
| GBA No. 1 | 04.27.2023 | Share transfer | 05.25.2023 | 28.07 | [REDACTED] | [REDACTED] | [REDACTED] |
| Shenzhen Guolinfeng | 07.20.2018 | Share transfer | 08.06.2018 | 17.67 | [REDACTED] | [REDACTED] | [REDACTED] |
| Fosun Weiying | 06.25.2021 | Capital increase | 07.19.2021 | 45.86 | [REDACTED] | [REDACTED] | [REDACTED] |
| Jinyuan Zhecheng | 04.27.2017 | Capital increase | 04.27.2017 | 8.32 | [REDACTED] | [REDACTED] | [REDACTED] |
| Shanghai Ruma | 12.31.2022 | Share transfer | 02.28.2023 | 28.07 | [REDACTED] | [REDACTED] | [REDACTED] |
| **II. Individual investors[5]** | | | | | | | |
| Luo Wenjuan (羅文娟) | 01.15.2017 and | Share transfer | 01.24.2017 and | 7.62 | [REDACTED] | [REDACTED] | [REDACTED] |
| | 06.23.2017 | Share transfer | 06.30.2017[8] | 7.97 | [REDACTED] | | |
| Qiu Dekang (裘德康) | 08.26.2016 | Share transfer | 08.31.2016 | 6.93 | [REDACTED] | [REDACTED] | [REDACTED] |
| Xiao Feng (肖峰) | 04.18.2015 | Capital increase | 04.28.2015 | 1.73 | [REDACTED] | [REDACTED] | [REDACTED] |
| Ruan Zhuoer (阮卓爾) | 04.18.2015 | Capital increase | 04.28.2015 | 1.73 | [REDACTED] | [REDACTED] | [REDACTED] |
| Yang Ke (楊軻) | 04.18.2015 | Capital increase | 04.28.2015 | 1.73 | [REDACTED] | [REDACTED] | [REDACTED] |
| Zhao Lei (趙磊) | 07.26.2016 | Capital increase | 01.06.2016 | 5.54 | [REDACTED] | [REDACTED] | [REDACTED] |
| Lv Lihan (吕立翰) | 04.18.2015 and | Capital increase | 04.28.2015[9] | 1.73 | [REDACTED] | [REDACTED] | [REDACTED] |
| | 07.26.2016 | Share transfer | | 1.73 | [REDACTED] | | |
| Zhang Lei (張磊) | 01.09.2017 and | Capital increase | 08.31.2016 and | 6.93 | [REDACTED] | [REDACTED] | [REDACTED] |
| | 12.31.2022 | Share transfer | 02.15.2023 | 28.07 | [REDACTED] | | |
| Li Wanqiang (黎萬強) | 06.29.2016 | Share transfer | 01.19.2022[14] | 5.54 | [REDACTED] | [REDACTED] | [REDACTED] |
| Ding Pengfei (丁鵬飛) | 05.06.2016 | Share transfer | 01.21.2022[14] | 5.54 | [REDACTED] | [REDACTED] | [REDACTED] |
| Chen Jingzhi (陳靜芝) | 01.09.2017 | Share transfer | 08.27.2016 and | 6.93 | [REDACTED] | [REDACTED] | [REDACTED] |
| | | | 09.01.2016 | | | | |
| Yin Xuelong (殷雪龍) | 10.30.2016 | Share transfer | 09.01.2016 | 6.93 | [REDACTED] | [REDACTED] | [REDACTED] |
| Zhang Jianmei (張建梅) | 07.26.2016 | Share transfer | 01.06.2016 | 5.54 | [REDACTED] | [REDACTED] | [REDACTED] |
| Jin Zeguang (金澤廣) | 10.30.2016 | Share transfer | 09.05.2016 | 6.93 | [REDACTED] | [REDACTED] | [REDACTED] |
| Lv Hangjun (吕杭軍) | 04.18.2015 | Capital increase | 04.23.2015 | 1.73 | [REDACTED] | [REDACTED] | [REDACTED] |
| Shentu Jiahui (申屠佳惠) | 04.18.2015 | Share transfer | 04.28.2015[11] | 1.73 | [REDACTED] | [REDACTED] | [REDACTED] |
| Yang Junjie (楊竣傑) | 07.26.2016 | Share transfer | 01.11.2016 | 5.54 | [REDACTED] | [REDACTED] | [REDACTED] |
| Jin Lihua (金麗華) | 12.26.2024 | Share transfer | 12.31.2024 | 4.16 | [REDACTED] | [REDACTED] | [REDACTED] |
| Qian Jiayang (錢家陽) | 07.26.2016 and | Share transfer | 01.07.2016 and | 5.54 | [REDACTED] | [REDACTED] | [REDACTED] |
| | 12.31.2022 | Share transfer | 01.30.2023 | 28.07 | [REDACTED] | | |
| Yu Hong (俞宏) | 07.26.2016 | Share transfer | 01.07.2016 | 5.54 | [REDACTED] | [REDACTED] | [REDACTED] |
| Dong Shengfang (董聖芳) | 08.15.2017[8] | Share transfer | 06.28.2017[8] | 7.97 | [REDACTED] | [REDACTED] | [REDACTED] |
| Huang Dongsheng (黃東升) | 07.26.2016 | Share transfer | 01.07.2016 | 5.54 | [REDACTED] | [REDACTED] | [REDACTED] |
| Ren Bingzhang (任炳章) | 07.26.2016 | Share transfer | 01.08.2016 | 5.54 | [REDACTED] | [REDACTED] | [REDACTED] |
| Jin Hongwei (金宏偉) | 12.31.2022 | Share transfer | 02.22.2023 | 28.07 | [REDACTED] | [REDACTED] | [REDACTED] |
| Zhou Chengfeng (周乘風) | 07.26.2016 | Share transfer | 01.06.2016 | 5.54 | [REDACTED] | [REDACTED] | [REDACTED] |
| Shi Ziming (史子鳴) | 07.26.2016 | Share transfer | 01.06.2016 | 5.54 | [REDACTED] | [REDACTED] | [REDACTED] |
| An Hui (安輝) | 07.26.2016 | Share transfer | 01.08.2016 | 5.54 | [REDACTED] | [REDACTED] | [REDACTED] |
| Ren Liang (任亮) | 07.26.2016 | Share transfer | 01.06.2016 | 5.54 | [REDACTED] | [REDACTED] | [REDACTED] |
| Wang Yuezhen (王玥楨) | 10.30.2016 | Share transfer | 08.26.2016 | 6.93 | [REDACTED] | [REDACTED] | [REDACTED] |
| Ding Yi (丁屹) | 05.09.2024 | Share transfer | –[10] | – | [REDACTED] | [REDACTED] | [REDACTED] |

| [REDACTED] Investor | Date of agreement (Month. Date.Year) | Method of investment | Settlement date (Month. Date.Year) | Approximate cost per Share with a nominal value of RMB1.00[(1)] | Discount to the [REDACTED][(2)] | Immediately following the completion of the [REDACTED] (assuming the [REDACTED] is not exercised)[(3)] | |
|---|---|---|---|---|---|---|---|
| | | | | | | Number of Shares | Approximate shareholding |
| Liang Yu (梁鈺) | 12.31.2022 | Share transfer | 02.07.2023 | 28.07 | [REDACTED] | [REDACTED] | [REDACTED] |
| Chen Lisheng (陳理升) | 12.31.2022 | Share transfer | 02.02.2023 | 28.07 | [REDACTED] | [REDACTED] | [REDACTED] |
| Xu Danni (徐丹妮) | 06.25.2021 | Capital increase | 07.14.2021 | 45.86 | [REDACTED] | [REDACTED] | [REDACTED] |
| Cui Yushu (崔玉舒) | 10.30.2016 | Share transfer | 08.26.2016 | 6.93 | [REDACTED] | [REDACTED] | [REDACTED] |
| Huang Ningning (黃寧寧) | 10.30.2016 | Share transfer | 01.19.2022[(14)] | 6.93 | [REDACTED] | [REDACTED] | [REDACTED] |
| **III. Employees[(6)]** | | | | | | | |
| He Yun (何贇) | 04.18.2015 | Capital increase | 04.28.2015[(12)] | 1.73 | [REDACTED] | [REDACTED] | [REDACTED] |
| Luo Renxiang (羅仁祥) | 04.18.2015 | Capital increase | 04.28.2015[(12)] | 1.73 | [REDACTED] | [REDACTED] | [REDACTED] |
| Zhang Weijiang (張衛江) | 04.18.2015 | Capital increase | 04.28.2015[(12)] | 1.73 | [REDACTED] | [REDACTED] | [REDACTED] |
| Hu Wenping (胡文萍) | 04.18.2015 | Capital increase | 05.05.2015 | 1.73 | [REDACTED] | [REDACTED] | [REDACTED] |
| Zhang Jie (張傑) | 04.18.2015 | Capital increase | 04.28.2015 | 1.73 | [REDACTED] | [REDACTED] | [REDACTED] |
| Jia Jinfu (賈金富) | 12.09.2015 | Capital increase | –[(13)] | – | [REDACTED] | [REDACTED] | [REDACTED] |

*Notes:*

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

(2) The discount to the [**REDACTED**] percentages are based on an [**REDACTED**] of HK$[**REDACTED**], being the mid-point of the indicative range of the [**REDACTED**] and based on the currency conversion rate of RMB0.8825:HK$1.

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

(4) These [**REDACTED**] Investors consist of private equity funds, institutions. The basis of respective consideration was determined based on arm's length negotiation taking into consideration our status of development at the time of investment, our increasing brand reputation and customer recognition at the time of investment, our business and industry prospects and the commercial consideration between the relevant parties at the time of transfers/capital increases. Please see below for reasons on the material difference in valuation between certain tranche of [**REDACTED**] Investment:

(a) the cost per Share for the capital increases made by Shunwei and Tianjin Jinmi completed in September 2017 was lower than that of the capital increase made by other investors in or around the same period, primarily due to factors such as the former's strong industry reputation, the positive impact of their involvement to our Company's reputation and the substantial number of Shares acquired by each of them.

(b) the cost per Share for the share transfers made to Beijing Hezhong in January 2018 significantly differed from our capital increase and share transfers in August 2018 primarily due to differences in the timing of investment negotiations and thus resulted a different reference point when determining the basis of consideration. Beijing Hezhong had begun their negotiations in earlier in 2017, thus secured a lower cost per Share.

(c) the cost per Share for the share transfers made by Euro Master to Shanghai Ruma in 2022 differed significantly from our capital increase in July 2021, primarily due to several key factors including slowdown in macroeconomic growth, a decline in consumers' spending in PRC and underperformance in the secondary market for consumer products related listed companies. In addition, the transferor sought to capitalize a portion of their investment return from their initial investments made in 2018, which allowed them to accept a lower cost per Share than that in July 2021.

(d) In general, the cost per Share through share transfer was lower than that through capital increase during the same period because, in the case of a capital increase, investment funds were directly paid to our Company, which increased our net assets and available funds for business development, directly benefiting our future growth and enhanced the value of the investment for investors.

(5) These [**REDACTED**] Investors consist of individual investors that obtained Shares from our capital increases, transfers from Mr. Yu and Euro Master or transfers from other investors. In relation to our capital increases or transfers from Mr. Yu and Euro Master, the basis of respective consideration was determined based on arm's length negotiation taking into consideration at the time of the investment our status of development, our increasing brand reputation and customer recognition, our business and industry prospects and the commercial consideration between the relevant parties at the time of transfers/capital increases. In relation to transfers from other investors, our Company was not involved in the negotiations on between the respective parties of these transfers but to the

best of the knowledge of our Directors, save as to the notes 8, 9 and 10 in relation to certain of our individual [**REDACTED**] Investors set out below, the respective consideration of the [**REDACTED**] Investors was determined on arm length's basis, with reference to the timing of the investments, our business prospects, the transferor's personal funding needs at the time and the consideration paid by the transferors at the time of the investment. Please see below for reasons on the material difference in valuation between certain tranche of [**REDACTED**] Investment:

(a) the cost per Share for the share transfers made by Mr. Yu to the [**REDACTED**] Investors (i) in mid to late 2016 varied between RMB5.54 and RMB6.93 and (ii) in January 2017 varied between RMB6.93 and RMB7.62, primarily due to differences in the timing of investment negotiations. Investors who engaged in earlier negotiations secured a lower cost per Share.

(b) the cost per Share for the share transfers made by Euro Master to [**REDACTED**] Investors in 2022 differed significantly from our capital increase in July 2021, primarily due to several key factors including slowdown in macroeconomic growth, a decline in consumers' spending in PRC and underperformance in the secondary market for consumer product related listed companies. In addition, the transferor sought to capitalize a portion of their investment return from their initial investments made in 2018, which allowed them to accept a lower cost per Share than that in July 2021.

(c) In relation to the cost per Share for the share transfer from Wang Jiaying to Jin Lihua in 2024, our Company was not involved in the negotiations and was not aware of the basis of consideration other than those set out in this note 5.

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

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

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

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

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

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

(8) Dong Shengfang entered into the nominee arrangement with Luo Wenjuan on August 15, 2017. Please refer to the paragraph headed "(ix) Share Transfer in February 2023 - Background and Termination of Historical Nominee Arrangements" for details of the termination of the nominee arrangement between Luo Wenjuan and Dong Shengfang.

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

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

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

(12) The funding by Mr. Luo, Mr. He and Mr. Zhang, of RMB0.55 million, RMB0.55 million and RMB0.25 million, respectively were paid by Mr. Yu to them for the purpose of retaining, incentivizing and remunerating our employees or to jointly develop the Company. For details, please refer to the notes (2) to the paragraph headed "A. Establishment of our company" above.

(13) The transfer of 5,000 Shares was made with nil consideration by Mr. He Yun to Jia Jinfu, an employee at time, as employee incentive. The number of Shares listed in this note have not been adjusted as a result of the Demerger in December 2020 and the capitalization of capital reserves in January 2022. For details, please refer to the notes (2) to the paragraph headed "A. Establishment of our company" above.

(14) In 2016, Mr. Li Wanqiang, Mr. Ding Pengfei and Ms. Huang Ningning entered into separate share transfer agreements with Mr. Yu in relation to his/her acquisition of 100,000 Shares, 100,000 Shares and 5,000 Shares respectively. The agreed consideration for the transactions was RMB1.6 million for Mr. Li, RMB1.6 million for Mr. Ding and RMB0.1 million for Ms. Huang. It has been mutually agreed between Mr. Yu and Mr. Li, Mr. Ding and Ms. Huang, respectively, that the payment of the agreed consideration was not required to be made immediately. In light of our Company's Chinext Listing Attempt, in order to ensure that all the historical share transfers were fully settled, the payment obligations under these agreements were subsequently settled by them in January 2022. Accordingly, there were no disputes or outstanding debt between the parties in relation to the said share transfer agreements. The numbers of Shares listed in this note have not been adjusted as a result of the Demerger in December 2020 and the capitalization of capital reserves in January 2022.

## Principal Terms of the [REDACTED] Investments

### *Special Rights*

Pursuant to the Shareholders' agreement and the amendments thereto from time to time (the "**Shareholders' Agreement**") and the capital increase agreements, the [**REDACTED**] Investors were entitled to certain special rights, such as directors nomination rights, repurchase rights, information rights, liquidation preferences, dividend right, anti-dilution and co-sale rights. Based on the confirmation letters obtained from the relevant [**REDACTED**] Investors, it supports that the [**REDACTED**] Investors reached a mutual agreement in September 2021 to terminate all special rights granted under the Shareholders' Agreement. Subsequently, a termination agreement was signed between our Company and the [**REDACTED**] Investors on December 31, 2022, as a result of the progress of the Company's then anticipated ChiNext Listing Attempt and to ensure comprehensive documentation. As advised by the PRC Legal Adviser, (i) all the aforesaid confirmation letters from the relevant [**REDACTED**] Investors do not violate PRC laws and regulations and are legal documents binding on the relevant [**REDACTED**] Investors; and (ii) all special rights granted to the [**REDACTED**] Investors are effectively terminated prior to the Track Record Period. For the avoidance of doubt, no redemption rights were exercised by the [**REDACTED**] Investors during the Track Record Period.

The Sole Sponsor has performed the following due diligence work regarding the termination of special rights of the [**REDACTED**] Investors prior to the Track Record Period: (i) obtained and reviewed the documents in relation to the special rights of the [**REDACTED**] Investors; (ii) discussed with the Company in relation to the background and rationale in relation to the termination of special rights; (iii) discussed with the PRC Legal Adviser of the Company and reviewed the legal opinion issued by the PRC Legal Adviser of the Company in relation to the termination of special rights; and (iv) discussed with the reporting accountants of the Company in relation to the accounting treatment in relation to, among others, the termination of special rights, and the relevant audit procedures performed by Deloitte in this regard. In respect of the termination of special rights by the [**REDACTED**] Investors, the reporting accountants of the Company have examined the relevant documentation set out in the aforementioned paragraphs and attended discussion and meetings with the Company, the Sole Sponsor and PRC Legal Adviser of the Company and of the Sole Sponsor, as part of their procedures performed in connection with the preparation of the Accountants' Report.

***Lock-up***

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

***Use of proceeds***

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

**Strategic benefits of the [REDACTED] Investors to our Company**

Our Directors are of the view that our Group could benefit from the [**REDACTED**] Investors' commitment to our Company as their investments fuel our expansion and development of our business, demonstrate confidence in our business operation and endorse our performance and growth prospects. Further, our Company could benefit from the [**REDACTED**] Investors' investment knowledge, experience, valuable advice and business insights. In addition, our Group could benefit from the business resources and potential business opportunities through the [**REDACTED**] Investors from time to time.

**Information about our [REDACTED] Investors**

We set out below a description of our [**REDACTED**] Investors, being individuals, private equity funds or corporations, the background of the [**REDACTED**] Investors are set out below.

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

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

***Beijing GX***: Beijing GX is a PRC-based limited partnership principally engaged in investment of non-securities business and investment management and consultation. As at the Latest Practicable Date, Beijing GX was owned as to approximately (i) 2.75% by Jiaxing GX Private Equity Fund Management Partnership (Limited Partnership)* (嘉興光信私募基金管理合夥企業(有限合夥)) ("**Jiaxing GX**") as its general partner and (ii) 97.25% by nine entities as its limited partners, all of whom contributed less than 30% of the equity interests of Beijing GX. As at the Latest Practicable Date, Jiaxing GX was owned as to approximately 2% by GX Private Equity Fund Management (Beijing) Co., Ltd.* (光信私募基金管理(北京)有限公司) ("**GX Capital**") as its general partner and 98% by Pingxiang Daxin Business Consulting Center (Limited Partnership)* (萍鄉大信商務諮詢中心(有限合夥)) ("**Pingxiang Daxin**") as its limited partner. Both GX Capital and Pingxiang Daxin were owned as to 90% and 10% by Huang Guanchen and Feng Tao, respectively. Each of Huang Guanchen, Feng Tao and the limited partners of Beijing GX is an independent third party.

***Euro Master***: Euro Master is a company incorporated in Hong Kong principally engaged in equity investment. As at the Latest Practicable Date, Euro Master was wholly owned by Cathay Small-Cap III (凱輝基金三期), and the actual controller of the fund management company was Cai Ming-Po (蔡明潑), an independent third party.

***Guozhong Fund***: Guozhong Fund is a PRC-based limited partnership principally engaged in private equity investment, venture capital fund management services. As at the Latest Practicable Date, Guozhong Fund was owned as to approximately (i) 1% by Shenzhen Guozhong Changrong Asset Management Co., Ltd.* (深圳國中常榮資產管理有限公司) ("**Shenzhen Guozhong**") as its general partner; and (ii) 33.33% and 65.67% by National Small and Medium Enterprise Development Fund Co., Ltd.* (國家中小企業發展基金有限公司) ("**SME Development Fund**") and eight institutions, respectively as its limited partners. Save as to SME Development Fund, none of the eight institutions held more than 20% of Guozhong Fund. As at the Latest Practicable Date, SME Development Fund was owned as to 42.66% by Ministry of Finance of the PRC (中華人民共和國財政部) and 57.34% by 15 corporations, all whom hold less than 15% of the equity interests in SME Development Fund. As at the Latest Practicable Date, Shenzhen Guozhong was ultimately controlled by Shi Anping (施安平), an independent third party. The limited partners of Guozhong Fund are all independent third parties.

***Beijing Hezhong***: Beijing Hezhong is a PRC-based limited partnership principally engaged in investment management and consultation services. As at the Latest Practicable Date, Beijing Hezhong was owned as to approximately (i) 3.63% by Beijing Baiquan Nahai Investment Management Co., Ltd.* (北京百泉納海投資管理有限公司) ("**Baiquan Nahai**") as its general partner and (ii) 96.37% by 23 entities as its limited partners, all of whom contributed less than 15% of the equity interests of Beijing Hezhong. As at the Latest Practicable Date, Baiquan Nahai was owned as to approximately 35%, 25% and 25% by Wang Wenzhong (汪文忠), Hu Haiquan (胡海泉), Wang Yu (王昱) respectively. All the shareholders of Baiquan Nahai and the limited partners of Beijing Hezhong are independent third parties.

***CMG Fund***: CMG Fund is a PRC-based limited partnership principally engaged in equity investment, investment and asset management services. As at the Latest Practicable Date, CMG Fund was owned as to approximately (i) 0.70% by Haitong Creative Private Equity Fund Management Co., Ltd.* (海通創意私募基金管理有限公司) ("**Haitong Creative**") and CTV Fusion (Shanghai) Enterprise Management Partnership Enterprise (Limited Partnership)* (中視融合(上海)企業管理合夥企業(有限合夥)) ("**CTV Fusion**") as its general partners and (ii) 99.30% by 24 entities as its limited partners, all of whom contributed less than 20% of the equity interests of CMG Fund. As at the Latest Practicable Date, Haitong Creative was owned as to 53.25% equity interests by Haitong Capital Co., Ltd. (海通開元投資有限公司), which in turn was a wholly-owned subsidiary of Guotai Haitong Securities Co., Ltd. (國泰海通證券股份有限公司) ("**Guotai Haitong Securities**"), a company listed on the Stock Exchange (stock code: 2611) and Shanghai Stock Exchange (stock code: 601211). As at the Latest Practicable Date, the actual controller of Guotai Haitong Securities Co., Ltd. was Shanghai International Group Co., Ltd.* (上海國際集團有限公司). All the limited partners of CMG Fund are independent third parties.

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

***Luo Wenjuan and Qiu Dekang***: We became acquainted with Mr. Qiu and Ms. Luo through the introduction of Mr. Yu, our Single Largest Shareholder, where Mr. Yu was introduced to Mr. Qiu and Ms. Luo by their friends. Luo Wenjuan and Qiu Dekang are investors both with more than 15 years of experience in equity investments and are independent third parties. Ms. Luo is the spouse of Mr. Qiu.

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

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

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

***GBA No. 1***: GBA No. 1 is a PRC-based limited partnership principally engaged in equity investment, investment and asset management services. As at the Latest Practicable Date, GBA No. 1 was owned as to approximately (i) 0.50% by Guangdong Bay Area Venture Capital Co., Ltd.* (廣東灣區創業投資有限公司) ("**GBA Capital**") as its general partner and (ii) 49.00% and 40.50% by Guangdong Xinhua Distribution Group Co., Ltd.* (廣東新華發行集團股份有限公司) ("**Guangdong Xinhua**") and Guangdong Southern Media Investment Co., Ltd.* (廣東南方傳媒投資有限公司) ("**Guangdong Southern Media**") as its limited partners, respectively. GBA Capital was owned as to 40.00%, 20.00%, 20.00% and 20.00% by Guangdong Southern Media, Chongqing Rongwan Chuangfu Enterprise Management Partnership (Limited Partnership* (重慶融灣創富企業管理合夥企業(有限合夥)) ("**Chongqing Rongwan**"), Guangzhou Nanchuan Capital Management Partnership Enterprise (Limited Partnership)* (廣州南傳資本管理合夥企業(有限合夥)) and Chengdu Songmiao Venture Capital Co., Ltd.* (成都松苗創業投資有限公司), respectively. As at the Latest Practicable Date, Guangdong Xinhua was owned as to 99.39% by Southern Publishing and Media Co., Ltd.* (南方出版傳媒股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 601900) ("**Southern Publishing**"). As disclosed in its 2024 annual report, the controlling shareholder of which was Guangdong Publishing Group Co., Ltd.* (廣東省出版集團有

限公司) which in turn was wholly-owned by Guangdong Provincial People's Government (廣東省人民政府). As at the Latest Practicable Date, Chongqing Rongwan was owned as to 45% and 55% by Guo Shannan (郭姍楠) and Guo Yujia (郭雨佳), respectively. As at the Latest Practicable Date, Guangdong Southern Media was wholly-owned by Southern Publishing. To the best knowledge of the Directors and having made all reasonable enquiries, each of the general partner and limited partners of GBA No. 1 is an independent third party.

***Shenzhen Guolinfeng***: Shenzhen Guolinfeng is a PRC-based limited partnership principally engaged in investment information consulting, investment management and equity investment. As at the Latest Practicable Date, Shenzhen Guolinfeng was owned as to approximately (i) 0.44% by Shenzhen Chengyuan Investment Co., Ltd.* (深圳承遠投資有限公司) ("**Shenzhen Chengyuan**") as its general partner and (ii) 31.11%, 24.89%, 16.00%, 16.00% and 11.56% by Ding Ning (丁寧), Du Jingyu (杜靖翊), Fan Zeng (范曾), Kong Fanzhen (孔凡臻) and Yang Haiying (楊海英) as its limited partners, respectively. As at the Latest Practicable Date, Shenzhen Chengyuan was owned as to 51% and 49% by Ye Tianyun (葉天雲) and Fan Zeng (范曾), respectively. Each of Ye Tianyun, Feng Zeng and the limited partners of Shenzhen Guolinfeng is an independent third party.

***Yang Ke (楊軻)***: We became acquainted with Mr. Yang through the introduction of Mr. Yu, who was Mr. Yang's classmates. From April 2015 to the Latest Practicable Date, Mr. Yang was our supervisor. From December 2020 to April 2022, Mr. Yang was a supervisor of Tongmu Zhuyi.

***Fosun Weiying***: Fosun Weiying is a PRC-based limited partnership principally engaged in private equity investment. As at the Latest Practicable Date, Fosun Weiying was owned as to approximately (i) 0.80% by Shanghai Fosun Weishi Equity Investment Management Partnership Enterprise (Limited Partnership)* (上海復星惟實股權投資管理合夥企業(有限合夥)) ("**Fosun Weishi**") as its general partner and (ii) 99.20% by 17 corporations as its limited partners, all of which hold less than 15% of the equity interest in Fosun Weiying. As at the Latest Practicable Date, Fosun Weishi was owned as to 75% and 25% by Shanghai Fosun Wealth Investment Management Co., Ltd.* (上海復星創富投資管理股份有限公司) ("**Fosun Wealth**") as its general partner and Shanghai Fuye Investment Management Center (Limited Partnership)* (上海復業投資管理中心(有限合夥)) as its limited partner, respectively. Fosun Wealth is controlled by Shanghai Fosun High-Tech (Group) Co., Ltd.* (上海復星高科技(集團)有限公司) ("**Fosun High-Tech**") . The controlling shareholder of Fosun High-Tech was Fosun International Limited ("**Fosun International**"), a company listed on the Stock Exchange (stock code: 00656), the controlling shareholder of which was Fosun Holdings Limited. The beneficial owner of Fosun Holdings Limited was Fosun International Holdings Ltd., which was owned as to 85.29% and 14.71% by Messrs. Guo Guangchang and Wang Qunbin, respectively. To the best knowledge of the Directors and having made all reasonable enquiries, each of the general partner and limited partners of Fosun Weiying is an independent third party.

***Shanghai Ruma***: Shanghai Ruma is a PRC-based limited partnership principally engaged in enterprise management and information consulting services. As at the Latest Practicable Date, Shanghai Ruma was owned as to approximately (i) 1.96% by Shanghai Ruma Enterprise Management Consulting Co., Ltd.* (上海如碼企業管理諮詢有限公司) ("**Ruma Management**") as its general partner and (ii) 29.41% by Liu Xuelin (劉學林) and 68.63% by four entities as its limited partners, all of which held less than 20% of the equity interest in Shanghai Ruma. As at the Latest Practicable Date, Ruma Management was owned as to 99% by Shanghai Oujie Cultural Communication Co., Ltd.* (上海歐捷文化傳播有限公司), which in turn was owned as to 50% and 50% by Wang Changlin (王長林) and Zhang Haiyun (張海雲). To the best knowledge of the Directors and having made all reasonable enquiries, each of the general partner and limited partners of Shanghai Ruma is an independent third party.

**Other Individual [REDACTED] Investors**

We became acquainted with Mr. Li Wanqiang (黎萬強), Mr. Ding Pengfei (丁鵬飛), Ms. Chen Jingzhi (陳靜芝), Mr. Lv Hangjun (呂杭軍), Ms. Xu Danni (徐丹妮), Mr. Ruan Zhuoer (阮卓爾), Mr. Zhao Lei (趙磊), Ms. Lv Lihan (呂立翰), Mr. Zhang Lei (張磊), Mr. Yin Xuelong (殷雪龍), Ms. Zhang Jianmei (張建梅), Mr. Jin Zeguang (金澤廣), Ms. Shentu Jiahui (申屠佳惠), Mr. Yang Junjie (楊竣傑), Ms. Jin Lihua (金麗華), Mr. Qian Jiayang (錢家陽), Mr. Yu Hong (俞宏), Mr. Huang Dongsheng (黃東升), Mr. Ren Bingzhang (任炳章), Mr. Zhou Chengfeng (周乘風), Mr. Shi Ziming (史子鳴), Mr. An Hui (安輝), Mr. Ren Liang (任亮), Ms. Wang Yuezhen (王玥楨), Mr. Cui Yushu (崔玉舒), Mr. Ding Yi (丁屹) (whose spouse Ms. Liu Dan (劉丹) was friends with Mr. Yu) and Ms. Huang Ningning (黃寧寧) through the introduction of Mr. Yu or from corporate events.

Ms. Dong Shengfang (董聖芳) was friends with Ms. Luo Wenjuan (羅文娟), who used to hold certain Shares as a nominee on behalf of Ms. Dong. Please refer to the subsection headed "(ix) Share Transfer in February 2023" for details.

We became acquainted with Mr. Jin Hongwei (金宏偉), Ms. Liang Yu (梁鈺), Mr. Chen Lisheng (陳理升) when he/she became aware that Euro Master intended to dispose of our Shares.

Mr. Luo Renxiang (羅仁祥) and Mr. He Yun (何贇) are our executive Directors. For details, please refer to section headed "Directors and Senior Management – Executive Director." Save as to Mr. Luo and Mr. He, our employees and ex-employee comprise, (a) Mr. Zhang Weijiang (張衛江), our production center second division manager; (b) Hu Wenping (胡文萍), our purchasing director (採購總監) of our purchasing center and our supervisor; (b) Zhang Jie (張傑), our manager of the distributor department and manager the marketing center of our direct-operating store; (d) Jia Jinfu (賈金富), our ex-employee of our Company.

Save as to Mr. Luo, Mr. He and Ms. Hu, all of the aforementioned individual [**REDACTED**] Investors are independent third parties.

**Compliance with [REDACTED] Investment Guidance**

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

## OUR SUBSIDIARIES

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

| Name of subsidiary | Principal business activities | Date of establishment |
|---|---|---|
| Tongshifu Cultural and Creative | retails of literary and artistic creation, arts and crafts, and figures*(note)* | April 17, 2023 |
| Xijiang Art Painting | operating store(s) on the e-commerce platform to sell bronze sculptures | October 11, 2021 |
| Huanxi Xiaojiang (歡喜小將) | operating store(s) on e-commerce platforms to sell plastic trendy products | November 2, 2021 |
| Xijiang Gold Shop (璽匠金舖) | operating store(s) on an e-commerce platforms to sell gold cultural and creative products | July 17, 2024 |
| Hangzhou Yueyin | operating store(s) on an e-commerce platform to sell silver cultural and creative products | June 27, 2022 |
| Hangzhou Zhibo | house leasing | June 1, 2012 |
| Hangzhou Weitan | operating store(s) on e-commerce platforms to sell wooden cultural and creative products | March 29, 2021 |

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

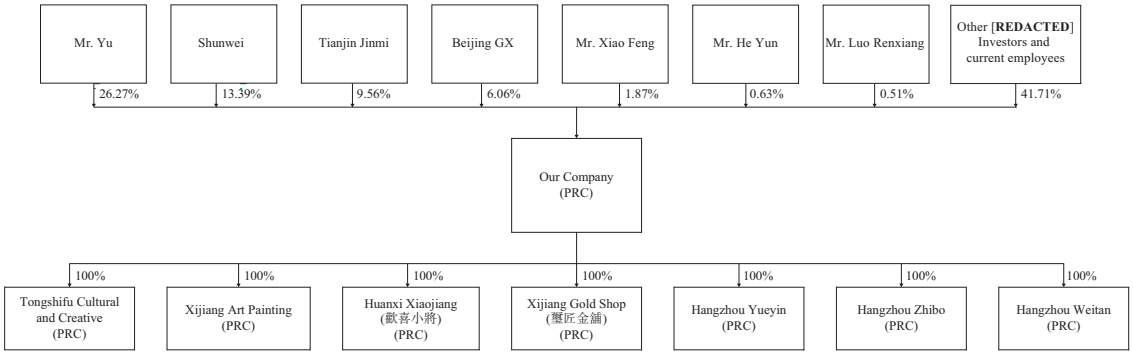
## MAJOR ACQUISITIONS, DISPOSALS AND MERGERS

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

## CORPORATE STRUCTURE OF THE COMPANY

### Corporate Structure as at the Latest Practicable Date

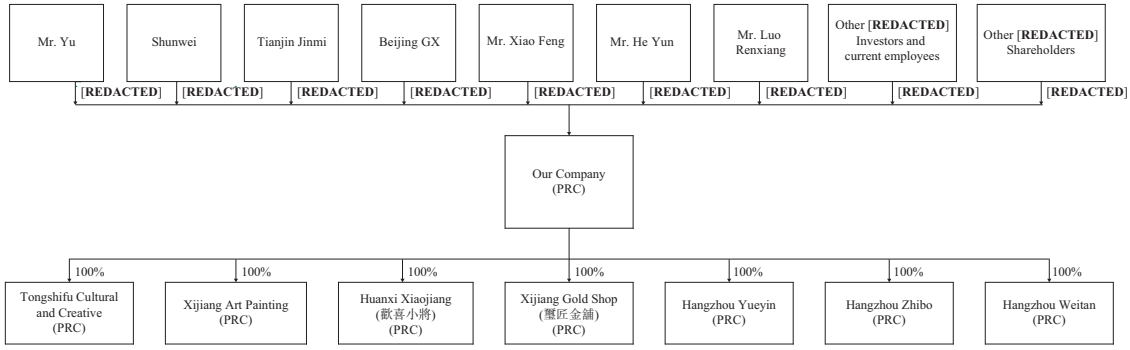
The following chart illustrates the shareholding structure and corporate structure of our Group as at the Latest Practicable Date:




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

## Corporate Structure Immediately Following the Completion of the [REDACTED]

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




*Note:* Please refer to the note to the paragraph headed "Corporate Structure as at the Latest Practicable Date" above for more information.

## OVERVIEW

We, TONGSHIFU (銅師傅), have focused on developing copper-based cultural and creative products by integrating traditional techniques with modern design and usage scenarios since our inception. According to the F&S Report, we ranked No. 1 in China's copper-based cultural and creative crafts market in terms of overall revenue for the year ended December 31, 2024, with a market share of 35.0%. The PRC copper-based cultural and creative crafts market accounted for approximately 6.3% of the PRC metal cultural and creative craft market in 2024 and is a narrow sub-segment of the broader PRC cultural and creative craft market, in which we held an approximately 0.2% market share in 2024.

Originating as a copper workshop steeped in classical Chinese techniques, TONGSHIFU has evolved into a nationally leading cultural brand. Through continuous investment in original design and research and development, we have extended our materials portfolio to include gold, silver, and plastic, reaching a broader audience. Our copper, gold, and silver products are made from pure metals. Certain copper-based cultural and creative product SKUs feature a layer of pure gold or silver coating to enhance their aesthetic appeal and value.

As consumers place greater value on personal expression and cultural identity, the demand for well-designed products has grown. Within this broader context, cultural and creative crafts have established a unique place, focusing on craftsmanship, material quality, and cultural value.

Among the various materials used in the CCI, copper holds distinctive artistic and cultural value, and has long been a cornerstone of Chinese craftsmanship, valued for its strength, malleability, and capacity to convey sculptural depth and symbolic meaning. We apply the ancient lost-wax casting method to achieve high levels of sculptural precision. Our copper-based creations encompass a wide range of formats, including decorative centerpieces, gifts conveying blessings, and icons blending cultural value with aesthetics, each reflecting an integration of tradition and modern design.

Today, copper-based cultural and creative products remain at the core of our offerings. Building on this foundation, we have progressively expanded into diverse material categories, including plastic figures and toys, silver cultural and creative products, and gold cultural and creative products. This expansion leverages our accumulated strengths in aesthetic design and scalable craftsmanship, while addressing the growing consumer demand for culturally expressive products made from diverse materials.

### Cultural Integration and the Rise of "Guochao" (國潮)

In recent years, consumer preferences have increasingly shifted toward culturally expressive and design-driven products that reinterpret tradition through a modern lens, a consumer trend widely known as "Guochao." Our product philosophy is aligned with this trend: by drawing from classical Chinese culture and symbolism and reimagining them with contemporary design language, we create works that bridge heritage and contemporary design. We also collaborate with cultural institutions and contemporary artists to reinterpret traditional cultural elements into our product lineup. For more details, please refer to the section headed "Business – Intellectual Property – IP Licensing Arrangements" in this document.

For further details on our product series, please refer to the section headed "– Our Products – Our Product Categories" in this document. Our original IP collections lie at the core of our creative identity, each drawing from Chinese mythology, folklore, and symbolic tradition to deliver products. Among them, the Copper Gourd series and the Great Sage series stand out as two of our most iconic and best-selling lines.

The Copper Gourd series reimagines the traditional Chinese auspicious symbol of hulu (葫蘆) in modern design, translating its long associated with protection, fortune, and vitality, into a versatile product line that has evolved alongside our brand. The series began with our value-focused *Copper Blessing Gourd (好運銅葫蘆)*, which introduced a wide audience to the beauty of copper craftsmanship. Building on its popularity, we progressively developed more refined and symbolically enriched editions. Key pieces such as *Five Gourds of Fortune (福祿滿堂)* express the five traditional blessings. During the Track Record Period, the Copper Gourd series recorded sales of over 784,030 units and revenue of approximately RMB144.5 million.

The Great Sage series draws inspiration from Sun Wukong, the central character of Journey to the West (《西遊記》), one of the Four Great Classical Novels of Chinese literature. Also known as the "Great Sage Equal to Heaven" (齊天大聖), Sun Wukong is a widely known cultural icon. Our Great Sage series reinterprets this figure through sculptural storytelling depicting three stages of his life. During the Track Record Period, the Great Sage series generated revenue of approximately RMB131.9 million, reflecting its market acceptance and solidifying its status as one of our most iconic product lines.

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

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

To sustain creative leadership, we have always adhered to a "self-creation-first, IP licensing as supplement" development strategy. This approach ensures that our core product development is grounded in original artistic creation, while selectively integrating external quality IPs to enrich our product mix, realizing the synergy of diversified expression and audience reach. For the years ended December 31, 2022, 2023, 2024 and the nine months ended September 30, 2024 and 2025, we newly launched 583, 514, 707, 429 and 404 SKUs each year/period.

**Multi-channel Expansion: Strengthening Online and Offline Presence**

From a channel perspective, our sales are categorized into online and offline sales, with online channels consistently contributing the majority of our revenue. From a business model perspective, our channels are further segmented into (i) direct sales, (ii) distribution partnerships, and (iii) consignment arrangement. Direct sales serve as our core revenue engine, comprising online direct sales, offline direct sales through self-operated stores, and a small portion of sales to institutional customers, which accounted for 2.5%, 2.6%, 3.1%, 3.1% and 2.7% of total revenue for the years ended December 31, 2022, 2023, 2024 and the nine months ended September 30, 2024 and 2025 respectively. Distribution partnerships are comprised of both online and offline distributors operating under a buyout model, while consignment sales are primarily conducted through third-party online platforms.

We have maintained an online-first strategy, while progressively allocating more resources to the expansion of self-operated offline stores from 2025 onwards. Our online direct sales, primarily through flagship stores such as Tmall, JD.com, and Douyin, represented 70.6%, 69.9%, 70.5%, 69.3% and 70.9% of total revenue for the years ended December 31, 2022, 2023, 2024 and the nine months ended September 30, 2024 and 2025 respectively. When combined with online distributor sales, revenue generated from online channels accounted for 80.9%, 79.2%, 77.2%, 76.9% and 76.7% of total revenue in the same periods.

While online channels remain dominant, we have selectively expanded into offline retail to complement and enhance digital experience, with both offline direct sales and offline distribution. As of September 30, 2025, we operated 18 self-operated offline stores. In parallel, we maintained a broader offline footprint through 53 authorized offline distributors operating 63 stores.

Our brand identity, differentiated product offerings, and focused marketing efforts have attracted a large base of loyal consumers and cultural enthusiasts often referred to as "Copper Fans (銅粉)." Copper Fans regularly participate in our seasonal campaigns and brand events such as the annual "Copper Fans Convention (銅粉節)." This consistent engagement enhances our brand's customer loyalty and consumer stickiness across platforms. We define repurchase rate as the proportion of users who placed more than one confirmed purchase order on a given platform within the same calendar year. Our strong brand affinity is further reflected in the consistently steady repurchase rates achieved across all our online direct sales channels during the Track Record Period. Our weighted average repurchase rate across all online direct sales channels was approximately 59.2%, 56.9%, 56.4% and 53.2% for the years ended December 31, 2022, 2023, 2024 and the nine months ended September 30, 2025, respectively.

## STRENGTHS

### Balancing quality and accessibility through structured pricing and craftsmanship

We pursue a product and pricing strategy that aims to provide quality cultural and creative items to a broad consumer base. Our pricing strategy plays a pivotal role in realizing this vision. We carefully balance material quality, production complexity, and design sophistication to ensure that each product delivers a high perceived value. Our pricing takes into account material selection, production complexity, and design features. Products made from copper, silver and other materials are developed with consistent production standards. This multi-tiered structure enables us to reach a wide range of consumers such as first-time buyers, repeat customers, and long-term collectors.

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

### Enhancing traditional techniques with structured workflows and process optimization

While our core processes remain grounded in traditional methods such as tongcai kiln-fired coloring and yancai mineral pigment hand-painting, we have introduced structured workflows and selective use of technology to enhance consistency, scalability, and quality. At our Hangzhou production base, we operate a vertically integrated production system that enables close coordination across design, casting, finishing, and inspection, while preserving hand craftsmanship.

According to the F&S Report, a high degree of manual craftsmanship remains a defining industry characteristic, underpinning both artistic value and product quality. We support this model through structured training, defined skill pathways, and organized team deployment, which shorten onboarding time and improve consistency across artisan teams. Technology serves a supportive role in improving accuracy and workflow efficiency, while creative execution remains centered on human craftsmanship.

**Original design as drivers of long-term development**

Our research and development focus lies in creative development, from cultural research and thematic exploration to design ideation, sculpting, and prototyping. In the years ended December 31, 2022, 2023, 2024 and the nine months ended September 30, 2024 and 2025, we allocated approximately RMB18.8 million, RMB28.6 million, RMB28.2 million, RMB20.7 million and RMB24.7 million to research and development activities, representing approximately 3.7%, 5.7%, 5.0%, 5.2% and 5.5% of our total revenue in the respective years/periods.

Led by our founder Mr. Yu, our in-house creative team guides the artistic direction of our brand. We have established a structured and iterative creative development process that allows us to translate abstract cultural ideas into tangible, high-quality products. This process includes early-stage cultural curation and storyboarding, collaborative design workshops, 3D modeling and clay sculpting, and final-stage prototyping and refinement. Each step is governed by clear stage gates, internal review mechanisms, and rapid feedback loops, enabling us to maintain design consistency while accelerating time-to-market.

To protect and enhance our creative assets, we maintain a disciplined IP management system covering patents, artistic copyrights, and proprietary techniques. As of September 30, 2025, we had obtained 1,776 artistic copyrights, 171 design patents, 12 utility model patents, 9 software copyrights and 3 invention patents. These safeguards preserve our creative integrity and reinforce our differentiation in a highly competitive market.

**A wide multi-channel reach powered by diverse channels**

Our multi-channel strategy is designed to extend both the accessibility and influence of our brand across varied geographies and product categories. Our online presence allows us to efficiently serve consumers nationwide, particularly in lower-tier cities where access to cultural and creative retail is limited and remains a cornerstone of our brand engagement and commercial success.

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

**Experienced management and creative team supporting long-term business growth**

Our success is powered by a sophisticated team that combines deep industry expertise with commitment to artistic excellence. Our founder, Mr. Yu, possesses a fine-arts academic background and has consistently supported craftsmanship and cultural heritage. He currently serves as our chairman of the Board, executive Director and general manager, and leads the overall creative direction of the Company. With deep roots in both industrial design and sculptural aesthetics, Mr. Yu has received multiple accolades that reflect his longstanding dedication to original design. He was the recipient of the internationally renowned iF Product Design Award (iF產品設計獎) and was named Best Creative Designer (最佳創新設計師) at the China Innovation Design Forum. He also received the Kapok Prize Gold Award (紅棉獎金獎) and the National-Level Bronze Award for Cultural Artistry Product Innovation (中國工藝美術文化創意獎銅獎) in recognition of his contributions to the industry.

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

## STRATEGIES

### Ongoing product development to catalyze new growth momentum

We are advancing a product development strategy centered on our core strength in copper-based cultural and creative crafts, aiming to solidify our market leadership while capturing evolving consumer preferences. We remain focused on developing original IP product lines, expanding licensed collaborations, and launching new SKUs that respond to the increasingly diverse needs of our consumer base.

Domestically, we are accelerating the expansion of our offline retail footprint through self-operated stores in high-traffic cultural and commercial locations. Internationally, we plan to scale our offline distribution network in key overseas markets, particularly through curated partnerships with local resellers and retail channels.

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

### Optimizing a multi-channel sales network for an integrated retail ecosystem

We aim to optimize and expand our multi-channel sales network by maintaining our online-first strategy while further developing offline direct sales as a complementary channel. Online engagement will remain central to our sales strategy, and we will continue to leverage social media, livestreaming platforms and content-driven initiatives to refine consumer targeting and enhance conversion. At the same time, we believe our online and offline channels can reinforce each other through brand exposure, customer acquisition and repeat purchases. This approach is consistent with the F&S Report, which shows that PRC online sales of copper cultural and creative craft are expected to increase from RMB612.7 million in 2024 to RMB849.7 million in 2029, while offline sales are expected to increase from RMB963.7 million to RMB1,432.6 million over the same period. For details, please refer to "Industry Overview — Market Size of Copper Cultural and Creative Craft Market in the PRC" in this document.

Offline, we plan to scale our self-operated retail footprint in China's major metropolitan and regional centers. As of September 30, 2025, we operated 18 self-operated stores, and we plan to open approximately 70 new stores from 2026 to 2028 in cities such as Beijing, Shenzhen, Chongqing, Nanjing, Wuhan, Jinan, Xiamen, Xi'an, Kunming and Guiyang. We intend to maintain a unified retail pricing policy across online and offline channels in the PRC, while increasing the proportion of products better suited to offline display and in-person experience. These products are generally larger, more detailed and more refined, and are therefore expected to carry higher ASP and gross profit margin than our current average offline direct sales products and, in many cases, our online products. As we expand our offline direct sales network, our cost structure and selling and marketing expenses are expected to reflect additional store leasing, decoration, staffing, store operations and localized offline promotion. At the same time, a broader self-operated store network is expected to enhance our direct consumer reach, strengthen brand visibility and improve our

ability to showcase and sell higher-ASP and higher-margin products in person. We therefore believe offline expansion is expected to support revenue growth and improve the contribution of offline direct sales to our overall profitability over time. In parallel, we will continue to optimize our offline distributor network by phasing out underperforming or subscale offline distributors and concentrating our offline resources on self-operated stores and selected higher-quality distributors.

**Improving demand forecasting and resource allocation to optimize order fulfillment**

We aim to further enhance production planning and order fulfillment efficiency by improving demand forecasting accuracy and the allocation of production resources across product lines. While our handcrafted products naturally involve longer production cycles, the key operational focus is on optimizing capacity deployment rather than expanding absolute capacity. During the Track Record Period, demand for certain products experienced temporary concentration, which created localized pressure on workshop scheduling and skilled labor allocation and, in some cases, extended pre-order lead times. Notwithstanding these fluctuations, our overall production capacity utilization remained at a high level. In the years ended December 31, 2022, 2023, 2024 and the nine months ended September 30, 2024 and 2025, our production capacity utilization rate was 99.7%, 99.3%, 101.7%, 96.0% and 98.7%, respectively.

To address these challenges, we are refining our integrated planning framework to strengthen coordination between sales forecasting and production execution. This includes adopting more granular SKU-level planning for mature products, establishing structured production forecasts for new launches, and improving process-level manpower planning based on historical production cycle data. In parallel, we plan to enhance demand forecasting by incorporating real-time indicators such as pre-order trends and sales data, supported by early-warning mechanisms and digital tools for production scheduling and inventory monitoring. These measures are intended to improve planning accuracy, reduce fulfillment volatility, and support more balanced and responsive order delivery as our product portfolio continues to expand.

**International expansion strategy and regional market development**

We are pursuing an international expansion strategy, beginning with markets that share historical, linguistic, or cultural affinity with Chinese craftsmanship. Our near-term priority is Southeast Asia, where consumer appreciation for symbolic artistry, coupled with a strong offline retail culture, presents a natural opportunity for market entry. We also plan to progressively expand into Hong Kong and Macau, using these culturally aligned regions as the initial hubs and bridges for broader international development. We are preparing to enter the Southeast Asia markets with a focus on offline sales channels, including partnerships with regional distributors and select placements in high-traffic retail spaces such as cultural venues and shopping malls. In these regions, offline engagement plays a pivotal role in shaping brand perception, enabling consumers to physically experience our craftsmanship and storytelling.

In the medium to long term, we plan to explore additional opportunities in Japan and Europe. These markets are expected to represent the next phase of our international expansion following the establishment of brand awareness and operational foundations in Southeast Asia. As part of our early-stage efforts, we have participated in one exhibition in Europe to further showcase our brand and connect with local distributors and cultural consumers. We aim to become a conduit for cultural exchange by introducing Chinese cultural symbols and craftsmanship to global audiences.

**Selective digital enhancement to support operational efficiency**

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

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

## OUR PRODUCTS

### Our Product Categories

We design, develop, manufacture, and sell a diverse range of cultural and creative products that blend traditional Chinese artistry with modern aesthetics. Our product portfolio is centered around copper-based cultural and creative products, complemented by plastic figures and toys as well as silver and gold cultural and creative products. For the years ended December 31, 2022, 2023, 2024 and the nine months ended September 30, 2024 and 2025, revenue generated from copper-based cultural and creative products accounted for 95.4%, 96.3%, 96.6%, 96.7% and 94.8% of our total revenue, respectively.

Our products can be classified into four main categories based on material and craftsmanship: (i) copper-based cultural and creative products, (ii) plastic figures and toys, (iii) silver cultural and creative products, and (iv) gold cultural and creative products.

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

| | For the year ended December 31, | | | | | | For the nine months ended September 30, | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2022 | | 2023 | | 2024 | | 2024 | | 2025 | |
| | *RMB'000* | *% of revenue* | *RMB'000* | *% of revenue* | *RMB'000* | *% of revenue* | *RMB'000* | *% of revenue* | *RMB'000* | *% of revenue* |
| | | | | | | | *(unaudited)* | | | |
| Copper-based cultural and creative products | 479,645 | 95.4 | 488,005 | 96.3 | 551,251 | 96.6 | 389,196 | 96.7 | 424,600 | 94.8 |
| – Copper ornaments | 428,004 | 85.1 | 434,161 | 85.7 | 497,831 | 87.2 | 351,260 | 87.3 | 390,203 | 87.2 |
| – Copper engraved artworks | 51,641 | 10.3 | 53,844 | 10.6 | 53,420 | 9.4 | 37,936 | 9.4 | 34,397 | 7.6 |
| Plastic figures and toys | 3,286 | 0.7 | 13,304 | 2.6 | 14,252 | 2.5 | 11,089 | 2.8 | 6,959 | 1.6 |
| Silver cultural and creative products | 4,771 | 0.9 | 3,320 | 0.7 | 4,232 | 0.7 | 1,086 | 0.3 | 6,538 | 1.5 |
| Gold cultural and creative products | – | – | – | – | 1,274 | 0.2 | 820 | 0.2 | 9,496 | 2.1 |
| Wooden cultural and creative products | 15,483 | 3.0 | 1,754 | 0.4 | 179 | 0.0 | 164 | 0.0 | 79 | 0.0 |
| **Total** | **503,185** | **100.0** | **506,383** | **100.0** | **571,188** | **100.0** | **402,355** | **100.0** | **447,672** | **100.0** |

Please refer to "Financial Information – Description of Selected Components of Statements of Profit or Loss – Gross Profit and Gross Profit Margin" in this document for discussion of our gross profit and gross profit margin by product categories.

The following table sets forth our sales volume and ASP of our major product categories during the Track Record Period.

| | For the year ended December 31, | | | | | | For the nine months ended September 30, | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2022 | | 2023 | | 2024 | | 2024 | | 2025 | |
| | Sales volume | ASP | Sales volume | ASP | Sales volume | ASP | Sales volume | ASP | Sales volume | ASP |
| | *Units* | *RMB* | *Units* | *RMB* | *Units* | *RMB* | *Units* | *RMB* | *Units* | *RMB* |
| Copper-based cultural and creative products | 1,318,788 | 363.7 | 1,297,376 | 376.1 | 1,549,310 | 355.8 | 1,001,045 | 388.8 | 1,394,160 | 304.6 |
| Plastic figures and toys | 25,842 | 127.1 | 140,313 | 94.8 | 185,743 | 76.7 | 131,329 | 84.4 | 118,503 | 58.7 |
| Silver cultural and creative products | 2,860 | 1,668.1 | 2,556 | 1,299.2 | 6,451 | 655.9 | 781 | 1,390.8 | 16,452 | 397.4 |
| Gold cultural and creative products | – | – | – | – | 14 | 91,025.3 | 1 | 819,560.6 | 564 | 16,836.5 |
| Wooden cultural and creative products | 44,500 | 347.9 | 11,601 | 151.2 | 1,314 | 136.6 | 794 | 206.8 | 2,487 | 32.0 |
| **Total** | **1,391,990** | **–** | **1,451,846** | **–** | **1,742,832** | **–** | **1,133,950** | **–** | **1,532,166** | **–** |

For the nine months ended September 30, 2024 and 2025, our total sales volume increased from approximately 1.1 million units to 1.5 million units, while our blended ASP decreased. This was primarily due to a mix shift toward smaller-format and more entry-level SKUs, which supported higher unit sales and broader customer reach but lowered the overall ASP.

**Copper-based cultural and creative products.** Sales volume remained broadly stable at approximately 1.3 million units in 2022 and 2023, increased to approximately 1.5 million units in 2024, and further increased to approximately 1.4 million units for the nine months ended September 30, 2025. The growth was mainly driven by newly launched smaller-format, entry-level copper ornaments that were easier to purchase as gifts (for example, the "Shangui Huaqian (山鬼花錢)" series and other mini-sized offerings such as "Mini Ruyi (小如意)" and "Mini Gourd (小葫蘆)"). As these SKUs are priced meaningfully lower than larger, more complex copper pieces, a higher contribution from these products increased unit sales volume but diluted ASP.

**Plastic figures and toys.** Sales volume increased significantly from 2022 to 2024 as we expanded our offerings and introduced more trend-driven SKUs including a number of self-developed IP lines launched in late 2022 that contributed for a full year in 2023. Over the same years, ASP declined, mainly because we priced certain newly launched plastic SKUs at more accessible levels to broaden market penetration and, in 2024 and the nine months ended September 30, 2025, we also conducted promotional and markdown campaigns for selected legacy series as part of our inventory optimization. As a result, unit sales remained resilient while the ASP trended lower.

**Other product categories.** Silver and gold cultural and creative products remained smaller in scale during the Track Record Period, while wooden cultural and creative products were gradually phased out starting from 2022; accordingly, their sales volume and ASP movements did not represent the primary drivers of our overall sales volume and blended ASP trend.

***Copper-Based Cultural and Creative Products***

Copper-based cultural and creative products form the foundation of our product portfolio. Our copper craftsmanship is anchored in its historical value in Chinese art, leveraging the material's malleability, durability, and aesthetic versatility to create an extensive range of products that cater to both collectors and contemporary consumers.

To address diverse consumer preferences, we have structured our copper-based cultural and creative products into two primary brands. "TONGSHIFU" is our core brand, offering a wide range of copper cultural and creative products that integrate traditional Chinese cultural themes with modern design. "Tai Tong (太銅)," on the other hand, represents our mid-to-high-end series. The name "Tai Tong" reflects high standards of copper craftsmanship, combining artistic dedication with technical skill. This brand targets consumers who value high-quality, unique pieces that serve as expressions of cultural value and convey traditional heritage.

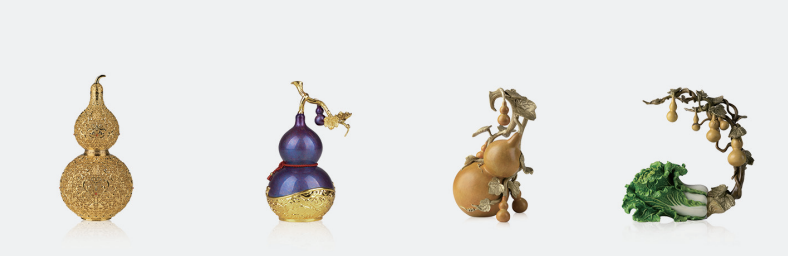
Our copper-based cultural and creative products are further segmented into two primary categories: (i) copper ornaments and (ii) copper engraved artworks. Among these, copper ornaments account for the majority of our sales, reflecting strong consumer demand for three-dimensional artistic expressions inspired by Chinese mythology, history, and folklore. Both the Tongshifu and Tai Tong brands cover copper ornaments and copper engraved artworks. In the product examples set out below, items belonging to the Tai Tong brand are specifically indicated. Unless otherwise specified, all listed products are part of the Tongshifu brand.

***Copper ornaments***

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

The Copper Gourd series draws inspiration from the traditional Chinese symbol of the hulu (葫蘆), long associated with good fortune, health, and protection.

**Copper Gourd Series**



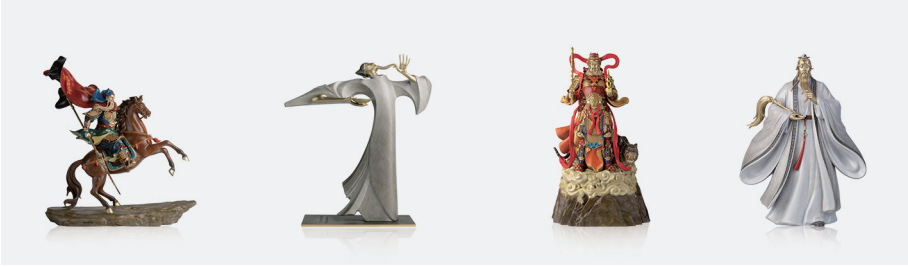
The *Great Sage* series is one of our most iconic and successful original IP collections, inspired by Sun Wukong (孫悟空), the legendary figure from the classic Chinese novel Journey to the West. Our Great Sage series reinterprets this enduring figure through a sculptural narrative. Each piece explores a distinct stage of Sun Wukong's mythic journey from youthful defiance, to disciplined growth during the pilgrimage with Tang Sanzang, and finally, to enlightened transcendence. The series presents a narrative progression of self-discovery and empowerment, offering consumers not just creative content but also an identification with themes of resilience and inner strength. This flagship series spans both copper ornaments and copper engraved artworks, showcasing our craftsmanship through diverse formats.

**Great Sage Series**

*Traditional Culture Series*

This series brings legendary historical figures and cultural icons to life, capturing the spiritual essence of Chinese history, literature, and folklore through sculptural reinterpretation.

**Traditional Culture Series**



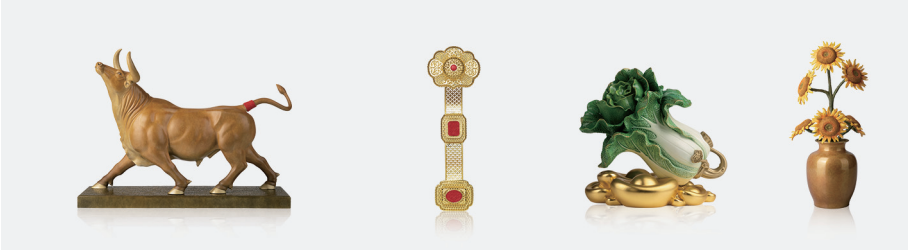
*Cultural Relic Revival Series*

Drawing inspiration from the country's vast historical heritage, this series bridges ancient relics with contemporary aesthetics, allowing cultural icons to reach with today's audiences in new and accessible ways. Many of the works in this series are original reinterpretations or refined adaptations of well-documented historical artifacts, infused with new meaning, form, and storytelling. In addition to our independent re-creations, we have also collaborated with leading national and regional museums to co-develop themed products based on selected relics.

*Auspicious Homophone Series*

Our Auspicious Homophone Series draws on the traditional Chinese practice of using phonetic puns and visual metaphors, known as Koucai, to convey well wishes and symbolic meaning through sculptural form. Each piece in this series expresses blessings of peace, prosperity, health, wisdom, and success, using everyday symbols with culturally embedded double meanings.

**Auspicious Homophone Series**



*Mythology and Folklore Series*

Our Mythology and Folklore Series draws inspiration from traditional Chinese myths, folk customs, and symbolic imagery. We reimagine these long-established figures, stories, and motifs through original sculptural design and contemporary craftsmanship, breathing new life into cultural heritage.

*Licensed IP Collaborations*

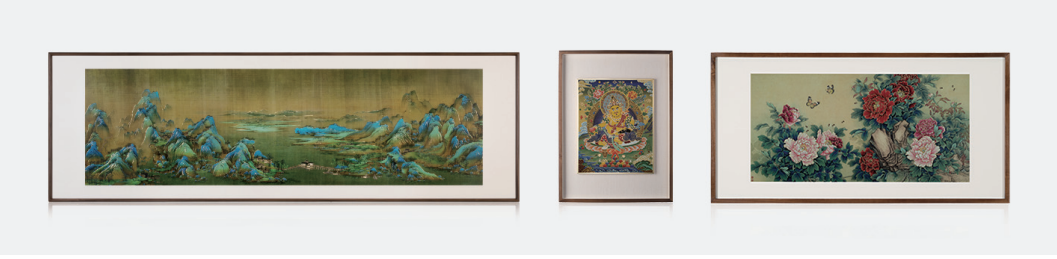
We enrich our product ecosystem through curated partnerships with leading global and domestic intellectual properties. These collaborations enable us to diversify our creative portfolio, enhance cross-generational appeal, and expand into broader consumer segments.

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

***Copper engraved artworks***

Our copper engraved artworks embody a fusion of classical Chinese value and traditional metal craftsmanship. By reimagining two-dimensional paintings and symbolic motifs as richly layered copper engraved artworks, we transform artistic expression into a tactile, dimensional product. These works are crafted for both wall-mounted and desktop display in personal and ceremonial spaces.

**Copper Engraved Artworks**



***Plastic Figures and Toys***

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

***Silver Cultural and Creative Products***

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

***Gold cultural and creative products***

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

Our gold cultural and creative products are marketed under a dedicated sub-brand, "Xijiang Gold Shop (璽匠金舖)." This brand is positioned to appeal to discerning collectors and consumers who seek auspicious, refined, and symbolically meaningful gold pieces. By applying traditional techniques such as lost-wax casting, engraving, and high-polish finishing, we have developed a premium line of gold products that reflect both decorative artistry and intrinsic value. These products are crafted with 999 pure gold. In addition to our gold offerings, select SKUs under the "Xijiang Gold Shop" sub-brand are also available in pure silver versions.

***Wooden cultural and creative products***

During the Track Record Period, we also offered a limited range of wooden cultural and creative products under our "Weitan (唯檀)" brand. Both the absolute value and proportion of revenue from this category were low, and the significant decrease resulted from our decision to cease production of wooden cultural and creative products starting in 2022. The cessation of our wooden cultural and creative products was a strategic decision made after evaluating market conditions and customer feedback, as we streamlined our product portfolio to focus on materials and categories more aligned with our core strengths and long-term development direction. Revenue in the subsequent period was primarily derived from the sale of remaining inventory.

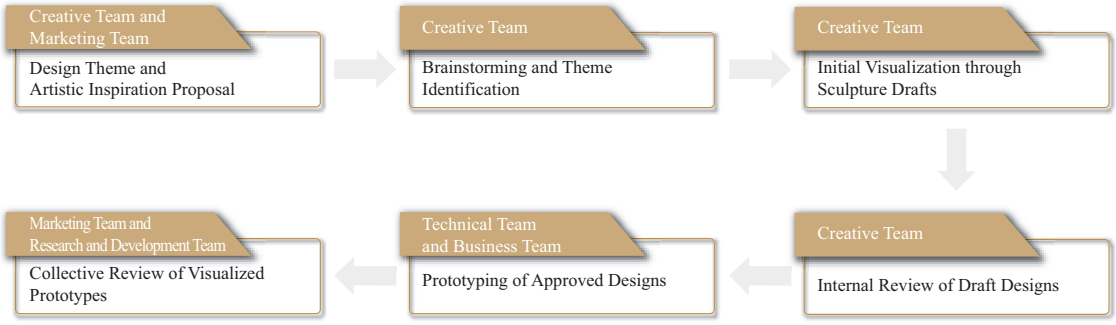
**Our Product Development**

Our product development is the foundation of our business and is functionally integrated with our research and development efforts. In our context, research and development does not generate proprietary core technologies, but rather serves as a practical and creative engine for continuous SKU creation, product iteration, and original IP expansion. As a result, our research and development expenses are primarily allocated towards original design, sample development and process improvement. In other words, our research and development resources are dedicated to the conceptualization, sculpting, sampling, and process refinement involved in new product development. For more details, please refer to "Financial Information – Description of Selected Components of Statements of Profit or Loss – Research and Development Expenses" in this document. As of September 30, 2025, we had 142 full-time research and development personnel. These employees are embedded within our project teams, and their work follows a project-based structure, with each cycle typically resulting in new product releases or refreshed IP lines.

***Creative Product Development***

Our creative product development follows a dual-track approach, combining self-developed IPs with licensed collaborations to ensure a diverse and commercially viable portfolio. We prioritize a design-first philosophy, where originality and cultural relevance are fundamental to our offerings. To foster product and process advancement, we have established a dedicated Research and Development Center, led by our founder and supported by specialized teams, comprising our creative team, marketing team and business team. Our founder, Mr. Yu, plays a central role in steering the creative direction of our brand, drawing upon his extensive artistic background and deep understanding of Chinese cultural heritage. He is personally involved in the conceptual review, aesthetic judgment, and final approval of all major original IPs, ensuring consistency in artistic vision and cultural authenticity across our product lines. This structure enables us to refine our product ideas through a rigorous, multi-stage process.

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




Our creative product development process begins with design theme and artistic inspiration proposal, where we define the core theme and creative direction, followed by brainstorming and theme identification to refine concepts into actionable product ideas. We then proceed to initial visualization through sculpture drafts to translate concepts into initial forms for visual assessment. Next, internal review of draft designs is conducted to validate artistic coherence and feasibility, after which prototyping of approved designs is carried out to produce prototypes that can be assessed from both design and execution perspectives. The process concludes with collective review of visualized prototypes, where we consolidate feedback across functions and determine the final version for subsequent production planning and commercialization.

***Licensed IP Product Development***

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

For licensed IP product development, we start with licensing opportunity assessment and IP onboarding to evaluate fit and complete onboarding based on agreed licensing scope and requirements. We then conduct co-branded creative planning and adaptation to integrate the licensed IP's identity with our design language. This is followed by prototype co-validation and licensor review, where prototypes are developed and iterated with licensor input until approval is obtained. We then complete production alignment and IP compliance to ensure production specifications and all market-facing materials meet both internal standards and licensor requirements. Finally, we conduct market launch and performance monitoring to execute the launch through designated channels and track performance for potential follow-up iterations.

## OUR IP PORTFOLIO

We have built a comprehensive IP portfolio, comprising both self-developed IPs and licensed IP collaborations, supported by a robust framework of design patents, copyrights, and proprietary techniques. In support of our IP strategy, we have established a dedicated creative research and development system composed of 142 research and development personnel as of September 30, 2025. We continue to expand our research and development talent base and deepen design specialization, as reflected by a steady increase in new SKU output across a broadening range of product categories and themes during the Track Record Period.

The table below set forth the revenue contributed of our SKUs based on self-developed IPs and SKUs based on licensed IPs and the percentage of our revenue for the periods indicated.

| | For the year ended December 31, | | | | | | For the nine months ended September 30, | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2022 | | 2023 | | 2024 | | 2024 | | 2025 | |
| | *Revenue RMB'000* | *%* | *Revenue RMB'000* | *%* | *Revenue RMB'000* | *%* | *Revenue RMB'000 (unaudited)* | *%* | *Revenue RMB'000* | *%* |
| SKUs based on self-developed IPs | 473,520 | 94.1 | 447,243 | 88.3 | 535,398 | 93.7 | 372,665 | 92.6 | 395,290 | 88.3 |
| SKUs based on licensed IPs | 29,665 | 5.9 | 59,140 | 11.7 | 35,790 | 6.3 | 29,690 | 7.4 | 52,382 | 11.7 |
| **Total** | **503,185** | **100.0** | **506,383** | **100.0** | **571,188** | **100.0** | **402,355** | **100.0** | **447,672** | **100.0** |

For the years ended December 31, 2022, 2023, 2024 and the nine months ended September 30, 2024 and 2025, revenue generated from SKUs based on our self-developed IPs was approximately RMB473.5 million, RMB447.2 million, RMB535.4 million, RMB372.7 million and RMB395.3 million, accounted for approximately 94.1%, 88.3%, 93.7%, 92.6% and 88.3% of our total revenue, respectively. SKUs based on our Licensed IPs, on the other hand, generated revenue of approximately RMB29.7 million, RMB59.1 million, RMB35.8 million, RMB29.7 million and RMB52.4 million, representing 5.9%, 11.7%, 6.3%, 7.4% and 11.7% of our total revenue, respectively. We have continued to enrich our intellectual property portfolio through both self-developed and licensed IPs, with new SKUs introduced each year/period to support our evolving product roadmap. For the years ended December 31, 2022, 2023, 2024, the nine months ended September 30, 2024 and 2025, we introduced 407, 350, 528, 342, and 327 new SKUs based on our self-developed IPs, respectively. Over the same periods, we introduced 176, 164, 179, 87, and 77 new SKUs based on our licensed IPs, respectively. The number of new SKUs is calculated based on those that were newly made available for sale during the respective years/periods.

In each year/period during the Track Record Period, revenue generated from our top five IPs was RMB103.1 million, RMB101.8 million, RMB136.4 million and RMB104.8 million for the years ended December 31, 2022, 2023 and 2024 and the nine months ended September 30, 2025, accounting for 20.5%, 20.1%, 23.9% and 23.4% of the total revenue of each year/period, respectively. We do not rely materially on any single IP. Our IP portfolio is diverse, encompassing both self-developed and licensed IPs. This diversity mitigates the risks associated with market fluctuations and ensures that our business remains resilient in the face of changing trends or competitive pressures.

**Self-Developed IPs and Original Design Capabilities**

Our original IPs form the foundation of our brand identity and creative strategy. They reflect our ability to independently conceptualize, sculpt, and commercialize culturally content grounded in Chinese tradition, while adapting to the evolving preferences of modern consumers. For the years ended December 31, 2022, 2023, 2024 and the nine months ended September 30, 2024 and 2025, revenue generated from SKUs based on our self-developed IPs accounted for approximately 94.1%, 88.3%, 93.7%, 92.6% and 88.3% of our total revenue, respectively. These figures underscore our strategic focus on building a proprietary IP system that enhances brand identity, consumer engagement and gross profit margins.

Our IP creation capabilities lie in our ability to reinterpret Chinese heritage with originality and relevance. Rather than relying solely on aesthetic replication, we explore the symbolic and cultural value embedded in Chinese history, folk customs, and literary tradition. Our design philosophy emphasizes transformation over reproduction, fusing classical symbolism with new narrative formats, aesthetic updates, and usage scenarios that align with contemporary lifestyles and consumer psychology. For further details on our IP families and representative product series, please refer to "– Our Products – Copper-Based Cultural and Creative Products" in this section.

### Strategic IP Collaborations and Licensed Partnerships

In addition to self-developed IPs, we actively collaborate with leading entertainment licensors, cultural media programs, and renowned museums to enrich our product portfolio and expand cultural accessibility. These collaborations are carefully curated to ensure alignment with our artistic philosophy and brand values. Given the high barriers to entry, these licenses are typically granted only to partners who demonstrate excellence in craftsmanship, product safety, and narrative interpretation. Our ability to obtain and retain such IPs reflects both our technical capabilities and cultural credibility. For salient terms of our licensed IP agreements, please refer to "Business — Intellectual Property — IP Licensing Arrangements" in this document.

We have launched licensed product lines inspired by a range of cultural, entertainment and heritage IPs, which are provided solely as illustrative and non-exhaustive examples of our licensed IP collaborations. These examples include selected internationally recognized film, animation and entertainment franchises, which are adapted into copper ornaments through our proprietary sculptural design and craftsmanship; certain themed universes incorporating fantasy, mechanical or futuristic elements; as well as classic animated characters reinterpreted into decorative cultural products. In addition, we collaborate with cultural and heritage-based IPs, including traditional Chinese cultural themes and museum-related content, drawing inspiration from historical art, philosophy and iconography.

## OUR PRICING

### Pricing Policy

Our pricing strategy is based on the principle of value-driven quality, emphasizing the artistic, cultural, and material value of each product while ensuring broad consumer accessibility. Our goal is to offer products of fine craftsmanship, with prices that fairly reflect their design and quality.

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

During the Track Record Period, our online average transaction value per customer was approximately RMB958, RMB822, RMB777 and RMB598 for the years ended December 31, 2022, 2023, 2024, and the nine months ended September 30, 2025, respectively. The overall decline was primarily driven by a gradual shift in consumer preference towards lighter and more refined SKUs. These SKUs are lighter and smaller (use less material), leading to a generally lower selling price, thus catering to a wider customer base and are more affordable compared to larger, heavier items. We also introduced these new SKUs as part of its ongoing effort to expand our market reach. As our online direct sales account for around 70% of our total revenue, they offer a broad-based reflection of evolving customer tastes. During the Track Record Period, the offline average transaction value per customer from our offline self-operated stores was approximately RMB1,918, RMB1,734, RMB568 and RMB726 for the years ended December 31, 2022, 2023, 2024 and the nine months ended September 30, 2025, respectively. The significant decrease in 2024 was mainly due to our offline self-operated store expansion. In the years ended December 31, 2022 and 2023, we operated only one to two self-operated stores, both in middle-to-high-end commercial areas of Hangzhou with strong foot traffic and high spending power. For the year ended December 31, 2024 and the nine months ended September 30, 2025, we opened seven and nine additional stores in multiple cities, reaching a more diverse and younger customer base. Going forward, while we intend to maintain the same retail prices for the same products across our online and offline channels in

the PRC, we plan to further optimize the product mix of our self-operated stores by increasing the proportion of products better suited to offline display and in-person experience. These products are generally larger, more detailed and more refined, and may therefore support a higher average transaction value per customer for offline direct sales over time. For further details, see "Business — Strategies — Optimizing a Multi-Channel Sales Network for an Integrated Retail Ecosystem."

Our pricing approach is supported by disciplined cost management and operational control. We maintain long-term relationships with key suppliers of copper, silver and other materials to stabilize input costs and ensure quality, and we enhance production efficiency through an integrated manufacturing model that combines traditional craftsmanship with structured processes. Centralized production further allows us to improve yield, reduce wastage and maintain consistent quality standards.

We manage pricing centrally to ensure consistency across channels. While distributors are offered standard commercial discounts, resale prices to end customers are aligned with those offered through our self-operated channels. Promotional activities, including discount campaigns and bundled offerings, are centrally coordinated and implemented consistently across participating channels. We also conduct periodic pricing reviews by assessing raw material costs, consumer behavior, product performance and competitive dynamics, and we implement price adjustments cautiously, typically together with corresponding value enhancements, to preserve long-term pricing discipline and brand equity.

## OUR PRODUCTION

We operate an integrated production and procurement model that combines in-house manufacturing with limited outsourced production. Our in-house production is conducted at our Hangzhou Facility, where we leverage the region's rich artisanal heritage and advanced supply chain infrastructure. To ensure flexibility in meeting market demand and optimizing resource allocation, we also engage third-party manufacturers for certain product categories requiring standardized processes or urgent capacity expansion. For the years ended December 31, 2022, 2023, 2024 and the nine months ended September 30, 2024 and 2025, our outsourcing costs accounted for 3.7%, 4.1%, 4.8%, 5.2% and 5.1% of our cost of sales, respectively.

### Our Procurement Process

Our procurement strategy emphasizes the sourcing of high-quality raw materials, particularly copper and its alloys, to maintain the integrity and artistic value of our cultural and creative craft products.

Copper is the primary raw material used in our manufacturing process, with its price volatility being a key factor influencing our procurement costs. During the Track Record Period, direct materials, which primarily comprising copper used in our copper-based cultural and creative products, accounted for approximately 51.9%, 47.1%, 47.1%, 46.9% and 47.6% of our total cost of sales for the years ended December 31, 2022, 2023, 2024 and the nine months ended September 30, 2024 and 2025, respectively. For more details, please see "Financial Information – Description of Selected Components of Statements of Profit or Loss – Cost of Sales" in this document.

We procure copper-related raw materials in various processed forms, including electrolytic copper, copper sheets, copper rods, and copper granules. These materials are sourced from established suppliers, and are purchased after initial processing from smelters. Our procurement prices therefore include not only the copper content value but also processing fees and logistics costs, which vary depending on the product form and supplier arrangements. Among these materials, electrolytic copper typically meets the 99.9% copper content standard, while other materials such as brass and bronze alloys exhibit a lower copper content, generally ranging from 60% to 90%, depending on their composition and use. We apply differentiated quality testing and procurement standards based on the intended use of each material type. The price of copper is influenced by global supply and demand dynamics, macroeconomic conditions, and fluctuations in

commodity markets. In industry practice, the most commonly cited benchmark for copper prices in China is the Shanghai Futures Exchange ("**SHFE**") copper contract, which reflects the futures pricing of standard electrolytic copper (99.9% purity), and serves as an indicative reference for contract settlement and trend analysis.

Our procurement prices for copper were generally in line with prevailing market trends, as shown in the table below:

| | For the year ended December 31, | | | For the nine months ended September 30, | |
|---|---|---|---|---|---|
| | 2022 | 2023 | 2024 | 2024 | 2025 |
| Average copper purchase price (RMB/kg)[(1)] | 58.6 | 59.5 | 63.2 | 63.2 | 66.2 |
| Market price (RMB/kg)[(2)] | 67.1 | 68.1 | 75.0 | 75.0 | 78.3 |

*Notes:*

(1) Our average copper purchase price represents the average procurement cost across various copper-based raw materials with copper content ranging between approximately 60% and 99%. It also includes processing fees and transportation costs charged by our suppliers, which reflect the degree of pre-processing (such as flattening or cutting) and delivery arrangements required for different material forms.

(2) The market price refers to the annual average futures price of electrolytic copper (99.9% purity) as quoted on the SHFE. This benchmark is based on pure copper and does not account for variations in composition or form among the actual raw materials we procure, and thus is for indicative comparison only.

During the Track Record Period, the average copper prices exhibited fluctuations, reflecting broader economic and commodity market trends. Our procurement prices for copper were generally in line with prevailing market rates. In the future, copper prices are expected to remain elevated in the near term, supported by continued demand from infrastructure and industrial applications, although short-term fluctuations may occur due to global trade dynamics and macroeconomic uncertainties.

To manage the impact of fluctuations in copper and other raw material prices, we adopt a disciplined procurement approach combined with ongoing product and pricing management. While these measures apply to raw materials generally, they are primarily directed at managing copper price volatility, as copper is our principal raw material and has the most significant impact on our cost of sales. We monitor the prices of copper on a regular basis and generally procure copper-related raw materials in relatively small batches, with each purchase typically covering approximately five to seven days of production needs. This approach helps reduce the risk of accumulating inventory at elevated prices while maintaining operational flexibility. We also maintain long-term cooperative relationships with key suppliers to support supply stability. During the Track Record Period and up to the Latest Practicable Date, we had not adopted any hedging policy or entered into futures contracts or other hedging instruments in relation to copper or other raw materials. We do not have contractual arrangements with customers that automatically pass through increases in raw material costs, and we generally do not raise the prices of products already on sale solely due to increases in copper or other raw material costs. As a result, we cannot guarantee that such cost increases can be fully passed on to customers. Instead, where copper or other raw material costs rise on a sustained basis, we primarily seek to mitigate the impact through product iteration and new product launches, under which newly launched or upgraded products may be priced with reference to their overall positioning, design, size, details, quality and prevailing market conditions. However, there can be no assurance that these measures will fully offset increases in copper or other raw material costs, and if we are unable to manage such cost pressure effectively, our profitability and results of operations may be adversely affected. For risks relating to raw material price volatility and its potential impact on our profitability and competitiveness, please refer to "Risk Factors — Fluctuations in Commodity Prices, in Particular Copper, May Materially and Adversely Affect Our Business, Results of Operations or Financial Condition."

## Our Production Facility

We operate a production facility in Hangzhou, Zhejiang Province (the "**Hangzhou Facility**"), which is dedicated to the manufacturing of our cultural and creative craft products. Our facility is strategically located to leverage the region's rich artisanal heritage, skilled workforce, and well-established supply chain infrastructure. The Hangzhou Facility spans a total gross floor area of approximately 155,626 square meters as of September 30, 2025.

### *Equipment and Machinery*

We have deployed a range of production machinery to support and enhance key steps in our manufacturing process. These machines are designed to increase efficiency, improve consistency, and assist our skilled workforce in executing complex tasks across multiple production stages. At our Hangzhou Facility, we operate polishing lines for surface finishing, coloring lines for burnishing and tonal control, copper forming lines for base shaping, and hand-painting lines for decorative detailing. We also utilize wax model production lines for casting preparation, as well as digital printers for customized motifs and surface textures. In addition, our equipment portfolio includes precision engraving machines, CNC carving systems, and 3D modeling tools, which support our engraving and design refinement workflows. All machines are maintained according to standardized schedules to ensure stable operations and product quality across our copper-based production lines.

### *Production Capacity*

Our production capacity reflects the artisanal nature of our copper-based cultural and creative products and is based on the annual volume of copper processed (in kilograms). Our designed capacity is derived from standardized labor assumptions, accounting for the manual processes involved. Specifically, we estimate our designed production capacity by simulating the average processing time required for representative workflows under standard annual working hours. Actual production output, on the other hand, is calculated based on the total weight of finished copper-based products recorded into inventory.

The following table sets forth the breakdown of our designed capacity, actual production output, and utilization rate during the Track Record Period:

| | For the year ended December 31, | | | For the nine months ended September 30, | |
|---|---|---|---|---|---|
| | 2022 | 2023 | 2024 | 2024 | 2025 |
| Designed capacity[(1)] (kg) | 1,391,500 | 1,268,625 | 1,518,750 | 1,227,366 | 953,480 |
| Actual production output[(2)] (kg) | 1,386,737 | 1,259,101 | 1,545,168 | 1,177,795 | 940,879 |
| Utilization rate[(3)] *(%)* | 99.7 | 99.3 | 101.7 | 96.0 | 98.7 |

*Notes:*

(1) Calculated as the average number of production employees during the relevant period multiplied by standard annual working hours per worker multiplied by copper output per labor hour. Copper output per labor hour is derived from the standard processing time of representative workflows. Standard annual working hours are based on 250 days a year and eight working hours per day.

(2) Based on the actual weight (kg) of finished copper-based cultural and creative products that were completed and recorded into inventory during the relevant period.

(3) Utilization rate equals our actual production output divided by our design capacity.

During the Track Record Period, our production capacity utilization remained relatively stable at a high level. In the years ended December 31, 2022, 2023, 2024 and the nine months ended September 30, 2024 and 2025, our production capacity utilization rate was 99.7%, 99.3%, 101.7%, 96.0% and 98.7%, respectively. This reflects our ongoing efforts to refine process management, optimize labor deployment, and enhance production planning accuracy in response to fluctuating demand. The fact that our utilization rate slightly exceeded 100% in 2024 demonstrates our ability to meet strong consumer demand through intensified operational scheduling and temporary productivity enhancements. Our future plans of enhancing our production capacity aim to enable us to accommodate future growth in demand, mitigate delivery delays, and preserve product quality and brand reputation. The utilization rate slightly increased for the nine months ended September 30, 2025 to 98.7%. The increase in our production efficiency was directly linked to our strategy of synergistic optimization and more focused labor deployment. By outsourcing non-core, low-value processes, the internal workforce could concentrate on high-value production tasks, such as hand engraving and complex surface treatments. These improvements in labor specialization and the development of skilled craftsmanship have enabled faster production of similarly complex products, ultimately increasing the capacity utilization rate without requiring additional labor costs.

In addition, we plan to allocate approximately [**REDACTED**]% of the [**REDACTED**] from the [**REDACTED**] (equivalent to approximately HK$[**REDACTED**]) to enhance our in-house production capacity and improve alignment between demand forecasting and manufacturing output, thereby increasing fulfillment agility and supporting long-term product availability. Our planned additional design capacity is approximately 680,000 kg, making the total design capacity reaching 2.2 million kg after the expansion. For more details, please refer to "Future Plans and [**REDACTED**] — Enhance Production Capacity and Fulfilment Agility" in this document.

Our production workforce is structured into three tiers: workers, technicians, and management. Personnel at the technician level are classified as skilled craftsmen, responsible for supervising production quality, executing technically demanding processes, and mentoring junior staff through daily on-site apprenticeship. We define a "skilled craftsman" as a production-line technician who has worked continuously in the same role at our company for 12 months or longer. These individuals are typically responsible for complex and high-precision processes, including wax model sculpting, hand engraving, precision welding, patina application, and final surface finishing. Their accumulated experience and craftsmanship are essential to ensuring product consistency and the preservation of our artistic identity. To support workforce stability and facilitate skills transmission, we operate a structured apprenticeship program and internal promotion pathway. We believe this model is critical to maintaining the depth and continuity of our production capabilities.

While the cultural and creative product industry is generally characterized by structural reliance on skilled artisans, due to the high degree of manual involvement in traditional processes, we do not consider ourselves to be materially or structurally reliant on individual skilled craftsman. During the Track Record Period, we employed approximately 271, 379, 421 and 479 skilled craftsmen as of the end of 2022, 2023 and 2024 and September 30, 2025, respectively, accounting for approximately 29.6%, 38.7%, 50.8% and 54.2% of our total production workforce in each year/period. These skilled craftsmen are primarily responsible for process-intensive procedures such as engraving, polishing, and detailed hand-painting. While these techniques require dexterity and visual judgment, they have been modularised into narrowly defined, standardized process steps that enable effective task segmentation and scalable training.

Our in-house process design enables us to train and deploy entry-level workers with no prior experience in metal crafts. Under our structured apprenticeship model, new hires typically undergo one to three months of intensive hands-on training and mentorship before they are able to independently perform their assigned process segments. Each production-stage worker focuses on one or a few clearly defined steps within the production chain, which significantly reduces the skills acquisition threshold as compared to traditional end-to-end craftsmanship models. We also operate a structured evaluation and role adaptation mechanism. Each year/period, we intentionally recruit

a surplus number of new production trainees, and observe their aptitude through a focused training cycle. For example, for certain burning and hand-painting positions in 2024, only approximately 20% to 30% of newly recruited workers remained in the same role by the end of the year. This outcome was in line with our internal planning and reflects a deliberate mechanism designed to assess and support new hires in adapting to specific job requirements. Through such structured training and allocation processes, we ensure effective role matching and reduce structural reliance on skilled craftsman. Once assigned to regular production, our skilled workers are compensated through a performance-based model linked to production output and quality. Experienced workers who consistently meet our standards can earn income that is above the regional average in the Yangtze River Delta area. This has contributed to our high level of employee satisfaction and operational stability.

As a result of our internal modularisation of processes, scalable training system, and regional labor supply advantages, we did not experience any material difficulty in recruiting or maintaining skilled production workers during the Track Record Period. With the exception of short-term disruptions during the COVID-19 pandemic, we have consistently met our staffing needs through direct hiring and internal upskilling.

**Our Outsourced Production**

To supplement our in-house production capabilities, we engage in limited outsourced production focused on two specific areas: (i) the substantial production of our plastic toy line under the brand "Huanxi Xiaojiang (歡喜小將)," and (ii) the outsourcing of certain individual mechanical processes that rely on specialized industrial equipment. For the years ended December 31, 2022, 2023, 2024 and the nine months ended September 30, 2024 and 2025, our outsourcing costs accounted for 3.7%, 4.1%, 4.8%, 5.2% and 5.1% of our cost of sales, respectively. In particular, we selectively outsource certain intermittent or small-volume mechanical processes involving specialized industrial equipment, such as metal plating and stamping or press-forming, and in 2025 also outsourced the production of certain small entry-level copper-based cultural and creative products. We maintain stable relationships with multiple external manufacturers, and all outsourced products or processed components are subject to our quality inspection before being accepted into inventory or incorporated into our internal workflow, while final assembly and craftsmanship-intensive procedures remain strictly performed in-house.

For our plastic toys, we are responsible for product design, prototype development and technical drawings, which are provided to qualified third-party manufacturers for production. Finished goods are delivered to us for quality inspection and accepted into inventory only if they meet our specifications. For selected metal-ware SKUs, we outsource certain discrete production steps involving specialized industrial processes that are not required on a recurring basis. These processes are performed by third-party processors in accordance with our technical specifications, and the processed components are inspected upon receipt before being incorporated into our internal workflow, while final assembly and craftsmanship-intensive procedures remain performed in-house.

## OUR CRAFTSMANSHIP AND MANUFACTURING

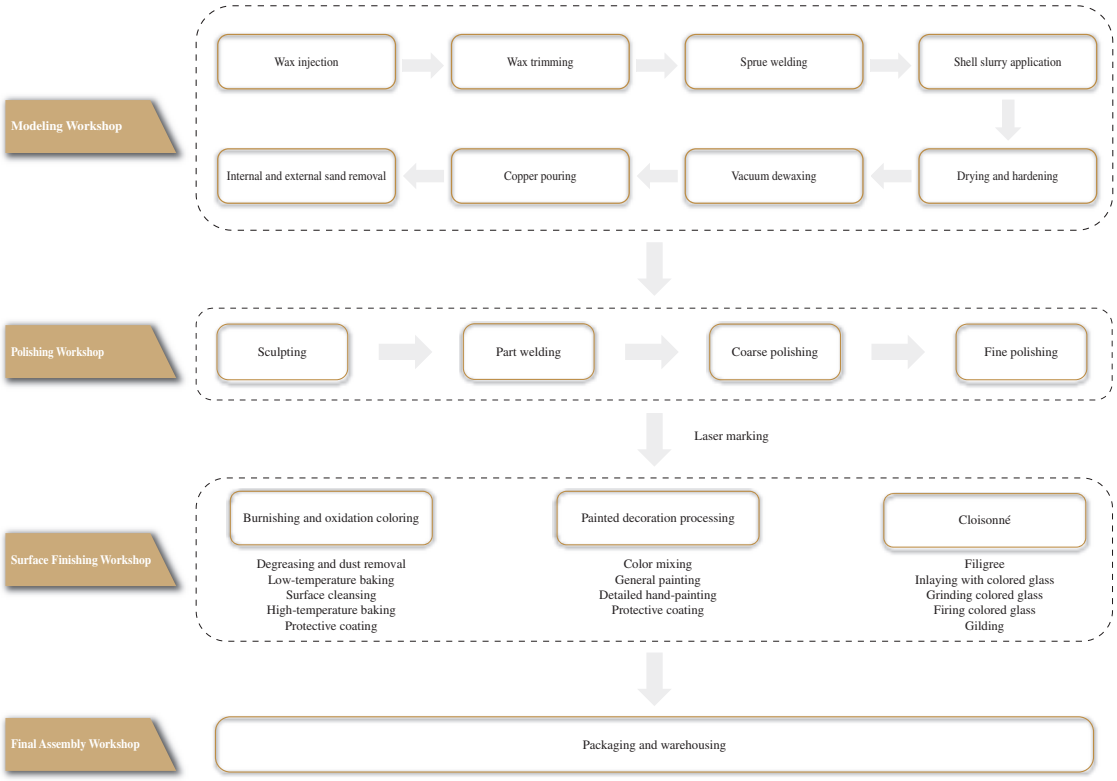
Our manufacturing process is based on the integration of traditional Chinese craftsmanship and modern process refinement, enabling us to deliver culturally meaningful and artistically intricate works at scale.

All raw materials, including copper and other metallic inputs, undergo mandatory quality inspection upon delivery but prior to warehouse entry. Each batch is subject to visual, dimensional and purity checks conducted by our quality inspection team. Only those materials that meet our internal standards are allowed to proceed into the production cycle.

## Lost-Wax Casting Process

We use a traditional lost-wax casting method to produce our copper ornaments, combining centuries-old craftsmanship with modern workflow refinements. The entire process typically spans around 12 working days and involves four core workshops: modeling, polishing, surface finishing and final assembly.

The following diagram illustrates the key stages of our lost-wax casting process.




**(i) Modeling workshop**. The modeling workshop prepares the initial shapes of our copper-based cultural and creative products using the lost-wax casting method. The process includes wax injection (蠟模灌製) using injection equipment (射蠟機), wax model trimming (蠟模修整) and gating system welding (澆道焊接) to assemble wax models, followed by ceramic shell slurry application (蠟模黏漿) through repeated dipping. The ceramic shells then undergo vacuum dewaxing (真空脱蠟) and drying and hardening (乾燥硬化) using automated equipment, preparing the moulds for copper pouring (銅水澆鑄).

**(ii) Polishing workshop**. The polishing workshop focuses on post-casting cleanup and surface refinement. After copper pouring and internal and external sand removal (內外清砂), each piece undergoes staged manual processing, including part welding (配件焊接) where necessary, as well as coarse and fine polishing, to remove residues, refine shape details and achieve the required surface smoothness for subsequent decoration.

**(iii) Surface finishing workshop**. The surface finishing workshop completes decorative and visual effects according to the intended design, including burning and oxidation coloring (燒色), painted decoration processing (手繪相關工序) and cloisonné enamelling (景泰藍). Burning generally involves degreasing and dust removal, low- and high-temperature baking, surface cleansing and protective coating; painted decoration processing includes color mixing, general painting, detailed hand-painting and protective coating; and cloisonné includes filigree, colored glass inlay, grinding, firing and gilding. These steps are craftsmanship-intensive and require close control over color, texture and ornamentation, with inspections conducted during and after decoration.

**(iv) Final assembly workshop**. The final assembly workshop installs functional accessories and completes final checks, packaging and warehousing. Components are assembled manually, with necessary adjustments or reinforcements to ensure durability and alignment before final packing.

We categorize each step in our production process based on whether it is primarily manual or machine-based, taking into account the level of automation and the extent to which the final outcome depends on artisan skills. A process is considered "manual" when it involves direct operation by personnel and requires a high degree of craftsmanship, even if certain machinery is used to assist. Conversely, a process is considered "machine-based" when it is carried out by equipment that performs the task with limited reliance on human skill.

In the lost-wax casting process, machine-based procedures include wax injection, vacuum dewaxing, and drying and hardening, which are conducted using equipment designed to ensure stable output and production efficiency. The subsequent steps, such as wax model trimming, gating system welding, ceramic shell application, copper pouring, sand removal, welding of components, polishing, and final surface finishing, are primarily completed by hand and rely heavily on our artisans' expertise in achieving the desired artistic effect and quality.

Quality control is embedded throughout the process via multiple checkpoints, including incoming material inspection and in-process inspections. For copper-based products produced through the lost-wax casting process, key inspection points include molten copper pouring, precision polishing, and surface treatment stages such as coloring, hand-painting and cloisonné.

**Copper Engraved Artwork Process**

Copper engraved artworks are created through a detailed process that combines traditional hand engraving with supportive modern tools. Our pieces are primarily carved by skilled artisans who work directly on copper plates. The process emphasizes precision, patience, and artistic vision, with each piece gradually developed through layers of manual sculpting.

The following diagram summarizes our standard copper engraving process, from raw copper cutting to final packaging.

Production of copper engraved artworks begins with cutting and preparing copper plates into the required size and shape. These copper panels are polished to remove oxidation and impurities, creating a clean surface for engraving. Our team then maps out the composition, determining subject matter, proportion, and line structure. The visual detail, including contours, texture, and layered depth, is carved entirely by hand. Finally, each finished piece is mounted onto a custom frame or backing board, inspected for consistency and craftsmanship, and carefully packaged for delivery.

Based on our standard workflow, the entire copper engraved artwork process involves four primary stages: the laser cutting typically takes around three days, the surface preparation around nine days, and the main engraving process approximately nine and a half days. The first three stages can be carried out concurrently, after which final assembly and warehousing require an additional two days. As a result, the total production cycle usually spans approximately 11.5 days.

As for our copper engraved artworks, while certain steps such as laser cutting and surface preparation are machine-based, the key production stages, namely composition design, hand engraving of decorative lines, mounting, and final packaging, are all carried out manually.

For copper engraved artworks, quality control is primarily performed during and after the manual engraving stage, focusing on the accuracy, depth and consistency of engraved lines.

**Quality Control and Manufacturing Excellence**

We place significant emphasis on quality control throughout our production process to ensure that each product meets our standards of craftsmanship, functionality and aesthetic presentation in line with our brand positioning. Given the non-standardized, design-driven nature of our products, each SKU is developed with detailed technical and quality specifications that are applied and monitored across the production lifecycle.

Quality control begins with raw material inspection using protocols differentiated by material type. For brass and bronze, we assess alloy composition ratios, with samples from each incoming batch analyzed by spectrometry against our internal specifications. For electrolytic copper, we verify purity against our procurement standards. Copper sheets are inspected for flatness, surface condition and thickness consistency, and other metal and non-metal components are subject to visual and physical checks based on applicable design requirements. Only materials that meet our standards are released for production, and deviations may result in supplier notification or batch rejection.

During production, quality control is embedded across key handcrafted and semi-automated stages, including forming, shaping, carving, polishing, surface finishing, coloring and assembly. Inspections are conducted against approved technical drawings and visual specifications, focusing on conformity with intended shape, surface detailing and overall presentation. Intermediate inspection results are recorded and traceable.

Each finished product undergoes final inspection prior to packaging, including verification against SKU-specific standards, review of engravings, inscriptions and decorative elements, functional checks where applicable, and screening for surface defects. Only products that pass all inspection stages are approved for shipment, with batch-level records traceable to the relevant production stage and workshop personnel.

We maintain a comprehensive quality documentation system, comprising inspection reports, defect logs, and feedback records. Continuous improvement is conducted based on production data, customer feedback, and updated standards, ensuring that our products reflect not only traditional artistic excellence but also disciplined quality management.

## SALES AND MARKETING

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

The following table sets forth our revenue by overall online sales and offline sales during the Track Record Period:

| | For the year ended December 31, | | | | | | For the nine months ended September 30, | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2022 | | 2023 | | 2024 | | 2024 | | 2025 | |
| | *RMB'000* | *%* | *RMB'000* | *%* | *RMB'000* | *%* | *RMB'000* | *%* | *RMB'000* | *%* |
| | | | | | | | *(unaudited)* | | | |
| Online sales | 410,780 | 81.7 | 414,994 | 82.0 | 455,070 | 79.7 | 317,100 | 78.9 | 363,447 | 81.2 |
| Offline sales | 92,405 | 18.3 | 91,389 | 18.0 | 116,118 | 20.3 | 85,255 | 21.1 | 84,225 | 18.8 |
| **Total** | **503,185** | **100.0** | **506,383** | **100.0** | **571,188** | **100.0** | **402,355** | **100.0** | **447,672** | **100.0** |

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

| | For the year ended December 31, | | | | | | For the nine months ended September 30, | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2022 | | 2023 | | 2024 | | 2024 | | 2025 | |
| | Revenue | % of revenue | Revenue | % of revenue | Revenue | % of revenue | Revenue | % of revenue | Revenue | % of revenue |
| | *RMB'000* | *%* | *RMB'000* | *%* | *RMB'000* | *%* | *RMB'000* | *%* | *RMB'000* | *%* |
| | | | | | | | *(unaudited)* | | | |
| **Direct sales** | | | | | | | | | | |
| Online direct sales | 355,392 | 70.6 | 353,977 | 69.9 | 402,889 | 70.5 | 278,823 | 69.3 | 317,286 | 70.9 |
| Offline direct sales | 3,648 | 0.7 | 3,624 | 0.7 | 17,627 | 3.1 | 10,940 | 2.7 | 21,573 | 4.8 |
| Other direct sales | 12,805 | 2.5 | 13,354 | 2.6 | 17,761 | 3.1 | 12,556 | 3.1 | 12,279 | 2.7 |
| **Subtotal** | **371,845** | **73.8** | **370,955** | **73.2** | **438,277** | **76.7** | **302,319** | **75.1** | **351,138** | **78.4** |
| **Distribution partnerships** | | | | | | | | | | |
| Online distributors | 51,842 | 10.3 | 47,027 | 9.3 | 37,996 | 6.7 | 30,656 | 7.6 | 25,951 | 5.8 |
| Offline distributors | 75,952 | 15.1 | 74,342 | 14.7 | 78,986 | 13.8 | 60,781 | 15.1 | 48,673 | 10.9 |
| **Subtotal** | **127,794** | **25.4** | **121,369** | **24.0** | **116,982** | **20.5** | **91,437** | **22.7** | **74,624** | **16.7** |
| **Consignment arrangement** | **3,546** | **0.8** | **14,059** | **2.8** | **15,929** | **2.8** | **8,599** | **2.2** | **21,910** | **4.9** |
| **Total** | **503,185** | **100.0** | **506,383** | **100.0** | **571,188** | **100.0** | **402,355** | **100.0** | **447,672** | **100.0** |

For further details of the trend discussion, please refer to the section headed "Financial Information – Description of Selected Components of Statements of Profit or Loss – Revenue – Sales Channel" in this document.

The following table sets forth our gross profit and gross profit margin of product sales by sales channel during the Track Record Period:

| | For the year ended December 31, | | | | | | For the nine months ended September 30, | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2022 | | 2023 | | 2024 | | 2024 | | 2025 | |
| | 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 |
| | *RMB'000* | *%* | *RMB'000* | *%* | *RMB'000* | *%* | *RMB'000* | *%* | *RMB'000* | *%* |
| | | | | | | | *(unaudited)* | | | |
| **Direct sales** | | | | | | | | | | |
| Online direct sales | 126,525 | 35.6 | 126,598 | 35.8 | 155,167 | 38.5 | 109,827 | 39.4 | 117,637 | 37.1 |
| Offline direct sales | 1,422 | 39.0 | 1,291 | 35.6 | 7,477 | 42.4 | 4,636 | 42.4 | 8,927 | 41.4 |
| Other direct sales | 4,590 | 35.8 | 4,706 | 35.2 | 6,135 | 34.5 | 4,794 | 38.2 | 4,143 | 33.7 |
| **Distribution partnerships** | | | | | | | | | | |
| Sales to online distributors | 13,899 | 26.8 | 12,211 | 26.0 | 10,323 | 27.2 | 8,190 | 26.7 | 6,566 | 25.3 |
| Sales to offline distributors | 14,472 | 19.1 | 13,484 | 18.1 | 16,169 | 20.5 | 12,262 | 20.2 | 8,980 | 18.4 |
| **Consignment arrangements** | 1,320 | 37.2 | 5,919 | 42.1 | 6,814 | 42.8 | 3,688 | 42.9 | 7,354 | 33.6 |
| **Total** | **162,228** | **32.2** | **164,209** | **32.4** | **202,085** | **35.4** | **143,397** | **35.6** | **153,607** | **34.3** |

The following table sets forth our sales volume and ASP of our products by sales channel during the Track Record Period.

| | For the year ended December 31, | | | | | | For the nine months ended September 30, | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2022 | | 2023 | | 2024 | | 2024 | | 2025 | |
| | Sales volume | ASP | Sales volume | ASP | Sales volume | ASP | Sales volume | ASP | Sales volume | ASP |
| | *Units* | *RMB* | *Units* | *RMB* | *Units* | *RMB* | *Units* | *RMB* | *Units* | *RMB* |
| **Direct sales** | | | | | | | | | | |
| Online direct sales | 998,770 | 355.8 | 1,016,364 | 348.3 | 1,209,487 | 333.1 | 772,790 | 360.8 | 1,077,307 | 294.5 |
| Offline direct sales | 7,563 | 482.4 | 9,450 | 383.5 | 65,431 | 269.4 | 43,728 | 250.2 | 66,158 | 326.1 |
| Other direct sales | 36,019 | 355.5 | 52,966 | 252.1 | 73,310 | 242.3 | 39,127 | 320.9 | 65,788 | 186.6 |
| **Distribution partnerships** | | | | | | | | | | |
| Sales to online distributors | 127,141 | 407.8 | 127,462 | 369.0 | 122,046 | 311.3 | 91,551 | 334.9 | 88,726 | 292.5 |
| Sales to offline distributors | 209,802 | 362.0 | 206,684 | 359.7 | 201,858 | 391.3 | 143,425 | 423.8 | 144,107 | 337.8 |
| **Consignment arrangements** | 12,695 | 279.3 | 38,920 | 361.2 | 70,700 | 225.3 | 43,329 | 198.4 | 90,080 | 243.2 |
| **Total** | **1,391,990** | **–** | **1,451,846** | **–** | **1,742,832** | **–** | **1,133,950** | | **1,532,166** | |

During the Track Record Period, our gross profit and gross profit margin by sales channel broadly moved in line with changes in (i) pricing actions, and (ii) sales volume and ASP dynamics driven by channel and product mix. In particular, the improvement in 2024 was partly attributable to a pricing adjustment implemented across sales channels at the beginning of the year, while the subsequent period-to-period movements mainly reflected mix shifts, including SKU miniaturization and channel expansion.

**Online direct sales.** Our online direct sales remained our largest channel. Gross profit increased from RMB126.5 million in 2022 to RMB155.2 million in 2024, and was RMB117.6 million for the nine months ended September 30, 2025. Gross profit margin was stable at 35.6% to 35.8% in 2022 and 2023 and increased to 38.5% in 2024, mainly due to the higher pricing structure applied to newly launched products while older inventory and clearance products were not repriced. In contrast, ASP decreased from RMB355.8 in 2022 to RMB333.1 in 2024, while sales volume increased from 998,770 units to 1,209,487 units, reflecting a gradual shift toward smaller, more affordable SKUs that increased purchase frequency but diluted ASP. As a result, in 2024 the margin uplift from pricing and operating leverage outweighed ASP dilution, whereas in the nine months ended September 30, 2025 gross profit margin decreased to 37.1% alongside a lower ASP of RMB294.5, primarily reflecting product mix and promotional dynamics during the period.

**Offline direct sales.** Our offline direct sales showed a different but internally consistent pattern: as our store network expanded, sales volume increased sharply from 9,450 units in 2023 to 65,431 units in 2024, while ASP decreased from RMB383.5 in 2023 to RMB269.4 in 2024 because the expanded footprint beyond premium Hangzhou locations attracted a broader customer base and increased the proportion of smaller and more affordable SKUs sold in-store. Despite this ASP dilution, gross profit increased from RMB1.3 million in 2023 to RMB7.5 million in 2024, and gross profit margin rose to 42.4% in 2024, primarily because offline sales benefited from scale-up in store productivity and a relatively favorable margin profile for in-store sales. For the nine months ended September 30, 2025, gross profit increased to RMB8.9 million and gross profit margin remained high at 41.4%, while ASP rebounded to RMB326.1, reflecting changes in store-level sales composition as the retail network matured.

**Distribution partnerships and consignment arrangements.** For our sales to online distributors, both gross profit and ASP declined over time, largely in line with overall SKU miniaturization and our evolving channel mix. For sales to offline distributors, gross profit margin improved to 20.5% in 2024 mainly due to a higher proportion of Tai Tong sales with a more favorable pricing and margin profile, which also explains why ASP for offline distributors increased to RMB391.3 in 2024. For consignment arrangements, gross profit increased from RMB1.3 million in 2022 to RMB6.8 million in 2024 as the channel scaled with sales volume rising to 70,700 units in 2024, while gross profit margin remained above 40% in 2023 and 2024; however, gross profit margin decreased to 33.6% for the nine months ended September 30, 2025, primarily due to the lower margin associated with the trial operation of our Douyin consignment store, notwithstanding higher gross profit of RMB7.4 million and higher sales volume of 90,080 units during the period.

## Channel Management and Risk Control

We operate through both online and offline sales channels, encompassing three sales models: direct sales, distributorship and consignment. Our direct sales channels comprise of offline self-operated stores and online flagship stores on major e-commerce platforms. Our distributors comprise offline distributors and online distributors operating their own storefronts. In addition, we engage selected consignment partners. We have adopted a series of internal measures to manage potential risks of cannibalisation and channel stuffing.

We primarily follow a buyer-seller distributorship model, where the distributors purchase products from us and subsequently handle the sales on their own. Beyond pricing control and channel/territory restrictions, we do not typically impose restrictions or supervise the distributors' subsequent actions. We believes that our distributors have their own channels and capabilities to manage sales. Distributors, in turn, are generally unwilling to be under strict supervision, as they fear it may interfere with their sales channels and limit their ability to operate independently.

***Measures to manage cannibalisation risk***

We operate through both online and offline sales channels and have implemented measures to manage and mitigate cannibalisation risk, based on the principle that each channel serves a distinct purpose and customer base. Our online channels focus on broad reach through major e-commerce platforms, while our offline channels emphasize physical product experience and brand presentation, particularly for our core copper-based cultural and creative products and gold products.

For online channels, we diversify our presence across platforms to target different customer segments and reduce internal overlap within any single platform. We also plan to gradually reduce reliance on online distributors and place greater emphasis on self-operated online stores, which enables more consistent customer experience and reduces the potential for internal competition within our online channel mix.

For offline channels, we conduct site evaluation and market research before opening self-operated or distributor stores to assess local demand potential and avoid oversaturation. We also regularly review the proximity between existing self-operated and distributor-operated stores to reduce the risk of store-to-store competition. Looking ahead, we intend to gradually increase the proportion of self-operated stores while optimizing the distributor network to strengthen brand control and improve operational efficiency. As of the Latest Practicable Date, we operated 36 offline self-operated stores and 63 offline distributor stores across approximately 50 cities, and the maximum number of stores in any single city was seven. We generally prioritize opening new stores in cities not yet served, rather than adding multiple stores in the same city in the near term.

We also maintain regular communication with distributors to monitor channel conditions, and distributors have not raised material concerns regarding cannibalisation within their territories or between online and offline channels. In addition, we apply unified retail pricing across channels and enforce channel and territorial restrictions to prevent cross-selling into others' territories or overlapping platforms, which reduces the incentive for internal price-based competition. While some consumers may complete purchases online after visiting offline stores, unified pricing and centralized allocation mean such "showrooming" does not undercut offline economics. We also manage product allocations across our channels to ensure that no single channel is overstocked or undersupplied, which could lead to one channel negatively impacting another. During the Track Record Period and up to the Latest Practicable Date, we did not encounter any material cross-channel cannibalisation incidents, and the impact on our historical revenue and gross margin was immaterial.

Given our current scale, we do not consider cannibalisation to be a material risk at present. As we continue to expand, we expect to manage cannibalisation primarily through unified pricing and ongoing monitoring, centralized production and warehousing with channel-level quantity control, and SKU-level allocation management, supported by continued site evaluation and proximity review for new stores.

***Measures to manage channel stuffing risk***

We have implemented a series of internal control measures to monitor sell-in and reduce the risk of channel stuffing across our sales channels. These measures vary by channel based on their sales patterns and fulfillment needs. For our online direct sales, we generally adopt a small-batch, sales-driven approach. When launching a new product, we typically prepare a limited initial inventory, generally ranging from approximately 100 to 500 units, and determine subsequent production and replenishment volumes based on actual sales performance during the first week after launch. For our offline direct sales through self-operated stores, we maintain a separate inventory pool to support immediate product availability and in-store customer experience, with stocking levels determined based on the number of stores and their operating needs. Inventory for our online direct sales and offline self-operated stores is managed separately, but may be reallocated between these channels from time to time based on actual sales performance and inventory turnover. For our distribution channels, inventory is managed under a different model based on distributor orders and channel arrangements as illustrated below.

We sell to distributors on a straightforward buyer-seller basis: distributors place purchase orders and pay upfront, and thereafter manage their own inventory, pricing discipline, and sell-through within our channel and platform restrictions. We do not supervise distributors' downstream inventory levels or push shipments to "make up numbers." With regard to minimum purchase amount clause, the terms of our framework agreements stipulate that if a distributor fails to meet these targets, we have the right to terminate the agreement without compensation. In practice, we have never forced any distributor to over-purchase to meet the minimum purchase amount during the Track Record Period. Minimum purchase amounts are applied flexibly, and distributors are not required to meet them under coercion, in line with the agreement terms. Furthermore, we do not encourage stockpiling.

Furthermore, our product returns are limited by policy (for distributors, defective-only) and, by channel, remained low during the Track Record Period. Specifically, for online direct sales, our return rates were approximately 3.7%, 3.8% and 5.8% for the years ended December 31, 2022, 2023 and 2024, and 5.8% for the nine months ended September 30, 2025; for offline direct sales, our product return rate were approximately 0.0%, 0.1%, 0.3% and 0.0% for the same years/periods; and for sales to distributors, our product return rate were approximately 0.00%, 0.02%, 0.01% and 0.02%, respectively for the same years/periods. We settle with consignment partners on a net-sales basis and therefore do not maintain a return-rate metric for consignment. Taken together with our channel controls and allocation practices, we believe that we have not experienced excessive channel stuffing during the Track Record Period or up to the Latest Practicable Date.

In addition, we manage channel stuffing risk through disciplined commercial terms and ongoing distributor engagement. Distributors are generally required to pay in advance, and under consignment arrangements we settle solely based on actual sales, which discourages speculative ordering that is disconnected from consumer demand. Consistent with this structure, returns are generally not permitted except for defective products, helping ensure that distributor inventory reflects actual sell-through rather than inflated sell-in volumes. We also maintain regular communications and feedback mechanisms with distributors to understand their operating status and sales performance and to align product supply with end-demand, enabling us to identify and address potential signs of excessive stockpiling in a timely manner. To the best of our knowledge, as of the Latest Practicable Date, we had not encountered any material incidents of excessive stockpiling.

**Direct Sales**

Direct sales allow us to directly engage with consumers and maintain control over branding, pricing, and customer experience. To maintain brand integrity, pricing policies are uniformly enforced across all offline and online sales channels.

***Online Direct Sales***

We operate online flagship stores on major e-commerce platforms such as Tmall, JD.com, and Douyin, each serving as a key digital touchpoint with our consumers. These online flagship stores are directly operated by us and offer the most comprehensive selection of our products across all categories and price ranges. For the years ended December 31, 2022, 2023, 2024 and the nine months ended September 30, 2024 and 2025, revenue generated through online direct sales amounted to RMB355.4 million, RMB354.0 million, RMB402.9 million, RMB278.8 million and RMB317.3 million, respectively, representing approximately 70.6%, 69.9%, 70.5%, 69.3% and 70.9% of our total revenue for the same years/periods.

We enter into standardized cooperation agreements with e-commerce platforms to operate online flagship stores under our brand. These agreements are typically entered into with platform operators and govern the operation, promotion, transaction settlement, and compliance obligations of our online storefronts. While the specific terms may vary, the salient terms generally include the following:

- *Commission arrangements:* We pay the platform operators a fixed commission based on a percentage of transaction value. Commission rates vary by product category, promotional participation, and other platform-specific metrics. Commission fees are generally deducted by the platforms on a real-time basis per transaction. For the years ended December 31, 2022, 2023 and 2024 and the nine months ended September 30, 2025, our fixed commission fees represented approximately 3.1% to 5.9% of the relevant transaction value.

- *Marketing and traffic services:* In addition to commission fees, we purchase digital advertising and promotional services to enhance store visibility and traffic conversion. These include traffic packages, keyword bidding, and promotional campaigns. In many cases, participation requires reaching minimum spend thresholds and is structured around pay-for-performance or fixed-budget models. Marketing and traffic service fees are typically settled either in advance, upon confirmation of budget, or after completion based on performance metrics, depending on the type of service. For the years ended December 31, 2022, 2023 and 2024 and the nine months ended September 30, 2025, our marketing and traffic services fees (including traffic packages, keyword bidding and campaign-based traffic purchases) represented approximately 3.5% to 9.9% of the relevant transaction value. These percentages are calculated from amounts actually settled by the platforms (which may vary by platform, product category, promotional participation and other platform-specific metrics).

- *Operational compliance:* We are required to comply with each platform's rules on product listings, pricing, logistics, customer service, data use, and consumer protection. The platforms may impose penalties, downgrade visibility, or suspend services in cases of non-compliance, such as delivery delays, excessive customer complaints, or violations of product authenticity and safety standards. We have established internal teams to oversee and ensure ongoing compliance.

- *Data access and privacy:* Each platform retains ownership of customer and transaction data. We are granted limited access to backend analytics for operational and marketing optimization purposes. Our use of such data is subject to each platform's privacy policies and data usage protocols.

- *Term and termination:* These agreements are generally for fixed terms and subject to renewal upon mutual consent and performance review. Either party may terminate the agreement under predefined circumstances, such as material breach or reputational harm.

We consider these arrangements to be in the ordinary course of business and on normal commercial terms. During the Track Record Period and up to the Latest Practicable Date, we did not experience any material disputes, enforcement actions, or operational disruptions in connection with these cooperation agreements.

Our in-house e-commerce operations team is responsible for store management, including product display optimization, inventory and pricing management, customer engagement, and promotional execution. We actively leverage digital tools and platform analytics to tailor our marketing and campaign strategies by channel and consumer segment.

Live-streaming commerce is an integral component of our online direct sales strategy. We rely predominantly on our in-house team of live-streamers and content creators. Our in-house live-streamers possess deep familiarity with our products, craftsmanship techniques, and brand philosophy, which enables them to effectively convey the artistic value, symbolic significance, and cultural value embedded in our offerings. Through daily live-streams and curated special sessions on Tmall, JD.com, and Douyin, we engage with customers in real time, providing detailed product demonstrations, storytelling, and personalized recommendations.

***Offline Direct Sales***

As of September 30, 2025, we operated 18 self-operated stores strategically located in high-traffic commercial areas across new tier-one and tier-two cities in China. These stores serve as both premium retail outlets and immersive brand experience centers, featuring interactive product displays, live craft demonstrations, and limited-time exhibitions that communicate the cultural depth and artistic value of our brand. For the years ended December 31, 2022, 2023, 2024 and the nine months ended September 30, 2024 and 2025, revenue generated through offline direct sales amounted to RMB3.6 million, RMB3.6 million, RMB17.6 million, RMB10.9 million and RMB21.6 million, respectively, representing approximately 0.7%, 0.7%, 3.1%, 2.7% and 4.8% of our total revenue for the same years/periods.

*Self-operated store locations and movements*

Our site selection process prioritizes visibility, customer traffic, and brand alignment. We target commercial complexes with high footfall, favorable brand adjacency, and proximity to affluent residential or cultural districts. Other key criteria include leasing terms, layout flexibility for experience zones, and regional economic vitality. As of the Latest Practicable Date, our self-operated stores were located in core commercial districts of cities such as Hangzhou, Suzhou, Chengdu, Wuhan and Chongqing.

In 2022, we operated only two self-operated stores, both located in Hangzhou. Our first self-operated store, situated in the Xihu District of Hangzhou, commenced operations in 2020 and was closed in December 2022 upon the expiration of its lease. In 2023, we adjusted our offline store network in Hangzhou by closing our original Hangzhou Tower store and opening a new store at a different location within Hangzhou Tower. And we opened another store in Hangzhou North MixC in November 2023. In 2024, we accelerated our offline expansion and newly opened seven self-operated stores, extending our presence to new tier-one, tier-two, and tier-three cities. These new stores are located in Chengdu, Hefei, Changzhou, Wuhan, Suzhou and Chongqing. As of the Latest Practicable Date, we had in total 36 self-operated stores in the PRC, covering 18 cities, consist of Beijing, Shanghai, Hangzhou, Nanjing, Suzhou, Changsha, Changzhou, Chengdu, Chongqing, Wuhan, Hefei, Nanchang, Ganzhou, Zhengzhou, Quanzhou, Yichang, Yantai and Shenzhen.

Our self-operated stores are generally located within high-traffic shopping malls and range in size from approximately 50 to 200 square meters. Each store is designed as an immersive experience, featuring curated product displays, thematic exhibitions, and live craft demonstrations that reflect our brand's artistic identity. Each self-operated store is designed to function as a cultural space rather than a traditional retail point. Store interiors emphasize immersive experiences through curated installations, limited-edition releases, and seasonal exhibitions inspired by traditional and contemporary cultural themes.

As of the Latest Practicable Date, all of our self-operated stores were operated under lease arrangements, except for one self-operated store located in Hangzhou Tower, which operates under a concession agreement. We typically enter into lease agreements with shopping malls or commercial property owners, whereby we lease dedicated retail spaces within high-footfall shopping centers. The following sets forth a summary of the salient terms of our lease agreements for our self-operated stores:

Our self-operated stores are typically operated under lease agreements with shopping malls or commercial property owners, pursuant to which we lease retail spaces within shopping centers. These leases generally have terms of two to three years and are typically renewable upon mutual agreement. The rent structure usually comprises a fixed base rent and, in some cases, additional management fees or shared utility costs, with payments made monthly or quarterly in advance. We are typically required to pay a refundable deposit equivalent to approximately four to five months' base rent. Early termination rights are generally limited and are typically triggered only by circumstances such as force majeure or material breach. Under these arrangements, we are responsible for store interior decoration and maintenance in accordance with mall guidelines, and the agreements generally restrict subleasing.

In addition to the lease arrangements described above, our store located in Hangzhou Tower operates under a concession agreement. Concession agreements typically involve variable commercial terms tied to store performance and give the mall greater involvement in daily sales administration. Pursuant to the concession agreement, which has a term of one year and is subject to annual renewal, we pay the mall a monthly commission of 10.5% of actual sales, subject to a minimum monthly sales threshold of RMB2.5 million. In addition to the commission, we are also required to pay a monthly management fee equivalent to 2.5% of the higher of the actual sales or the deemed sales amount. Payment for each month is settled in the following month. Furthermore, advertising and promotional fees during the contract period are capped at an aggregate amount of RMB8,000. And we also pay a handling fee of 0.8% of the total amount of payments made via credit cards at the store to the mall as financial service charges.

*Store management and operations*

All self-operated stores operate under a centralized management framework administered by our headquarters and regional supervisors. Each store is staffed with a manager and at least two sales associates, depending on floor area. Sales personnel are typically young adults with demonstrated interest in Chinese culture and craftsmanship. New employees undergo a structured onboarding program, covering product knowledge, brand history, selling techniques, and in-store operations. Training materials are provided through digital learning kits, store playbooks, and peer-to-peer guidance.

In-store behavior and presentation are governed by strict operational standards. These include uniform dress codes, daily team briefings, posture protocols, and standardized greeting scripts. Employees are also assessed on their ability to articulate product narratives, including craftsmanship techniques, symbolic meaning, and collection themes. We employ customer feedback mechanisms and periodic store audits to evaluate performance.

To maintain operational discipline and efficiency, each store is equipped with a real-time digital inventory management system, covering inbound/outbound records, stock alerts, and automated replenishment. Inventory is subject to monthly physical audits. Store visuals, hygiene, display logic, and customer circulation routes are inspected regularly by the retail inspection team to ensure corporate alignment.

*Retail and after-sales process*

Our retail and after-sales workflows follow a standardized format across all stores. Purchases are processed through centralized POS machines with immediate sales data syncing. After-sales services include a seven-day return and exchange policy subject to quality checks and product condition. In-store and mail-in returns are both supported. Products with confirmed quality issues are eligible for free repair or replacement. Returns due to consumer handling or secondary damage are serviced for a fee. Store staff are trained to guide consumers through maintenance instructions, handling protocols, and cultural practices relevant to specific product types (e.g., religious or symbolic pieces).

Our self-operated stores also serve as nodes for local community engagement, including private workshops, member events, and social media interaction. Each store is encouraged to build "Copper Fan" groups via WeChat and cultivate localized engagement through group raffles, auction events, and early access campaigns. These initiatives help enhance consumer stickiness, deepen cultural education, and foster brand loyalty beyond transactional interactions.

***Other Direct Sales***

This category comprises other direct sales conducted by the Group to both institutional and individual customers. Institutional customers comprise of enterprises, governmental entities, and other organizations purchasing our products tailored for particular festivals, events, or promotional activities. For instance, one institutional client ordered approximately 1,000 copper ornaments themed for the Year of the Dragon. Another example involves an industrial manufacturing company that commissioned over 200 customized Iron Man copper ornaments engraved with its corporate name. Individual customers, on the other hand, typically place orders for relatively high-value single items or small batches. These transactions are usually completed upon the customer's order placement and payment, as documented in the purchase order and receipts. Examples of products purchased by individual customers under such special order arrangements include copper ornaments such as "Transformers" with unit prices exceeding RMB9,999. Such transactions often involve bespoke product specifications tailored to the needs and preferences of the customer, including commemorative gifts, awards, culturally themed custom pieces, or personalized products. Revenue from other direct sales is recognized when the products are delivered to the customer's designated location. Payment terms vary depending on the specific customer and contract terms, but generally do not exceed 30 days from the date of delivery.

**Distribution Partnership**

To expand our market coverage beyond self-operated retail channels and direct sales, we have developed a multi-channel distribution network comprising both online and offline distribution partners. Our distributors operate under a buyout model, whereby they purchase inventory upfront and independently manage sales within authorized channels and territories.

We primarily distribute our products through distributors under distribution agreements with typical durations of one year. Under our distribution agreements, product liability allocation is clearly defined; distributors assume responsibility for product losses, damages, or obsolescence after goods are handed over to their designated carriers. We generally receive full payments in advance from distributors prior to delivery, except for selected distributors granted a credit term of 30 to 60 days from the date of delivery. During the Track Record Period, we did not appoint any sub-distributors, nor did we provide sales rebates, which is consistent with industry practice. During the Track Record Period, our distribution revenue amounted to RMB127.8 million, RMB121.4 million, RMB117.0 million, RMB91.4 million and RMB74.6 million for the years ended December 31, 2022, 2023, 2024 and the nine months ended September 30, 2024 and 2025, respectively, accounting for 25.4%, 24.0%, 20.5%, 22.7% and 16.7% of our revenue for the same years/periods.

***Online Distribution***

We collaborate with a select group of authorized online distributors who operate independent storefronts across major e-commerce platforms in China. As of September 30, 2025, we had six authorized online distributors operating six independent online storefronts, primarily on Taobao and JD.com. These distributors operate under a buy-out arrangement and maintain commercial and operational independence from us.

The table below sets forth the movement of our PRC online distributors for the periods indicated. Furthermore, we did not have any international online distributors during the Track Record Period and up to the Latest Praticable Date.

| | For the year ended December 31, | | | For the nine months ended September 30, | From September 30, 2025 to the Latest Practicable |
|---|---|---|---|---|---|
| | 2022 | 2023 | 2024 | 2025 | Date |
| Number of online distributors at the beginning of the year/period | 7 | 7 | 7 | 7 | 6 |
| Number of new online distributors | 0 | 0 | 0 | 0 | 0 |
| Number of withdrawn online distributors | 0 | 0 | 0 | 1 | 0 |
| Number of online distributors at the end of the year/period | 7 | 7 | 7 | 6 | 6 |

The single withdrawal of an online distributor during the nine months ended September 30, 2024 primarily resulted from the distributor's internal business adjustment.

The online distributors as set out above refer to our domestic distributors within the PRC during the Track Record Period. In 2025, we commenced trial cooperation with two overseas online distributors as part of our international market expansion. One was granted the right to operate online storefronts targeting customers in Europe and the United States, while the other was authorized to conduct online distribution in Singapore. These trial arrangements represent our initial step in exploring cross-border online sales through authorized distributors.

Under the online distribution model, revenue is recognized when control of goods is transferred to the distributor, either upon delivery to a designated location or the distributor's chosen carrier. Payment is generally settled through advance payment or on credit terms of up to 30 days, as specified in the distribution contract.

For the years ended December 31, 2022, 2023, 2024 and the nine months ended September 30, 2024 and 2025, revenue generated from our online distribution model amounted to RMB51.8 million, RMB47.0 million, RMB38.0 million, RMB30.7 million and RMB26.0 million, respectively, accounting for 10.3%, 9.3%, 6.7%, 7.6% and 5.8% of our total revenue for the respective years/periods.

All online distribution agreements are non-exclusive, and distributors are contractually required to adhere to our pricing policies, visual merchandising standards, and brand positioning guidelines. Salient terms of our online distribution agreements include:

- *Scope of authorization*: Online distributors are authorized to sell approved products exclusively through designated online stores on e-commerce platforms. Cross-platform sales or resale outside the approved channels are contractually prohibited.

- *Sales pricing alignment*: Online distributors are contractually required to maintain pricing consistency with our own online self-operated stores for identical SKUs. Price dumping, unauthorized discounting, or inconsistent promotional pricing are explicitly prohibited.

- *Minimum purchase commitment*: Distributors are required to meet a minimum annual procurement target, which is negotiated and determined by the city tiers, store locations, and other relevant factors. If a distributor fails to meet the quarterly targets for two consecutive quarters, we have the right to unilaterally terminate the agreement without any obligation for compensation. During the Track Record Period, we have never forced any distributor to over-purchase in order to meet the minimum purchase amount.

- *Purchase and payment terms*: Online distributors operate under a buyout model with upfront payment requirements. Products are supplied at a distributor price as set out in our official price lists. The distributor must pay in full before goods are dispatched.

- *Brand usage and visual identity*: The use of our trademarks, product images, and promotional materials must strictly follow our branding guidelines. Distributors are not allowed to use our IP outside the approved scope without prior written consent.

- *Termination rights*: We reserve the right to unilaterally terminate the agreement if a distributor engages in cross-platform sales, infringes our intellectual property, fails to meet minimum purchase targets for two consecutive quarters, or engages in conduct detrimental to our brand image.

***Offline Distribution***

We collaborate with regional offline distributors to expand our retail footprint and reach customers in areas where we do not operate self-operated stores. Our offline distribution network primarily targets new tier-one, tier-two and tier-three cities in China, as well as select overseas markets where localized expertise and logistical constraints make the distributor model more effective. Revenue from offline distributors is recognized at the point when control of goods transfers upon handover to distributors' designated carriers.

As of the Latest Practicable Date, we engaged one offline distributor in Taiwan, who operated one offline distributor store. Although the Taiwan distributor was authorized to sell both online and offline, it primarily operated through a physical retail store and is therefore classified as an offline distributor for disclosure purposes. We previously cooperated with one offline distributor in the U.S. under a distributorship arrangement that commenced in 2023 and expired prior to the Latest Practicable Date without renewal. Products sold through our Taiwan and U.S. distributors during the Track Record Period were primarily based on our self-developed IPs. In Taiwan, we also sold a limited number of licensed IP products to the extent the relevant licenses covered Taiwan, while in the U.S., licensed IP products were sold only where the relevant licenses covered the U.S. Our offline distributors in the PRC and Taiwan typically operate exclusive branded stores that sell only our products, whereas the former U.S. distributor operated a non-exclusive retail store that also carried third-party products.

Our distributor-based retail strategy is particularly suited for regions where direct store operation would be cost-prohibitive or logistically inefficient. Compared to our self-operated stores, the distributor model offers scalability, localized customer engagement, and reduced capital expenditure. In overseas markets where cross-border logistics, after-sales servicing, and product localization are more challenging, we rely exclusively on offline distributors. As our products are handcrafted, relatively heavy, and culturally specific, local distribution partnerships allow us to manage operational risks and improve delivery efficiency. In regions such as Taiwan, our products are sold exclusively through authorized offline distributors, who oversee retail operations, localized marketing, and basic after-sales support.

For the years ended December 31, 2022, 2023, 2024 and the nine months ended September 30, 2024 and 2025, revenue generated from our offline distribution model amounted to RMB76.0 million, RMB74.3 million, RMB79.0 million, RMB60.8 million and RMB48.7 million, respectively, accounting for 15.1%, 14.7%, 13.8%, 15.1% and 10.9% of our total revenue for the respective years/periods.

Our offline distribution model is based on single-distributor authorization within defined geographic territories. As of September 30, 2025, we had 53 authorized offline distributors in the PRC operating a total of 63 stores. These distributors are located across East China, South China, and North China.

Each distributor is required to open and operate at least one designated physical retail store situated in a high-traffic commercial location, such as a premium shopping mall or cultural landmark complex. Store openings must take place within 90 days of contract signing, subject to a pre-opening inspection to ensure compliance with our brand design blueprint and operational standards. Distributors are strictly prohibited from opening additional outlets or engaging in online sales without prior written approval. Any unauthorized expansion or online sales constitutes a material breach and may lead to immediate termination and forfeiture of the security deposit.

The table below sets forth the movement of our PRC offline distributors for the periods indicated:

| | For the year ended December 31, | | | For the nine months ended September 30, 2025 | From September 30, 2025 to the Latest Practicable Date |
|---|---|---|---|---|---|
| | 2022 | 2023 | 2024 | | |
| Number of offline distributors at the beginning of the year/period | 60 | 68 | 72 | 54 | 53 |
| Number of new offline distributors | 18 | 12 | 7 | 3 | 0 |
| Number of withdrawn offline distributors | (10) | (8) | (25) | (4) | (2) |
| Number of offline distributors at the end of the year/period | 68 | 72 | 54 | 53 | 51 |

The table below sets forth the movement of our PRC offline distributors' stores for the periods indicated:

| | For the year ended December 31, | | | For the nine months ended September 30, 2025 | From September 30, 2025 to the Latest Practicable Date |
|---|---|---|---|---|---|
| | 2022 | 2023 | 2024 | | |
| Number of offline distributors' stores at the beginning of the year/period | 80 | 87 | 77 | 68 | 63 |
| Number of new offline distributors' stores | 27 | 20 | 13 | 1 | 0 |
| Number of closed offline distributors' stores | (20) | (30) | (22) | (6) | (0) |
| Number of offline distributors' stores at the end of the year/period | 87 | 77 | 68 | 63 | 63 |

During the Track Record Period, the number of PRC offline distributors declined, reflecting a gradual realignment of our channel strategy to place greater emphasis on and dedicate more resources toward the expansion of our offline self-operated store network.

In the PRC, offline distributors typically operate branded physical stores that allow end-consumers to experience our products firsthand. Given the unique material properties of our core copper-based cultural and creative products, including the sculptural weight, oxidation depth, and surface finish, physical interaction significantly enhances customer perception and appreciation. Moreover, our emerging line of gold cultural and creative products, marketed under our dedicated sub-brand, is even more suited to offline presentation due to its emphasis on craftsmanship and symbolic value. Distributor-operated offline stores have therefore supported our brand-building efforts by providing an immersive setting for product display and cultural storytelling. Each offline distributor is granted rights to operate in a specific geographical area and is strictly prohibited from selling our products online. Any such online sales by offline distributors are considered a breach of the distributor agreement. The reduction in the number of distributors during the Track Record Period resulted from a combination of voluntary exits and selective

discontinuation based on business performance and mutual agreement. In certain cases, voluntary exits occurred for commercial or operational reasons, such as where distributors reassessed the economic viability of operating dedicated branded stores or adjusted their business focus and resource allocation. In other cases, distributors may have ceased operations for personal or strategic considerations unrelated to us. We selectively discontinue distributors primarily if distributors (i) fail to achieve contractually agreed annual purchase requirement; (ii) engage in unauthorized channel crossing; or (iii) display competing brands' products within their physical retail stores, potentially diluting our brand image and sales performance. These adjustments were carried out following contractual expiration and direct communication with the distributors. Our Directors confirm that during the Track Record Period and up to the Latest Practicable Date, we have not been involved in any material disputes or claims with the distributors whose cooperation was discontinued.

*Distributor qualification and selection*

Our offline distributor network comprises both corporate entities and individual entrepreneurs. We assess prospective distributors based on a combination of financial capacity, retail operation experience, store location, and alignment with our brand values. While we accept qualified individuals, we generally require a dedicated legal entity to execute the agreement and assume operational responsibility.

*Salient terms of offline distributor agreements*

Each offline distributor agreement is standardized and governed by a fixed-term contract (typically one year, renewable). The salient terms include:

- *Authorized territory and store requirements*: Each offline distributor is granted rights to sell our products through at least one specified store in an authorized city district. The store must meet our minimum space and design requirements and must open within 90 days of contract execution.

- *Annual purchase requirement*: Annual and quarterly minimum purchase amounts are stipulated in the offline distribution agreement. If an offline distributor fails to meet these targets, we reserve the right to terminate the agreement without compensation. During the Track Record Period, we never forced any offline distributor to over-purchase to meet the minimum purchase amount.

- *Pricing and sales policy*: Offline distributors must adhere to our nationwide pricing policy. Retail prices must be consistent with those on our official online self-operated store. Unauthorized discounts, markups, or participation in mall-specific promotions without prior approval are strictly prohibited.

- *Cross-region sales restrictions*: Offline distributors are prohibited from engaging in cross-regional sales or online sales through e-commerce platforms, social media, or third-party intermediaries. Violations are subject to penalty and termination.

- *Security deposit*: Distributors are required to place a refundable security deposit upon contract signing. The deposit is returned upon expiry or termination only if no breaches occur and all accounts are settled.

- *Procurement and payment terms*: All product orders must be submitted by authorized personnel and confirmed in writing. Payment is required in full within three days of order confirmation. Only payments made to our designated corporate bank account are accepted.

- *After-sales policy*: We provide after-sales support for quality-related issues within three months of delivery. Repair and replacement services are offered free of charge in cases attributable to product defects. Return or exchange for other reasons is not permitted.

### *Distributor Oversight and Performance Management*

We maintain a centralized distributor management team responsible for approving partners, monitoring store compliance, enforcing pricing and display standards, and reviewing distributor performance. Distributors are expected to align with our national marketing calendar and participate in major sales events, such as festival promotions or product launches. Participation in mall-specific promotions must receive prior approval to ensure consistency with brand positioning and overall campaign strategy.

## Consignment

We engage in consignment arrangement predominantly with major e-commerce platforms, including primarily JD.com self-operated and other online platforms. Under our online consignment arrangements, we typically ship products to the platform's designated self-operated warehouses or fulfillment facilities, and the platform is responsible for storage and fulfillment before the products are sold and delivered to end customers. For consignment arrangements, revenue is recognized when control of the goods is transferred to the end customers. We typically ship the goods to our consignment partner while retaining control until the goods are delivered to the end customers.

In addition to online platforms, approximately 8% of our consignment sales is conducted through offline partners, comprising select tourist attractions and cultural institutions. These partners typically operate retail counters on their premises, where they display and sell our products under consignment terms. Such partnerships allow us to expand physical touchpoints in high-traffic cultural destinations without establishing our own stores.

During the Track Record Period, we engaged in consignment arrangements with a total of one online consignment partner in 2022, increasing to two online consignment partners in 2023. In 2024, the number of online consignment partners grew to three, and as of September 30, 2025, the number dropped to two. In terms of offline consignment arrangements, we did not have any offline consignment partners in 2022. However, in 2023, we engaged one offline consignment partner, and this increased to five offline consignment partners in 2024. The number of offline consignment partners remained steady at five as of September 30, 2025.

For the years ended December 31, 2022, 2023, 2024 and the nine months ended September 30, 2024 and 2025, revenue derived from consignment sales amounted to RMB3.5 million, RMB14.1 million, RMB15.9 million, RMB8.6 million and RMB21.9 million, respectively, representing approximately 0.8%, 2.8%, 2.8%, 2.2% and 4.9% of our total revenue for the respective years/periods.

The following table sets forth the breakdown of our consignment revenue by online and offline channels for the periods indicated:

| | For the year ended December 31, | | | | | | For the nine months ended September 30, | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2022 | | 2023 | | 2024 | | 2024 | | 2025 | |
| | *RMB'000* | *%* | *RMB'000* | *%* | *RMB'000* | *%* | *RMB'000* | *%* | *RMB'000* | *%* |
| | | | | | | | *(unaudited)* | | | |
| Online consignment | 3,546 | 100.0 | 13,990 | 99.5 | 14,185 | 89.1 | 7,621 | 88.6 | 20,210 | 92.2 |
| Offline consignment | – | – | 69 | 0.5 | 1,744 | 10.9 | 978 | 11.4 | 1,700 | 7.8 |
| **Total consignment revenue** | **3,546** | **100.0** | **14,059** | **100.0** | **15,929** | **100.0** | **8,599** | **100.0** | **21,910** | **100.0** |

The salient terms of our typical consignment arrangement are set out below:

- *Ownership and risk*: We retain ownership of the inventory and bear all inventory-related risks prior to final sale and delivery to end customers.
- *Warehousing and fulfillment*: The consignment partner is responsible for warehousing, order fulfillment, packaging and last-mile delivery. In the case of online consignment, the products are delivered to and stored in the platform's designated warehouses.
- *Sales settlement*: Sales proceeds are settled on a periodic basis, typically monthly, and are calculated based on platform-verified sales data. Settlements are made net of platform service fees, promotional expenses and any agreed deductions for returns or slow-moving inventory.
- *Pricing and promotional control*: We retain the right to determine the retail prices of our products and must approve any participation in promotional activities. However, platform partners may provide suggestions based on performance metrics or platform-wide campaigns.
- *Returns and after-sales support*: Returned products within the platform's after-sales period are restocked, discounted or written off based on pre-agreed arrangements. Return logistics costs are typically borne by us in accordance with platform policies.
- *Service fees*: Consignment partners typically charge standardized service fees for traffic placement, warehousing, and order fulfillment, generally calculated as a percentage of the gross merchandise value, ranging from approximately 10% to 12%. Additionally, service fees may also be structured as direct discounts on the product price, with the discount rate ranging from 10% to 8%. The service fees actually incurred and recognised for our consignment partners amounted to RMB0.5 million, RMB0.6 million and RMB1.2 million for the years ended December 31, 2022, 2023 and 2024, respectively, and RMB0.5 million for the nine months ended September 30, 2025.
- *Term and termination*: Agreements are typically entered into for a one-year term and are renewable upon mutual consent. Either party may terminate the agreement with prior written notice, generally between 15 and 30 days.

*Internal Guidelines and Management*

We have implemented internal guidelines for consignment operations to ensure pricing consistency, brand positioning, and stock accuracy. These guidelines include SKU-level pricing authorization controls, inventory reconciliation procedures between our ERP system and the relevant platform data interfaces, and the designation of account managers responsible for overseeing platform operations and coordinating product promotion schedules.

**Social Media & Content Marketing**

We actively leverage a diverse array of social media platforms as integral components of our brand-building and sales strategy. Beyond our established presence on Douyin, we operate official accounts on Xiaohongshu and WeChat, enabling us to engage with a wide range of consumer demographics.

Our content spans multiple formats, comprising artisan workshop footage, step-by-step craftsmanship tutorials, scripted cultural comedy skits, behind-the-scenes design stories, and livestream recaps. Since launching our official Douyin account in 2020, we have produced over 3,400 short videos, combining traditional copper craftsmanship with creative storytelling formats

that resonate with both heritage-oriented and younger audiences. Mr. Yu, our founder, continues to participate actively in content creation by occasionally starring in short videos, bringing an authentic and personal voice to our brand storytelling.

We maintain a dedicated team of in-house live-streamers, all of whom are our full-time employees under labor contracts. Their compensation consists of a base salary supplemented by sales-based commissions. We have established a structured KPI system for in-house live-streamer performance management, which includes monthly and annual sales targets, individual commission rates based on completion tiers, and additional incentives for exceeding team sales goals. Completion of key performance benchmarks is reviewed semi-annually, and bonus payouts are tied to both individual contribution and overall departmental achievement.

We primarily rely on our in-house live-streamers to drive content marketing and sales. Our in-house team receives systematic training not only in product knowledge and selling techniques, but also in conveying the cultural narratives, craftsmanship value, and symbolic value of our offerings.

To ensure high return on content investment, we rely on robust internal planning and data-driven iteration. Our social media team manages the full content lifecycle, ensuring all creative outputs are aligned with our brand tone, product strategy, and customer insight. Key performance indicators include engagement metrics, conversion-related, and follower asset growth. Performance data is collected per platform and campaign, and feeds directly into our monthly content review mechanism.

### Brand Events

As part of our overall brand communication strategy, we organize brand events and related initiatives to enhance brand visibility, strengthen consumer engagement and reinforce the cultural positioning of our products. These activities integrate digital content distribution, livestream-based interaction, thematic campaigns and selective offline activation, and are designed to convey cultural narratives, craftsmanship value and product concepts in a structured and consistent manner. Brand events are primarily coordinated by our internal teams and are aligned with our broader marketing and sales strategy, supporting customer engagement across different platforms and consumption scenarios while maintaining consistency with our brand tone and long-term positioning.

### Sales Seasonality

We experience seasonal fluctuations in revenue, primarily driven by major e-commerce promotional campaigns and traditional gift-giving occasions in China. In particular, online shopping festivals such as the "618 Shopping Festival" in June, the "Double 11 Shopping Festival" in November, and the "Double 12" campaign in December consistently generate large order volumes due to intensified promotional efforts, platform-wide traffic surges, and heightened consumer engagement. Traditional holidays also play a key role in shaping seasonal demand. The first quarter typically benefits from the New Year and Chinese New Year periods, which are peak occasions for personal and corporate gifting. The fourth quarter includes the National Day Golden Week and the Mid-Autumn Festival. As a result, our revenue generally peaks in the first and fourth quarters of each year. Period-to-period comparisons of revenue and profitability may therefore not be indicative of full-year trends.

## CUSTOMERS

### Major Customers

Across all sales channels, our online flagship stores account for the largest proportion of our total revenue. Customers in this channel are primarily individual consumers who make fragmented purchases through our online flagship stores. These consumers, despite their individual scale, collectively form the dominant revenue base of our business. In addition to direct retail

customers, our major customers are also comprised of distributors and consignment sales partners. For the year ended December 31, 2022, revenue from our largest customer accounted for approximately 4.5% of our total revenue, while the combined revenue contribution from our five largest customers was approximately 10.2%. For the year ended December 31, 2023, our largest customer contributed approximately 3.6% of our total revenue, whereas the five largest customers, in aggregate, accounted for around 9.3%. For the year ended December 31, 2024, revenue generated from our largest customer represented approximately 2.4% of our total revenue, while the five largest customers collectively accounted for approximately 9.0%.

For the nine months ended September 30, 2025, revenue generated from our largest customer accounted to 4.1% of our total revenue, while the five largest customers, in aggregate, contributed approximately 9.6%.

Our distributors comprise of both online and offline channel partners. Online distributors primarily operate stores on major e-commerce platforms such as Taobao and JD.com, where they purchase products from us for resale to end consumers. Offline distributors, on the other hand, are typically regional dealers or retail partners that resell our products through physical stores. Please refer to the section headed "– Sales and Marketing – Distribution Partnership" in this document for further details. In addition, certain major e-commerce platforms operate under a consignment model, whereby the platform lists and sells our products directly to consumers, and we recognize revenue net of platform commissions and marketing fees. Please refer to the section headed "– Sales and Marketing – Consignment" in this document for further details.

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

***For the year ended December 31, 2022***

| Customer | Customer type | Customer's background | Credit terms | Payment method | Years of relationship | Revenue | % of our total revenue |
|---|---|---|---|---|---|---|---|
| | | | | | | *RMB'000* | *%* |
| Customer A . . . . | Online distributor | Operates a branded store on the Taobao platform | Not applicable | Bank transfer | 5 | 22,524 | 4.5 |
| Customer B . . . . | Online distributor | Operates online distribution stores on the JD.com platform | Not applicable | Bank transfer | 5 | 11,625 | 2.3 |
| Customer C . . . . | Offline distributor | Engaged in offline retail distribution in Taiwan | 60 days | Bank transfer | 5 | 7,195 | 1.4 |
| Customer D . . . . | Online distributor | Individual distributor operating on Taobao | Not applicable | Bank transfer | 5 | 5,587 | 1.1 |
| Customer E . . . . | Online distributor | Operates a branded store on the Taobao platform | Not applicable | Bank transfer | 5 | 4,629 | 0.9 |
| | | | | | **Subtotal** | 51,560 | 10.2 |

***For the year ended December 31, 2023***

| Customer | Customer type | Customer's background | Credit terms | Payment method | Years of relationship | Revenue | % of our total revenue |
|---|---|---|---|---|---|---|---|
| | | | | | | *RMB'000* | *%* |
| Customer A . . . . | Online distributor | Operates a branded store on the Taobao platform | Not applicable | Bank transfer | 5 | 18,385 | 3.6 |
| Customer B . . . . | Online distributor | Operates online distribution stores on the JD.com platform | Not applicable | Bank transfer | 5 | 11,135 | 2.2 |
| Customer D . . . . | Online distributor | Individual distributor operating on Taobao | Not applicable | Bank transfer | 5 | 7,289 | 1.4 |
| Customer C . . . . | Offline distributor | Engaged in offline retail distribution in Taiwan | 60 days | Bank transfer | 5 | 5,868 | 1.2 |
| Customer F . . . . | Offline distributor | Regional offline distributor based in Yantai and Zibo (Shandong Province) | Not applicable | Bank transfer | 5 | 4,567 | 0.9 |
| | | | | | **Subtotal** | 47,244 | 9.3 |

***For the year ended December 31, 2024***

| Customer | Customer type | Customer's background | Credit terms | Payment method | Years of relationship | Revenue | % of our total revenue |
|---|---|---|---|---|---|---|---|
| | | | | | | *RMB'000* | *%* |
| Customer G . . . . | Consignment | Operates under a consignment model on JD.com platform | Not applicable | Bank transfer | 1 | 13,614 | 2.4 |
| Customer A . . . . | Online distributor | Operates a branded store on the Taobao platform | Not applicable | Bank transfer | 5 | 13,412 | 2.3 |
| Customer B . . . . | Online distributor | Operates online distribution stores on the JD.com platform | Not applicable | Bank transfer | 5 | 11,384 | 2.0 |

| Customer | Customer type | Customer's background | Credit terms | Payment method | Years of relationship | Revenue | % of our total revenue |
|---|---|---|---|---|---|---|---|
| | | | | | | *RMB'000* | *%* |
| Customer C . . . . | Offline distributor | Engaged in offline retail distribution in Taiwan | 60 days | Bank transfer | 5 | 6,624 | 1.2 |
| Beijing Chengzhuo Jiyi Technology Development Co., Ltd. (北京成卓基業科技發展有限公司) ("**Beijing Chengzhuo**") . . | Offline distributor | Offline retail distributor operating in Beijing Chaoyang and Haidian Districts | Not applicable | Bank transfer | 5 | 6,421 | 1.1 |
| | | | | | **Subtotal** | 51,455 | 9.0 |

***For the nine months ended September 30, 2025***

| Customer | Customer type | Customer's background | Credit terms | Payment method | Years of relationships | Revenue | % of our total revenue |
|---|---|---|---|---|---|---|---|
| | | | | | | *RMB'000* | *%* |
| Customer G . . . . | Consignment | Operates under a consignment model on JD.com platform | Not applicable | Bank transfer | 1 | 18,507 | 4.1 |
| Customer A . . . . | Online distributor | Operates a branded store on the Taobao platform | Not applicable | Bank transfer | 5 | 9,256 | 2.1 |
| Customer B . . . . | Online distributor | Operates online distribution stores on the JD.com platform | Not applicable | Bank transfer | 5 | 5,675 | 1.3 |
| Customer C . . . . | Offline distributor | Engaged in offline retail distribution in Taiwan | 60 days | Bank transfer | 5 | 4,794 | 1.1 |
| Shandong Youfu Trading Co., Ltd. (山東友福商貿有限公司) . | Offline distributor | Regional offline distributor based in Jinan Lixia District (Shandong Province) | Not applicable | Bank transfer | 5 | 4,274 | 1.0 |
| | | | | | **Subtotal** | 42,506 | 9.6 |

Given that a substantial majority of our revenue is derived from our online flagship stores, the vast majority of our customers are individual end consumers. Our major customers, on the other hand, primarily comprise a limited number of distributors and consignment partners who purchase in wholesale volumes or act as retail intermediaries. Except for Customer G, who is affiliated with

a listed e-commerce platform group, our five largest customers in each year/period during the Track Record Period are either private companies or individuals. Among our five largest customers in each year/period during the Track Record Period:

- Customer G is a consignment partner affiliated with a publicly listed e-commerce platform group, operating under a self-run model by the e-commerce platform group (電商自營). As settlement is conducted on a real-time basis via platform systems, no credit terms apply.

- Customer A, Customer B, Customer D, and Customer E are online distributors who operate branded or individual storefronts on e-commerce platforms such as Taobao or JD.com. Given the small total number of such online distributors, certain counterparties appear among our top five in each year/period during the Track Record Period based on their relative scale. All of these customers are private entities or individuals and are not granted credit terms under our standard arrangements. For our distributors, payment is generally required prior to delivery, and we only arrange shipment upon full receipt of funds.

- Customer C is our long-standing offline distributor in Taiwan. Due to its exclusive coverage of our sales in Taiwan, its purchase volume is comparatively higher than that of other offline partners. As this is a cross-border customer, we extend credit terms of 60 days under our overseas sales policy.

So far as our Directors are aware, none of our Directors, their close associates or any Shareholders holding more than 5% of the issued share capital of our Company immediately following the completion of the [**REDACTED**], had any interests in any of our five largest customers in each year/period during the Track Record Period.

**Customer Retention and Loyalty Program**

We maintain a customer retention and loyalty approach centered on product experience, community engagement and responsive after-sales service. We collect and track customer feedback across key touchpoints, including major e-commerce platforms, social media channels and offline stores, and our customer service team typically responds within 24 hours with escalation for unresolved matters, which supports continuous improvement in product quality and service. We also leverage our highly engaged "Copper Fans (銅粉)" community to strengthen repeat purchases and brand advocacy. While we do not operate a formal tiered membership or points-based loyalty program, we regularly run brand-led engagement initiatives, including our annual "Copper Fans Convention (銅粉節)" and other campaign-based activities, together with ongoing communications with certain customers through dedicated WeChat groups to share new launches and event updates, reinforcing customer stickiness and long-term loyalty.

**Exchange and Return Policy**

We offer a clear, flexible, and customer-oriented after-sales policy to enhance consumer trust and satisfaction. While our standard written policy provides for returns or exchanges of defective products within 15 days of receipt, in practice, we maintain a significantly more accommodating approach. During the Track Record Period, we consistently offered post-sale repair and maintenance services beyond the officially stated window, depending on the nature of the issue and repair feasibility. Most repairs are provided free of charge as a goodwill service, unless substantial material replacement is required.

To initiate a return or repair request, customers are required to submit supporting information through designated service channels. Once verified, we arrange for product collection, assessment, and service resolution. For discretionary returns not involving product defects, return shipping is generally borne by the customer.

## Third-Party Payment Arrangements

***Background of third-party payment arrangements***

During the period from January 1, 2022 to February 14, 2023 (the "**Relevant Period**"), we received payments from third parties on behalf of a small number of our individual distributors through bank accounts not held by the contracting parties under the relevant sales and purchase agreements (the "**Third-Party Payment Arrangements**"). These arrangements were primarily initiated by our individual distributors for operational convenience, and the designated third-party payors were typically the legal representatives, spouses, or family members of such distributors.

In the year ended December 31, 2022 and 2023, we received third-party payments from four and two distributors, respectively, totaling approximately RMB11.3 million and RMB6,000, which accounted for approximately 2.3% and 0.001% of our total revenue in the respective years. We did not receive any third-party payments in the year ended December 31, 2024 or up to the Latest Practicable Date. These instances were isolated, limited in scale, and not indicative of any systemic or recurring practice within our distributor network. During the Relevant Period, we duly recorded all such payments in accordance with our internal accounting policies and the applicable tax regulations.

***Rectification measures and strengthening of internal controls***

Upon identification of such arrangements in 2022, we promptly took steps to rectify and prevent further occurrence of Third-Party Payment Arrangements. Specifically, in August 2022, we started rectification and had revised and re-executed distribution agreements to all existing distributors (re-execution completed in January 2023), with a revised distributor agreement template that expressly prohibits third-party payment arrangements. And since February 14, 2023, we have:

- ceased accepting payments from accounts not held by the contracting distributors;
- enhanced internal protocols by requiring our finance team to reject unmatched payments and to verify all payment instructions against registered distributor records;
- initiated internal training across relevant departments to strengthen awareness and compliance with the updated policy.

***Legal and compliance assessment***

According to our PRC Legal Adviser, in light of the above: (i) the aforementioned third-party payments do not breach any mandatory or prohibitive provisions of the current applicable PRC laws and regulations; (ii) the risks for us being obligated to return the payments made under the third-party payment arrangements to the relevant distributors and their designated third parties are considered remote; (iii) considering the written compliance confirmations issued by the competent authorities for us during the Relevant Period, and the fact that we were not subject to investigation or penalties from the relevant branches of the People's Bank of China ("**PBOC**") during the Track Record Period due to third-party payments, the risks of us being deemed to have committed the crime of money laundering are also considered remote.

Our internal control consultant conducted a general review of our internal control system in relation to the [**REDACTED**], covering the period from February 2024 to January 2025. Based on the procedures performed in March 2025, our internal control consultant recommended enhancements to our "Monetary Fund Management Policy" (《貨幣資金管理制度》). A follow-up review was conducted in April 2025, and no further deficiencies were identified based on the selected samples and agreed scope of work.

According to F&S, it is common for distributors, especially those who are small-sized, to settle their corporate transactions via three-party payers for convenience and efficiency.

Based on the above, and having made all reasonable enquiries, our Directors confirm that the historical Third-Party Payment Arrangements have not had and will not have any material adverse impact on our business operations, financial condition or internal control systems.

## SUPPLIERS

Our suppliers primarily include providers of metal raw materials, auxiliary casting materials, and e-commerce platforms that offer online sales and marketing infrastructure in the PRC. We source key metal inputs such as electrolytic copper, zinc ingots, and various copper alloys from domestic suppliers for use in our lost-wax casting process. In addition, we procure auxiliary materials such as casting powder and related supplies, which are used during shell making and mold preparation. As of September 30, 2025, we maintained long-term relationships with over 400 suppliers in China.

### Major Suppliers

For the year ended December 31, 2022, the purchase costs payable to our largest supplier accounted for approximately 10.0% of our total purchase costs, while the combined purchase costs attributable to our five largest suppliers amounted to approximately 29.0%. For the year ended December 31, 2023, our largest supplier represented approximately 11.6% of our total purchase costs, whereas the five largest suppliers, in aggregate, contributed around 37.6%. For the year ended December 31, 2024, payments to our largest supplier made up approximately 10.9% of total purchase costs, while the five largest suppliers collectively accounted for approximately 35.3%. For the nine months ended September 30, 2025, the purchase costs payable to our largest supplier accounted for approximately 8.8% of our total purchase cost, while the combined purchase costs attributed to our five largest suppliers accounted to approximately 33.1%.

Given that our sales are predominantly generated through online channels, and particularly through self-operated stores on major e-commerce platforms, we engage with leading platforms to support our direct-to-consumer operations. Under these arrangements, we pay commissions, marketing and traffic services fees in accordance with standardized agreements. For the years ended December 31, 2022, 2023 and 2024 and the nine months ended September 30, 2025, our fixed commission fees from Supplier A and Supplier C (as defined below) represented approximately 4.6% to 5.6% of the relevant transaction value. For the years ended December 31, 2022, 2023 and 2024 and the nine months ended September 30, 2025, our marketing and traffic services fees from Supplier A and Supplier C (as defined below) represented approximately 3.8% to 6.2% of the relevant transaction value. These e-commerce platforms are therefore recognized as suppliers in respect of their provision of paid marketing and platform services. For details of the salient terms of those agreements, please refer to "Business — Sales and Marketing — Direct Sales — Online Direct Sales."

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

***For the year ended December 31, 2022***

| Supplier | Purchase type | Supplier's background | Credit terms | Payment method | Years of relationship | Purchase amount by us | % of our total purchase |
|---|---|---|---|---|---|---|---|
| | | | | | | *RMB'000* | *%* |
| Jiangyin Jiashijie Trading Co., Ltd. (江陰嘉世傑貿易有限公司) | Metal raw materials | PRC-based supplier of electrolytic copper and zinc ingots | Not applicable | Bank transfer | 5 | 23,277 | 10.0 |
| Supplier A | E-commerce promotion fee | Operator of the Tmall e-commerce platform | Not applicable | Bank transfer | 12 | 18,716 | 8.1 |
| Xinmao Group[1] | Metal raw materials | PRC-based supplier of electrolytic copper and zinc ingots | Not applicable | Bank transfer | 3 | 12,345 | 5.3 |

| Supplier | Purchase type | Supplier's background | Credit terms | Payment method | Years of relationship | Purchase amount by us | % of our total purchase |
|---|---|---|---|---|---|---|---|
| | | | | | | *RMB'000* | *%* |
| Supplier B . . . . . | Metal raw materials | PRC-based supplier of electrolytic copper | Not applicable | Bank transfer | 3 | 6,814 | 2.9 |
| Shanghai Tianshen Copper Group Co., Ltd. (上海天申銅業集團有限公司) . . . . . | Metal raw materials | PRC-based supplier of brass plates | 15 days | Bank transfer | 7 | 6,268 | 2.7 |
| | | | | | **Subtotal** | 67,420 | 29.0 |

*Note (1):* "Xinmao Group" refers collectively to Hangzhou Xinmao Metal Materials Co., Ltd. (杭州新茂金屬材料有限公司) and Hangzhou Linengjian Machinery Co., Ltd. (杭州力能堅機械有限公司), which are under common control and have been aggregated for disclosure purposes.

***For the year ended December 31, 2023***

| Supplier | Purchase type | Supplier's background | Credit terms | Payment method | Years of relationship | Purchase amount by us | % of our total purchase |
|---|---|---|---|---|---|---|---|
| | | | | | | *RMB'000* | *%* |
| Xinmao Group . . | Metal raw materials | PRC-based supplier of electrolytic copper and zinc ingots | Not applicable | Bank transfer | 3 | 24,462 | 11.6 |
| Jiangxi Yuchi Trading Co., Ltd. (江西譽馳貿易有限公司) ("**Jiangxi Yuchi**") . . . . . | Metal raw materials | PRC-based supplier of brass, bronze, and red copper granules | Not applicable | Bank transfer | 3 | 21,728 | 10.3 |
| Supplier A . . . . | E-commerce promotion fee | Operator of the Tmall e-commerce platform | Not applicable | Bank transfer | 12 | 17,249 | 8.2 |
| Meizhou Xuchang Jewelry Co., Ltd. (梅州市旭昌首飾有限公司). . . . . | Metal raw materials | PRC-based supplier of brass alloys | 30 days | Bank transfer | 2 | 8,000 | 3.8 |
| Guangzhou Hongjing Jewelry Casting Materials Co., Ltd. (廣州市泓景首飾鑄造材料有限公司) . | Consumables (casting powder) | PRC-based supplier of casting powder | 60 days | Bank transfer | 4 | 7,871 | 3.7 |
| | | | | | **Subtotal** | 79,310 | 37.6 |

***For the year ended December 31, 2024***

| Supplier | Purchase type | Supplier's background | Credit terms | Payment method | Years of relationship | Purchase amount by us | % of our total purchase |
|---|---|---|---|---|---|---|---|
| | | | | | | *RMB'000* | *%* |
| Xinmao Group . . | Metal raw materials | PRC-based supplier of electrolytic copper and zinc ingots | Not applicable | Bank transfer | 3 | 28,190 | 10.9 |
| Jiangxi Yuchi . . . | Metal raw materials | PRC-based supplier of brass, bronze, and red copper granules | 30 days | Bank transfer | 3 | 26,233 | 10.2 |
| Supplier A . . . . | E-commerce promotion fee | Operator of the Tmall e-commerce platform | Not applicable | Bank transfer | 12 | 18,827 | 7.3 |
| Guangzhou Hongjing Jewelry Casting Materials Co., Ltd. (廣州市泓景首飾鑄造材料有限公司) . | Consumables (casting powder) | PRC-based supplier of casting powder | 60 days | Bank transfer | 4 | 10,484 | 4.1 |
| Supplier C . . . . | E-commerce promotion fee | Service provider on the JD.com platform | Not applicable | Bank transfer | 5 | 7,128 | 2.8 |
| | | | | | **Subtotal** | 90,862 | 35.3 |

***For the nine months ended September 30, 2025***

| Supplier | Purchase type | Supplier's background | Credit terms | Payment method | Years of relationships | Purchase amount by us | % of our total purchase |
|---|---|---|---|---|---|---|---|
| | | | | | | *RMB'000* | *%* |
| Jiangxi Yuchi . . . | Metal raw materials | PRC-based supplier of brass, bronze, and red copper granules | 30 days | Bank transfer | 3 | 19,301 | 8.8 |
| Supplier A . . . . . | E-commerce promotion fee | Operator of the Tmall e-commerce platform | Not applicable | Bank transfer | 12 | 15,853 | 7.2 |
| Xinmao Group . . | Metal raw materials | PRC-based supplier of electrolytic copper and zinc ingots | Not applicable | Bank transfer | 3 | 15,079 | 6.9 |
| Supplier D . . . . . | Raw material (copper billets) | PRC-based supplier of copper billets | 30 days | Bank transfer | 2 | 11,529 | 5.3 |
| Supplier E . . . . . | Metal raw materials | PRC-based supplier of gold | Not applicable | Bank transfer | 1 | 10,752 | 4.9 |
| | | | | | **Subtotal** | 72,514 | 33.1 |

Our major suppliers primarily fall into two categories: (i) e-commerce platforms, from which we procure online store operation services, and (ii) raw material and component suppliers, which provide key inputs such as electrolytic copper, brass alloys, and casting materials used in our production process.

Supplier A and Supplier C are platform service providers affiliated with two major e-commerce groups, which provide us with transaction infrastructure, promotional services, and advertising placements for our self-operated flagship stores. We operated under standardized cooperation arrangements with Supplier A and Supplier C, under which we generally incur (i) commission fees, being fixed commissions calculated as a percentage of transaction value and typically deducted by the platforms on a real-time basis per transaction, and (ii) marketing and traffic services fees, being fees for digital advertising and promotional services (such as traffic packages, keyword bidding and promotional campaigns) which are settled through the relevant platform systems based on the applicable service type and settlement rules. Due to the aforementioned arrangements, these platform operators do not offer credit periods, and the relevant charges are settled through their backend systems on an automatic or periodic reconciliation basis. For the salient terms of such standardized cooperation agreements, please refer to "Business — Sales and Marketing — Direct Sales — Online Direct Sales" in this document.

The remaining major suppliers are private enterprises engaged in the supply of copper raw materials, casting powder, and jewelry-grade metal components. These suppliers are typically of small to medium operational scale, and we have maintained multi-year relationships with most of them. For these counterparties, we enter into standard framework procurement agreements which set out purchase procedures, product specifications, quality standards, delivery terms, and settlement mechanisms. Credit terms were generally granted to us by these suppliers during the Track Record Period, with typical credit periods ranging from 15 to 60 days depending on the supplier and product type.

*Salient Terms of Agreements with Major Raw Material Suppliers*

With respect to our raw material and component suppliers (such as Supplier B, Supplier D, and Supplier E), we typically enter into short-form framework procurement agreements that are standard in form and commercial practice. These agreements are generally non-exclusive, and the key terms include the following:

- Scope and term: The agreements cover designated categories of copper, alloy or other materials, with fixed terms of one to two years and renewal clauses.
- Order mechanism: Purchases are made through rolling purchase orders based on actual production needs, with no binding minimum purchase obligations.
- Pricing: Unit prices are determined through quotation or negotiation at the time of each order, and may be adjusted based on raw material market movements.
- Payment terms: Credit periods of 15 to 60 days are typically granted to us based on historical cooperation.
- Delivery and inspection: Suppliers are required to deliver to our designated facility, and we may reject or return non-conforming goods following inspection upon receipt.
- Quality assurance: Suppliers undertake to meet agreed product specifications and to bear liability for any quality defects identified during acceptance or usage.

### Overlapping Customers and Suppliers

During the Track Record Period, we had one instance of overlap between a customer and a supplier that, while represented by different contractual counterparties, were ultimately under the control of the same e-commerce platform group. Supplier C was our platform service provider for our online flagship store operated on its open platform. We procured platform services such as transaction processing, store maintenance, and promotional tools from Supplier C. Separately, Customer G acted as our consignment partner within the same group, distributing our products through its self-operated e-commerce retail store. Under this consignment arrangement, Customer G listed and sold our products to end consumers and remitted proceeds to us after deducting agreed service commissions.

The transactions with Supplier C were recorded as selling and distribution expenses, while the transactions with Customer G were recognized as revenue under the consignment model. During the Track Record Period, our purchases from Supplier C amounted to approximately RMB4.7 million, RMB6.8 million, RMB7.1 million, and RMB5.6 million for the years ended December 31, 2022, 2023, 2024 and the nine months ended September 30, 2025, respectively, representing approximately 2.0%, 3.2%, 2.8% and 2.5% of our total purchase costs in the respective years/periods. Meanwhile, our revenue derived from Customer G amounted to approximately RMB3.6 million, RMB4.2 million, RMB13.6 million and RMB18.5 million for the same years/periods, representing approximately 0.7%, 0.8%, 2.4% and 4.1% of our total revenue in the respective years/periods.

The contractual counterparties involved were separate legal entities within the same group, and no conflict of interest or preferential treatment was identified in respect of such overlapping arrangements. Our Directors confirm that these transactions were entered into on normal commercial terms and in the ordinary course of business. Our Directors further confirm that there was no set-off arrangement in respect of receivables or payables between the overlapping customer and supplier, and all transactions were settled separately in accordance with their respective contractual terms.

So far as our Directors are aware, none of our Directors, their close associates or any Shareholders holding more than 5% of the issued share capital of our Company immediately following the completion of the [**REDACTED**], had any interests in any of our five largest suppliers in each year/period during the Track Record Period.

### Supplier Selection & Management

Our supplier selection process typically involves multiple stages. We prioritize suppliers based on two primary criteria: product quality and pricing competitiveness. Beyond these fundamentals, we assess their ability to meet our production requirements, responsiveness to orders, and long-term strategic fit.

For all selected suppliers, we enter into framework agreements that outline general cooperation terms. Specific product purchases are then executed through purchase orders, with quality standards typically determined by approved samples. Contractual agreements define key terms such as payment cycles, delivery schedules, and dispute resolution mechanisms. In the event of unforeseen circumstances, both parties negotiate solutions in good faith to ensure stable cooperation.

We maintain long-term relationships with key suppliers while regularly assessing their performance based on pricing, quality, and timely delivery. Our supplier database is continuously updated, and underperforming suppliers are subject to review and potential replacement. Our procurement primarily consists of raw materials and outsourced production, both of which follow distinct management protocols. This allows us to maintain flexibility while ensuring high standards.

We maintain a robust set of supplier qualification requirements, such as the "Three-in-One" certificate, which is a comprehensive regulatory certification combining the business license, organization code certificate (組織機構代碼證), and tax registration certificate (稅務登記證). This document is essential for evaluating the operational legitimacy of our suppliers and ensures their compliance with the applicable laws. The "Three-in-One" certificate acts as a foundational document for supplier onboarding and management, verifying their operational scope, legitimacy, and adherence to national regulatory standards.

Furthermore, to meet our ESG goals, we require that our suppliers demonstrate full compliance with environmental standards. Suppliers must provide relevant environmental certification, including but not limited to emissions control and resource recycling policies. These criteria are incorporated into our Procurement Center Guidelines to ensure that every partner meets stringent sustainability and ethical standards. In particular, for our metal suppliers where production processes, including the casting and finishing of copper, may be environmentally intensive, we implement additional ESG audits. These audits evaluate environmental policies such as energy efficiency, water usage, waste management, and emission control. We assess how well our suppliers adhere to resource conservation practices, ensuring they align with our sustainability objectives. Suppliers located near our manufacturing facilities are prioritized in our procurement strategy to support local economic development and minimize carbon footprints associated with transportation.

In addition to standard procurement regulations, we enforce strict internal controls and regular audits to monitor supplier performance. Our procurement staff regularly review the supplier base and seek opportunities to reduce costs without compromising quality. We also encourage the development of new suppliers to help optimize procurement costs. To reinforce our internal controls and prevent disruptions in our supply chain, we have established comprehensive measures, including regular performance evaluations and the development of contingency plans. These efforts contribute to minimizing supply chain risks and ensuring that our procurement activities align with both business goals and sustainability standards.

## LOGISTICS AND INVENTORY MANAGEMENT

We operate our own warehouse to maintain full control over our storage, dispatch, and inventory processes. Our Hangzhou Facility spans a total of approximately 155,626 square meters, in which we owned and operated one warehouse. The warehouse serves as our primary logistics hub, supporting nationwide order fulfillment for both online and offline sales channels. In addition to our self-owned warehouse, our inventory also includes goods stored at third-party platform-operated warehouses, primarily under consignment arrangement for e-commerce platforms such as JD.com as well as products stored in small-scale storage areas attached to our self-operated offline stores. These supplementary warehouses are used primarily for last-mile distribution, daily retail replenishment, and promotional campaigns.

For accounting purposes, inventory comprises of raw materials, work-in-progress, finished goods, and goods in transit that are held for sale or use in the ordinary course of business. Inventory held at third-party warehouses and retail locations is also recognized as part of our inventory balance, provided that the risks and rewards of ownership have been retained by us.

Our warehouse is managed under a standardized operating framework, which includes defined inbound and outbound procedures, categorized storage by product type, routine inventory cycle counts, and a barcode-based inventory tracking system. All inventory movements are monitored through our ERP system, enabling real-time visibility and timely replenishment. Warehouse personnel are trained in the safe handling and storage of handcrafted and fragile goods to ensure product integrity.

All logistics and transportation functions are outsourced to third-party service providers. We cooperate with a number of reputable logistics companies under annual framework agreements, which cover nationwide delivery services, return logistics, and dedicated dispatch for bulk or corporate orders. These agreements typically include performance obligations such as delivery timeliness, customer service responsiveness, and compensation for shipment loss or damage based on declared consignment value.

**Inventory Management**

Our inventory primarily consists of finished products, work in progress and raw materials and consumables stored at our Hangzhou warehouse. We adopt a proactive inventory planning strategy that takes into account sales seasonality, promotional cycles, and product launch schedules. Inventory planning is jointly managed by our operations, merchandising, and finance teams, with regular reviews based on historical turnover data, marketing calendars, and production capacity.

Inventory levels are actively adjusted ahead of major shopping festivals such as 618 and Double 11, as well as key cultural gifting periods including Chinese New Year and Mid-Autumn Festival. During the Track Record Period, our inventory turnover days were 107 days, 119 days, 119 days and 133 days for the years ended December 31, 2022, 2023, 2024 and the nine months ended September 30, 2025, respectively.

We implement periodic inventory counts and system reconciliation processes to maintain stock accuracy. Inventory is categorized by product type and age, and is subject to monthly physical audits with discrepancy reporting to headquarters.

## WORK SAFETY

We are not subject to the requirements for a work safety permit under the Regulations on Work Safety Permits (《安全生產許可證條例》), as our principal business activities do not fall within the categories of enterprises mandated to obtain such permits, including mining, construction, and the production of hazardous chemicals or explosive materials.

We have obtained a Level Three Work Safety Standardization Certificate (安全生產標準化三級企業證書) issued by the Hangzhou Emergency Management Bureau, valid until March 2028. During the Track Record Period and up to the Latest Practicable Date, we were in compliance with applicable national and local safety production laws and regulations. We had not been subject to any administrative penalties in connection with work safety matters and no work-related incidents classified as production safety accidents occurred during the same year/period.

**Safety Management System**

We place significant emphasis on workplace safety and have established a comprehensive safety production management system based on the Work Safety Law of the People's Republic of China, the Fire Protection Law, and other relevant regulations. Our safety framework assigns clear safety responsibilities across departments under a tiered accountability structure, supported by routine on-site inspections and enhanced checks before holidays, as well as day-to-day operational checks covering, among others, protective equipment usage, machinery operation and the implementation of safety responsibilities. We also conduct periodic identification, assessment and registration of major hazard sources, with regular patrols and recordkeeping by responsible units. In addition, we provide structured safety training for both new hires and existing employees, including pre-job safety orientation for new staff and mandatory annual refresher training for all employees, supplemented by drills and internal communications to reinforce safety awareness.

In addition, we have established supporting safety management measures covering hazardous chemicals control, occupational health protection and incident reporting and response. We procure, store and use certain hazardous chemicals in our operations and have put in place dedicated internal arrangements to manage their procurement, inventory control and usage tracking,

with hazardous materials stored in designated facilities equipped with ventilation, spill containment and access control. We have also formulated internal emergency response procedures and contingency plans for chemical-related incidents, which provide for on-site evacuation, source control, pollution containment and notification of relevant authorities, followed by internal review in accordance with our incident reporting and investigation procedures.

We engage qualified third-party service providers to conduct regular occupational hazard assessments across key workshops and processes, focusing on exposure to dust, fumes, vapors, noise, high temperatures and other physical or chemical factors, with reference to applicable national standards. Based on assessment results, we implement corresponding protective measures and infrastructure and conduct pre-employment, on-duty and post-employment health examinations for employees in higher-risk positions. We also maintain procedures for the provision, use and management of personal protective equipment, supported by onboarding training and ongoing safety communications.

During the Track Record Period and up to the Latest Practicable Date, we maintained a clean safety record with no major workplace safety incidents or penalties. We operate a structured framework for reporting, investigating and addressing workplace safety incidents, including fires, equipment malfunctions, chemical leaks and work-related injuries, led by designated personnel and supported by regular drills. Where incidents occur, we follow standardized internal procedures to identify responsible factors, conduct root cause analysis, implement corrective actions and share lessons learned across relevant teams, with records centrally maintained to support follow-up and continuous improvement of our safety management system.

## INTELLECTUAL PROPERTY

We regard our intellectual property as an essential component of our brand equity and product competitiveness. Our intellectual property portfolio includes self-developed product designs, proprietary visual motifs, unique artistic creations, production techniques, and trademarks. To safeguard our creative assets and operational rights, we have adopted a dual-track IP strategy that emphasizes original content development while selectively engaging in IP licensing arrangements.

### Self-developed IP

Our self-developed IPs represent the cultural and strategic foundation of our brand. These IPs are conceived and developed in-house through a cross-functional collaboration among our product creation team, cultural researchers, and sculptural artists.

We have implemented internal protocols to document the creative process, register relevant copyright and design rights, and regularly monitor the market for potential infringements. As of September 30, 2025, we had obtained 1,776 artistic copyrights, 171 design patents, 12 utility model patents, 9 software copyrights and 3 invention patents. We plan to continue investing in the protection and development of original IPs as part of our long-term strategy.

### IP Licensing Arrangements

In addition to our self-developed IPs, we collaborate with selected third-party IP licensors to broaden our product portfolio, tap into existing fan communities, and bring more diverse cultural themes to our product lines. These licensing arrangements enable us to reinterpret popular characters and stories through our unique aesthetic and craftsmanship.

We typically enter into non-exclusive license agreements with reputable IP proprietors or authorized agents. The licensed IPs may include characters, artworks, film or television properties, or historical motifs, and are applied across selected product lines under our brand. The license agreements generally cover a defined territory (typically the PRC but also the U.S and Taiwan at times), a designated product scope, and a specified term. Key terms of our licensing arrangements typically include:

- *License scope*: Non-exclusive, non-transferable rights to use the licensed IP in designated product categories and formats.
- *Territory and term*: Licenses are typically granted for use in Chinese Mainland or Greater China, for fixed terms ranging from one to three years, with renewal options subject to mutual agreement. For the avoidance of doubt, in overseas markets, our products are primarily based on self-developed IPs, and licensed IP products are sold only where the relevant territorial rights have been obtained.
- *Royalty structure*: Our licensing agreements generally require payment of royalties based on a percentage of the net sales of licensed products, subject to a minimum guaranteed payment. At the lower end, the royalty is approximately 2.0% of the net sales of licensed products with no minimum guarantee, while at the higher end, the royalty is approximately 10.0% of the net sales with a minimum guaranteed payment of RMB1.5 million. Royalties are usually settled on a quarterly basis and subject to audit rights by the licensor.
- *Approval mechanism*: All product designs and promotional materials bearing the licensed IP must be submitted to the licensor for prior review and written approval. This ensures consistency with the licensor's brand guidelines and commercial policies.
- *IP ownership and infringement*: The licensor retains all ownership rights in the licensed IP, and we are required to include appropriate ownership and trademark notices on products and packaging. In the event of third-party infringement, we are obligated to notify the licensor and may cooperate in enforcement actions as appropriate.
- *Confidentiality and termination*: Each agreement contains confidentiality provisions and conditions under which either party may terminate the agreement, including for breach or insolvency.

**Trademark and Copyright Protection**

As of September 30, 2025, we had registered 577 trademarks in China covering our core brand names and sub-brands. As of the Latest Practicable Date, we owned 13 registered trademarks in jurisdictions such as the United States, the United Kingdom, and the European Union. Additionally, we are currently applying for ten trademarks in jurisdictions such as Hong Kong and Canada. We have also registered copyrights for key product designs, packaging elements, and visual artworks. We engage external counsel to advise on trademark registration and copyright compliance, and we regularly monitor e-commerce platforms and social media for potential infringements.

We have established an internal protocol to manage infringement complaints, including issuing cease-and-desist letters, requesting takedowns on digital platforms, and initiating legal action when necessary. We have also adopted confidentiality agreements and restrictive covenants with key employees, contractors, and supply chain partners to mitigate the risk of unauthorized disclosure or misuse of our proprietary designs. We confirm that there have been no material intellectual property disputes or claims during the Track Record Period and up to the Latest Practicable Date.

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE

We affirm that we have adhered to the Environmental Protection Law of the PRC and other relevant environmental regulations during the Track Record Period and up to the Latest Practicable Date. Our ESG strategy is guided by our core values of craftsmanship and cultural preservation, and value-driven quality, and is implemented through a structured governance framework and measurable sustainability practices.

### ESG Governance Framework

Our ESG governance framework ensures robust oversight and systematic execution of our ESG strategies. To ensure the effective advancement of ESG work, we have established ESG management policies that define the responsibilities and roles of our Board of Directors and the ESG Work Group.

Our Board of Directors is ultimately responsible for overseeing ESG matters. They set ESG goals, approve policies and disclosures, and monitor the progress of ESG initiatives.

To support these efforts, we've formed an ESG Work Group made up of team members from key departments like Environmental and Safety Department, Production Department, and Procurement center. This group helps manage ESG risks and opportunities, tracks performance, and prepares our annual ESG report etc. Our governance framework is reinforced by internal policies and controls to ensure compliance with applicable regulations.

### Environmental Management and Performance

We adhere to the Environmental Protection Law of the PRC and other relevant environmental regulations. Our production processes generate industrial emissions, wastewater, solid waste. We have implemented an Environmental Management policy that addresses pollution control, waste management, and resource efficiency. To mitigate environmental impact, we have adopted pollution prevention technologies, energy-efficient equipment, and water-saving systems. We also conduct periodic environmental impact assessments and maintain emergency response mechanisms for environmental incidents.

We are mindful of both transition and physical risks associated with climate change, and have incorporated climate considerations into our environmental risk management framework. Transition risks may arise from future regulatory changes, market shifts and reputational concerns, including (i) stricter national and local emissions regulations, which may necessitate additional investments in equipment upgrades or process optimization; (ii) intensified carbon emissions regulations, which may raise our operating costs; and (iii) rising consumer preference for low-carbon products, which may require changes in production process. Physical risks include extreme weather events and long-term climate shifts that may impact our supply chain and production operations. For instance, higher frequency of typhoons and rainstorms may disrupt raw material transportation, while increased summer temperatures may elevate energy use for climate control in workshops.

We regularly assess these risks as part of our ESG Work Group's risk evaluation process and have developed response strategies, including diversification of suppliers, improved equipment resilience, and enhanced water and energy usage monitoring.

#### *Compliance with ESG-Related Laws*

We have complied with all applicable environmental, occupational safety, and employee protection laws and regulations in the PRC during the Track Record Period and up to the Latest Practicable Date.

To support compliance, we have established internal management policies and operational protocols that align with regulatory requirements. Our ESG Work Group conducts periodic internal reviews and coordinates with functional departments to ensure proper execution of these policies. During the Track Record Period, our ESG-related compliance costs primarily comprised expenses for safety equipment upgrades and waste disposal, and professional services related to ESG data collection and disclosure. Our estimated total ESG compliance costs amounted to approximately RMB5.2 million, RMB3.7 million, RMB2.9 million and RMB3.1 million for the years ended December 31, 2022, 2023, 2024 and the nine months ended September 30, 2025, respectively.

***GHG Emissions and Pollution Management***

We are committed to minimizing our environmental footprint through the effective management of greenhouse gas ("**GHG**") emissions, air and water pollutants, and solid waste. In compliance with the PRC's laws and regulations such as the Law on the Prevention and Control of Atmospheric Pollution, the Law on the Prevention and Control of Water Pollution, and the Law on the Prevention and Control of Environmental Pollution by Solid Waste, we have established a comprehensive environmental management framework to ensure that all emission indicators meet national and local discharge standards.

Our operations generate Scope 1 (direct), Scope 2 (energy indirect), and Scope 3 (other indirect) GHG emissions. We have implemented energy-saving initiatives and efficiency upgrades that helped us moderate our emission intensity despite business growth. The following table summarizes our GHG emissions during the Track Record Period:

| | | For the year ended December 31, | | | For the nine months ended September 30, |
|---|---|---|---|---|---|
| **Emission Type** | **KPI** | **2022** | **2023** | **2024** | **2025** |
| Greenhouse gas | Scope 1 emissions (tons CO2) | 1,444 | 1,188 | 1,263 | 844.88 |
| | Scope 2 emissions (tons CO2) | 10,210 | 10,974 | 14,491[(2)] | 9,200.81 |
| | Scope 3 emissions (tons CO2)[(1)] | 30 | 26 | 28 | 25.11 |
| | Total emission (tons CO2) | 11,684 | 12,188 | 15,782[(2)] | 10,070.80 |
| | Greenhouse gas emission intensity (tons/RMB million revenue) | 22.8 | 23.8 | 27.2[(2)] | 22.50 |

*Notes:*

(1) Scope 3 greenhouse gas emissions include waste generated in operations, and business travel.

(2) In the second half of 2023, our new production line commenced operations, which requires substantial water consumption for rinsing and casting procedures, along with large electricity usage to power furnaces for calcination.

In support of our 2025 quantitative ESG goals, we aim to reduce our air pollutant emissions per RMB million revenue by 1% from the 2024 baseline.

Our major air pollutants include nitrogen oxides (NOx), sulfur oxides (SOx), and particulate matter (PM), primarily generated during grinding, sandblasting, painting, and coloring. The following table summarizes our air pollutants during the Track Record Period.

| | For the year ended December 31, | | | For the nine months ended September 30, |
|---|---|---|---|---|
| | 2022 | 2023 | 2024 | 2025 |
| NOx (kg) | 271.0 | 592.7[(1)] | 541.2 | 298.53 |
| SOx (kg) | 0.8 | 1.0[(1)] | 1.2[(1)] | 1.11 |
| PM (kg) | 21.9 | 29.5[(1)] | 32.5 | 23.64 |

*Note:*

(1) Due to product line expansion requiring the implementation of electroplating processes, we must transport products via freight trucks to third-party processing facilities for electroplating. This has led to heightened consumption of diesel and gasoline fuels, thereby contributing to elevated exhaust emissions.

We manage air emissions through a combination of engineering controls, monitoring mechanisms and operational management measures. Our facilities are equipped with exhaust and gas treatment systems, which are periodically upgraded, including the replacement of UV photocatalytic systems with activated carbon absorption units to improve pollutant removal efficiency. We conduct annual third-party monitoring of air pollutant emissions to assess compliance with applicable standards and provide regular training to production employees on emission-reduction and environmental compliance practices. In addition, we operate in-house wastewater treatment stations and sedimentation tanks to treat production wastewater, including plaster rinsing water, with treated wastewater reused or discharged in compliance with municipal standards. We also manage hazardous and non-hazardous solid waste in accordance with applicable PRC regulations through classification, labeling and designated storage, with disposal handled by licensed third-party service providers, and certain industrial by-products reused where feasible.

The tables below present our performance data in terms of solid waste management during the Track Record Period.

| | For the year ended December 31, | | | For the nine months ended September 30, |
|---|---|---|---|---|
| | 2022 | 2023 | 2024 | 2025 |
| Hazardous waste (tons) | 76.9 | 121.9[(1)] | 210.0[(1)] | 200.57 |
| Hazardous waste density (tons/RMB million revenue) | 0.2 | 0.2 | 0.4 | 0.45 |
| Non-hazardous waste (tons)[(1)] | 4,046 | 6,794[(1)] | 6,092 | 4,884 |
| Non-hazardous waste density (tons/RMB million revenue) | 7.9 | 13.3 | 10.5 | 10.91 |

*Note:*

(1) In the second half of 2023, our color painting process commenced operations, which generates both hazardous waste (such as waste paint) and non-hazardous waste.

In line with our ESG objectives, we have established measurable reduction targets for waste intensity. Specifically, we aim to reduce the generation of hazardous waste and non-hazardous waste per RMB million revenue by 1% from the 2024 baseline by the end of 2025.

***Energy and Resource Efficiency***

We are committed to improving energy and resource efficiency across our operations by implementing advanced technologies, optimizing production processes, and fostering sustainable practices. Our initiatives focus on reducing fossil fuel dependency, enhancing electricity and water conservation, and minimizing resource waste, in compliance with the Energy Conservation Law, the Renewable Energy Law, and the Water Law of the PRC.

Our direct energy consumption consists of fossil fuels, including gasoline, diesel, and natural gas, while indirect energy use is primarily attributed to purchased electricity.

The table below sets forth our total direct and indirect energy consumption as well as intensity metrics for the Track Record Period:

| | For the year ended December 31, | | | For the nine months ended September 30, |
|---|---|---|---|---|
| | 2022 | 2023 | 2024 | 2025 |
| Gasoline (liters) | 2,304 | 4,832[(1)] | 7,339[(1)] | 28,278 |
| Diesel (liters) | 49,779 | 56,233 | 66,562 | 42,980 |
| Natural Gas ($m^3$) | 597,031 | 469,321 | 488,122 | 304,175 |
| Purchased Electricity (MWh) | 16,455 | 17,238 | 23,353[(2)] | 15,927 |
| Total Direct Energy (MWh) | 6,799 | 5,557 | 5,889 | 3,915 |
| Total Indirect Energy (MWh) | 16,455 | 17,238 | 23,353 | 15,927 |
| Total Energy Consumption (MWh) | 23,254 | 22,795 | 29,242 | 19,842 |
| Energy Intensity (MWh/RMB million revenue) | 45.4 | 44.6 | 50.5 | 44.3 |

*Notes:*

(1) Due to product line expansion requiring the implementation of electroplating processes, we must transport products via freight trucks to third-party processing facilities for electroplating. This has led to heightened consumption of diesel and gasoline fuels, thereby contributing to elevated exhaust emissions.

(2) In the second half of 2023, our new production line commenced operations. The new production line requires substantial water consumption for rinsing and casting procedures, along with significant electricity usage to power furnaces for calcination. This has resulted in a notable increase in our overall electricity and water consumption.

To reduce energy usage, we have implemented a series of operational and equipment-related measures across our production and office facilities. These include the phased disposal of underutilized gasoline and diesel vehicles to reduce fuel consumption, as well as the deployment of advanced gas leakage detection systems to prevent natural gas wastage. We have also invested in upgrading production equipment, including replacing outdated balers with higher-efficiency models, which reduced power consumption from 6.5kW to 2.2kW per unit. In addition, we shifted from silicone molds to plaster molds in certain processes, thereby reducing reliance on high-energy equipment, including 23 resting tanks and six dehumidifiers with a combined capacity of approximately 550kW. Following process optimization, the usage frequency of such equipment decreased by approximately 50%, with certain dehumidifiers partially phased out. We further conduct routine inspections of power lines and equipment to identify and rectify inefficiencies, and have comprehensively adopted LED lighting across our offices and production facilities, supported by daily patrols to reinforce basic energy management practices, such as switching off lighting when areas are unattended.

The following table outlines our total water consumption and water intensity over the Track Record Period:

| | For the year ended December 31, | | | For the nine months ended September 30, |
|---|---|---|---|---|
| | 2022 | 2023 | 2024 | 2025 |
| Total Water Usage (tons) | 136,510 | 195,109[(1)] | 260,196[(1)] | 178,100 |
| Water Consumption Intensity (Tons/RMB million revenue) | 266.6 | 381.4[(1)] | 449.6[(1)] | 397.84 |

*Note:*

(1) In the second half of 2023, our new production line commenced operations. The new production line requires substantial water consumption for rinsing and casting procedures, along with significant electricity usage to power furnaces for calcination. This has resulted in a notable increase in our overall electricity and water consumption.

We continuously improve water efficiency through technology upgrades, process optimization, and behavioral guidance:

- In our plaster cleaning process, rinse water is treated in sedimentation tanks and filtered for reuse.
- Dedicated staff inspect water fixtures daily and operate main valves according to scheduled protocols.
- Abnormal water usage incidents are promptly investigated and controlled.

We have established quantitative energy and water use reduction targets. By the end of 2025, we aim to reduce energy and water intensity per RMB million revenue by 1% compared to 2024 levels. These goals support our broader strategy of embedding sustainability into operational performance and long-term planning.

**Social Responsibility**

***Employee Welfare and Development***

We are committed to creating a respectful, inclusive, and equitable workplace, We explicitly prohibit child labor, forced labor, and all forms of harassment or discrimination.

Our recruitment progresses are strictly merit-based, ensuring fair treatment and development opportunities for all employees regardless of age, gender, nationality, religion, disability, or marital status.

We offer a broad range of statutory and non-statutory leave, including annual leave, sick leave, marriage and maternity leave, and ensure work-life balance through regulated working hours and wellness initiatives. Employees are provided with non-salary benefits such as child education support, and access to recreational facilities including a dedicated staff activity center.

To enhance transparency and employee engagement, we track and analyze key workforce metrics including employee turnover and gender diversity. As of September 30, 2025, we had a total of 1,258 employees, of whom approximately 61.9% were male (779 employees) and 38.1% were female (479 employees). During the Track Record Period, our overall employee turnover rates were approximately 47.1%, 32.9%, 36.1% and 22.8% for the years ended December 31, 2022, 2023, 2024 and the nine months ended September 30, 2025, respectively.

As of December 31, 2022, 2023, 2024 and September 30, 2025, our employees engaged in production-related roles accounted for approximately 79.8%, 75.3%, 72.9% and 65% of our total employee headcount, respectively. These roles typically involve shopfloor tasks (車間工作) such as hand-painting, polishing, engraving and related processes. In view of the structure of our production workforce, we also tracked an alternative turnover rate that excludes employees who departed within the three-month probationary period, which is a core part of our apprentice-based onboarding model. Based on this alternative calculation, our adjusted employee turnover rates for the years ended December 31, 2022, 2023, 2024 and the nine months ended September 30, 2025, were approximately 28.7%, 22.0%, 26.0% and 13.4%, respectively. Under our internal management system, new production hires undergo a structured one-to-three-month training and evaluation period. During this time, they are formally employed, but their suitability for role-specific tasks (e.g. precision polishing, hand-painting) is actively assessed. For example, in 2024, only 20% to 30% of newly recruited workers in certain production roles remained in the same role by year-end, which was in line with our internal planning. This is a deliberate mechanism designed to ensure job-role matching and quality assurance. Please refer to "Business – Our Production" in this document for further details on our recruitment and onboarding mechanisms. As a result, the original turnover rates include a substantial number of short-term exits that were part of our planned assessment-and-adaptation cycle. We believe that the adjusted turnover rate provides a more accurate reflection of workforce stability from an operational perspective.

For the year ended December 31, 2024, the average turnover rate among male employees was approximately 37.3%, while the average turnover rate among female employees was approximately 33.8%. For the nine months ended September 30, 2025, the average turnover rate among male employees declined to approximately 21.8%, and the average turnover rate among female employees also declined to approximately 24.3%. Most of the turnover occurred among younger and lower-ranked frontline workers, particularly within production roles, which are more physically demanding and seasonal in nature. Turnover rates among management and skilled positions remained stable and low throughout the Track Record Period. We have also adopted targeted measures to improve retention, including competitive compensation packages and cultural activities designed to foster long-term affiliation and team cohesion.

***Supply Chain Management***

Our procurement protocols are governed by the Procurement Center Guidelines and gradually include ESG compliance checkpoints in supplier onboarding. We require environmental permits from suppliers and restrict the business volume of those failing to meet basic sustainability criteria. Approved suppliers are documented in a central registry and monitored through evaluations on quality, delivery, pricing, and service.

We place a strong emphasis on working with suppliers located near our production facilities in Jiande to foster local economic development and reduce carbon emissions. These "nearby suppliers" are strategically prioritized to further align with our sustainability goals. Suppliers failing to meet our basic sustainability criteria are subject to reduced order volumes or termination. In addition to environmental compliance, we enforce strict oversight in our supplier selection and management processes, ensuring that ESG factors are a key criterion under our Procurement Center Guidelines. For further details on our supplier management, please refer to the section headed "– Suppliers – Supplier Selection & Management" in this document.

## DATA PRIVACY AND CYBERSECURITY COMPLIANCE

We have engaged JunHe LLP as our legal adviser as to PRC data compliance laws. During the Track Record Period and up to the Latest Practicable Date, we collected and processed certain personal information of our customers, job applicants, employees and business contacts primarily for operational, marketing, customer service, recruitment, human resource management and business management purposes, through our online flagship stores on e-commerce platforms, WeChat mini programs, CRM systems, and internal IT infrastructure. The types of personal information collected depend on the types of data subjects and processing purposes, all of which are strictly subject to the "minimum and necessary" principle. To specify, we mainly collect name, phone number, profile photo, delivery address, membership data, order data, device data from our customers. We collect name, gender, date of birth, phone number, educational background, working

experiences, professional certificates, etc. from our job applicants and employees. We collect name, contact information, company and position, etc. from our business contacts. We have not engaged in any cross-border transfer of personal information or important data from China to overseas jurisdictions.

We have adopted internal rules and technical safeguards to ensure that personal information is collected, stored, used, shared and destroyed in accordance with applicable PRC laws and regulations, including the Cybersecurity Law of the PRC (《中華人民共和國網絡安全法》), the Data Security Law of the PRC (《中華人民共和國數據安全法》), the Personal Information Protection Law of the PRC (《中華人民共和國個人信息保護法》), and the Regulations on the Management of Network Data Security (《網絡數據安全管理條例》). For instance, we have implemented Data Security and Personal Information Protection Policy, Personal Information Rights Response Policy, Data Security Incident Response Policy, Data Retention Policy, Personal Information Protection Impact Assessment Policy, data processing agreement to be signed with third-party vendors and different versions of privacy policies for different data subjects. Besides, we have obtained informed consent from data subjects or relied on other non-consent lawful bases for processing personal data prior to data collection, restrict access to authorized personnel, and apply tiered data protection measures based on data sensitivity.

On December 28, 2021, the Cyberspace Administration of China (the "**CAC**") and other PRC regulatory authorities published Cybersecurity Review Measures (《網絡安全審查辦法》). Pursuant to the Cybersecurity Review Measures, critical information infrastructure operators (the "**CIIO**") that purchase network products/services and network platform operators engaging in data processing activities that affect or may affect national security must be subject to the cybersecurity review. As of the Latest Practicable Date, considering that we have not received any notification from any government authority that identifies or may identify us as a CIIO, it is unlikely that we will be identified as a CIIO or need to apply for the cybersecurity review according to Article two of the Cybersecurity Review Measures, pursuant to our PRC Data Compliance Legal Adviser's opinion.

According to Article seven of the Cybersecurity Review Measures, a network platform operator that has personal information of more than one million users must apply for a cybersecurity review when it seeks an overseas listing. Based on our PRC Data Compliance Legal Adviser's phone consultation with China Cybersecurity Review, Certification and Market Regulation Big Data Center (中國網絡安全審查認證和市場監管大數據中心) (the "**CCRC**"), the department responsible for accepting applications for cybersecurity review and conducting formality review under the guidance of Cybersecurity Review Office, which is a competent authority, a [**REDACTED**] in Hong Kong is not treated as an overseas listing within the meaning of the Cybersecurity Review Measures. Therefore, we are not required to conduct cybersecurity review according to Article seven of Cybersecurity Review Measures, pursuant to our PRC Data Compliance Legal Adviser's opinion.

Further, the Cybersecurity Review Measures grants the cybersecurity review working mechanism member the discretion to initiate a cybersecurity review against any entity, if it considers such entity's data processing activities affect or may affect national security. As of the Latest Practicable Date, we have not received any investigation, notice, warning, or sanction from government authorities in relation to national security.

During the Track Record Period and up to the Latest Practicable Date, we had not experienced any material data breach, leakage, or unauthorized use or access of personal information. As advised by our PRC Data Compliance Legal Adviser, we have complied with all material aspects of cybersecurity, data security and personal information protection related laws and regulations, including but not limited to the Cybersecurity Law of the PRC (《中華人民共和國網絡安全法》), the Data Security Law of the PRC (《中華人民共和國數據安全法》), and the Personal Information Protection Law of the PRC (《中華人民共和國個人信息保護法》). We will continue to monitor regulatory developments and ensure compliance with data protection laws in all applicable jurisdictions, and our Directors are committed to strengthening internal controls and adopting best practices in cybersecurity and data governance.

## IMPACT OF THE COVID-19 OUTBREAK

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

## EMPLOYEES

As of September 30, 2025, we had 1,258 full-time employees. The following table shows a breakdown of our employees by function as of September 30, 2025:

| Function | Number |
|---|---|
| Production | 884 |
| Marketing | 169 |
| Research and development | 142 |
| Administration | 23 |
| Procurement | 20 |
| Senior management | 11 |
| Finance | 9 |
| **Total** | **1,258** |

We offer competitive remuneration packages to our directly employed staff, which include basic salaries and performance-based bonuses. Our recruitment strategy targets both the open market and college campuses, with compensation determined based on an employee's qualifications, experience, position, and seniority.

We enter into labor contracts with all employees in compliance with the Labor Contract Law of the PRC, ensuring that no forced labor is involved. These contracts are structured to safeguard employees' rights and comply with the statutory requirements concerning working conditions, compensation, and other benefits under applicable PRC laws.

## INSURANCE

We maintain property insurance coverage for our production facilities, primarily covering losses arising from fire, explosion, natural disasters, and other accidental events. The insured properties are located at our primary production site in Hangzhou. Our Directors will continue to evaluate our insurance coverage and may procure additional property insurance or other types of insurance as they consider necessary to support our business operations. In addition, we provide social welfare insurance to our employees in compliance with applicable PRC laws and regulations. This includes contributions to basic pension insurance, medical insurance, work-related injury insurance, unemployment insurance, and maternity insurance under the PRC social security system. During the Track Record Period and up to the Latest Practicable Date, we did not experience any material insurance claims that had a significant impact on our business or financial position.

## PROPERTIES

As of the Latest Practicable Date, we own and lease properties across the PRC primarily to support production, office operations, and other business activities. This portfolio of properties includes both land use rights for self-owned sites and a variety of leased spaces critical to our operations.

### Owned Properties

As of the Latest Practicable Date, the carrying amount of our property interests exceeded 15% of our total assets. Pursuant to Rule 5.01 of the Listing Rules, we are therefore required to include a valuation report of such property interests in this document. We have appointed Cushman & Wakefield Limited, an independent property valuer, to assess the market value of our property interests as of February 28, 2026. The text of the valuer's letter and the valuation certificate prepared by Cushman & Wakefield Limited are set out in "Appendix III – Property Valuation Report" to this document. According to Chapter 5 of the Listing Rules and Section 6(2) of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong), our other property interests are exempted from compliance with the requirements under section 342(1)(b) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance in relation to paragraph 34(2) of the Third Schedule to the same ordinance, which would otherwise require a valuation report for such property interests.

As of the Latest Practicable Date, we held land use rights for two parcels of land located in Yangxi Subdistrict, Jiande City, Zhejiang Province, with an aggregate site area of approximately 117,987 sq.m. These parcels are designated for industrial use and have land use terms valid until October 17, 2056 and January 18, 2075, respectively. These sites serve as our main production base and support key manufacturing and operational functions. In addition, we owned a total of approximately 155,626 sq.m. of constructed gross floor area as evidenced by valid title certificates, located at No. 777 Yading Road, Yangxi Subdistrict, Jiande City, Zhejiang Province. These buildings are designated for non-residential use and are primarily used for production, office, and warehousing purposes.

### Leased Properties

These properties are used for non-property activities as defined under Rule 5.01(2) of the Listing Rules and are not held for investment purposes. We believe that there is sufficient supply of commercial properties in the PRC, and that our operations do not depend on any particular lease. As such, we are able to secure suitable replacement properties on commercially reasonable terms without material disruption to our business.

As of September 30, 2025, we leased a total of 31 properties in the PRC with an aggregate gross floor area of approximately 2,827 square meters. These leased properties are located across 17 cities nationwide, including tier-one, new tier-one and tier-two cities such as Hangzhou, Beijing, Shanghai, Chengdu, and Nanjing. They are primarily used for self-operated retail stores and warehousing operations.

## NON-COMPLIANCE INCIDENTS

During the Track Record Period and up to the Latest Practicable Date, we were not subject to any material administrative penalties for non-compliance with applicable PRC laws and regulations. Set out below are several isolated, non-systemic and incidental non-compliance incidents identified during the Track Record Period, each of which arose under specific circumstances. Based on the nature, scale and regulatory context of these matters, as well as the views of our PRC Legal Adviser, we believe that none of these incidents has had, or is reasonably likely to have, any material adverse effect on our business operations, financial condition or results of operations.

**Social Insurance and Housing Provident Fund Contributions**

During the Track Record Period, certain branches of our Group, including those located in Chengdu, Chongqing, Suzhou, Changzhou, Hefei and Wuhan, did not fully contribute to social insurance and housing provident funds for certain employees in accordance with relevant statutory requirements. The total shortfall amount of social insurance fund was approximately RMB13.5 million, RMB13.8 million, RMB17.1 million, and RMB13.4 million for the years ended December 31, 2022, 2023, 2024, and the nine months ended September 30, 2025, respectively. On the other hand, the total shortfall amount of housing provident fund was approximately RMB3.5 million, RMB3.5 million, RMB4.4 million, and RMB3.5 million for the years ended December 31, 2022, 2023, 2024, and the nine months ended September 30, 2025, respectively. The under-contributions were primarily attributable to our insufficient understanding, at the time, of certain detailed distinctions between mandatory statutory requirements and locally administered contribution practices, which resulted in implementation errors in specific branches. In certain cases, individual employees also expressed preferences regarding their contribution arrangements. These matters arose from compliance misinterpretation rather than any intentional non-compliance.

According to our PRC Legal Adviser, the maximum penalties for underpayment of social insurance contributions under PRC law include (i) an order by the competent authority to make up the shortfall within a specified period, (ii) a late payment surcharge at the rate of 0.05% per day from the date of the shortfall, and (iii) a fine ranging from one to three times the underpaid amount, under the circumstance that the relevant entity did not make up the shortfall within the specified period. For housing provident fund contributions, the competent authority may order rectification within a prescribed period and, in case of non-compliance, may apply to the court for enforcement. We undertake that, if requested by the relevant authorities, we will make up any outstanding shortfall in full and pay any late payment surcharges or administrative fines imposed in accordance with applicable laws and regulations.

Pursuant to the Interpretation II of the Supreme People's Court of Issues Concerning the Application of Law in the Trial of Labor Dispute Cases (《最高人民法院關於審理勞動爭議案件適用法律問題的解釋（二）》) enacted by the Supreme People's Court on July 31, 2025, and implemented on September 1, 2025, any agreement between an employer and an employee for the non-payment of social insurance or any employee undertaking to waive such payment shall be deemed void by the people's court. However, the Judicial Interpretation does not repeal the social insurance laws and regulations currently in force in the PRC. Given that the relevant employees and us have not entered into any agreement exempting us from paying social insurance, our Directors believe that the implementation of the Judicial Interpretation will not have a material adverse effect on our business or financial results.

According to our PRC Legal Adviser, no administrative penalties have been imposed on us in respect of such matters during the Track Record Period or up to the Latest Practicable Date. The relevant authorities have not initiated any enforcement actions, and no complaints or disputes have been filed against us. Based on official confirmations of compliance (合規函) issued by the competent authorities in the relevant jurisdictions and interviews with local regulatory officials, our PRC Legal Adviser is of the view that the risk of future penalties or enforcement actions in connection with such historical under-contributions is remote. Accordingly, we consider that these matters do not and will not have any material adverse effect on our business operations, financial condition or results of operations.

We have not made any provision for the above-mentioned shortfalls in our financial statements. This determination was made by our Directors after considering the opinion of our PRC Legal Adviser that the likelihood of penalties or enforcement is remote. After reviewing the legal opinion and management's assessment, our Reporting Accountants concurred that no provision is required under applicable accounting standards.

To enhance compliance, we have implemented internal control measures, including periodic reviews of contribution bases against payroll records, strengthened coordination between our human resources and finance functions, and updated internal guidelines to align contribution calculations with regulatory requirements. We will continue to monitor regulatory developments and refine our compliance procedures as appropriate.

**Self-owned Properties Without Title Certificates**

As of the Latest Practicable Date, we occupied two self-owned properties located at No. 777 Yading Road, Yangxi Subdistrict, Jiande City, Zhejiang Province, with a combined gross floor area of approximately 480 sq.m., which are used as paint storage and cleaning workshops. While we have obtained the land use rights certificates for the underlying land parcels, we have not obtained the building ownership certificates for these premises.

These buildings were constructed on our self-owned industrial land but outside the approved construction planning boundary. During our early stage of development, the personnel responsible for site development had limited experience and did not fully understand certain detailed local planning requirements, which generally restrict above-ground construction to designated zones and treat the remaining area as a buffer zone. Coupled with limited land availability and a relatively tight timeline at the time, this resulted in historical non-compliance and, consequently, the premises are not eligible for the required planning approvals or building ownership certificates. The premises are used only for ancillary and non-core supporting functions (paint storage and cleaning workshops) and have limited operational significance, and such non-compliance arose from historical oversight rather than any intentional circumvention of applicable laws or regulations. We have since strengthened our internal compliance procedures and coordination with external professional advisers to ensure a more comprehensive review of land use and planning requirements for future construction or expansion activities.

Under applicable PRC laws and regulations, industrial land granted for self-use purposes may not be used to construct above-ground structures without obtaining the necessary planning and construction permits. Buildings constructed in violation of such requirements are generally considered non-compliant and are ineligible for obtaining formal property ownership certificates.

In November 2022, after our application and consultation with the local government, the Yangxi Subdistrict Office of Jiande City (建德市) formally requested the Jiande Municipal "Three Reforms and One Demolition" Office (the "**authority**") to consider allowing us to retain and continue using the above properties. Taking into account the small scale of the buildings, their non-core auxiliary function (e.g., cleaning and material storage rather than production), our overall regulatory compliance record, and the circumstances communicated by us, the authority issued a formal notice on November 28, 2022, confirming that the buildings did not present significant safety or structural risks, did not constitute serious violations, and may be retained in their current condition. Our PRC Legal Adviser has advised that the above notice remains valid and effective as of the Latest Practicable Date. During the Track Record Period and up to the Latest Practicable Date, we have not been subject to any administrative penalties for land use or construction-related violations. Based on the above, our PRC Legal Adviser is of the view that the risk of being required to demolish or vacate the relevant buildings is remote. We therefore believe that the lack of title certificates for these properties is unlikely to have any material adverse effect on our business operations or financial condition.

To strengthen compliance and mitigate future risks, we have implemented internal control measures, including centralizing oversight of property planning and construction matters, requiring internal review and appropriate external consultation before commencing any construction or renovation on our land, and maintaining regular communication with relevant local authorities to monitor compliance requirements and address any regulatory developments in a timely manner.

**Leased Properties Without Ownership Certificates and Unregistered Leases**

As of the Latest Practicable Date, we leased nine properties, including seven offline self-operated store, one warehouse and one consignment store, for which the landlords provided land ownership certificates but failed to provide valid property ownership certificates. Based on explanations provided by the landlords, such certificates were either under application or not made available due to their unwillingness to cooperate. These properties contributed an aggregate revenue of approximately RMB5.2 million for the nine months ended September 30, 2025, representing approximately 1.2% of our total revenue for the same period.

During the Track Record Period and up to the Latest Practicable Date, we have not experienced any disputes, investigations or penalties in relation to the use of such properties, nor any interruption in our operations. We consider that suitable replacement premises could be secured with minimal operational impact if required. In case we are forced to relocate due to the lack of ownership certificates, we are entitled to seek compensation for losses from the lessor. In view of the above, we and our PRC Legal Adviser believe that this issue does not and will not have any material adverse impact on our business operations or financial condition.

As of the Latest Practicable Date, we had completed the lease registration and filing for one of our 31 leased properties. Our PRC Legal Adviser has advised that under applicable PRC laws, including the Administrative Measures for Commodity Housing Tenancy (《商品房屋租賃管理辦法》), failure to complete lease registration does not affect the legal validity of the lease. However, local housing authorities may impose a fine of up to RMB10,000 per lease. As of the Latest Practicable Date, we had not received any such penalties. If required by the relevant authorities, we will pay any administrative fines imposed in accordance with applicable laws and regulations. Our failure to register the leases was primarily due to the unwillingness of certain landlords to cooperate, and is not expected to give rise to any material legal or operational risks. To enhance compliance, we have strengthened internal oversight over lease documentation and registration procedures, centralized coordination with landlords on property compliance matters, and implemented periodic reviews to ensure timely filing and regulatory alignment.

## LICENSES, PERMITS AND APPROVALS

We hold a limited number of material licenses, permits and registrations that are required for our operations and regulatory compliance. These primarily relate to (i) our qualification as a high and new technology enterprise, (ii) environmental protection and pollutant discharge, including wastewater discharge and emissions control, and (iii) customs and inspection-related filings for import and export activities. Such licenses and permits are issued by the relevant provincial and municipal authorities in the PRC and are subject to periodic renewal or ongoing regulatory oversight, as applicable. We maintain internal compliance procedures to monitor the status of these licenses and permits and ensure timely renewal where required. All material licenses, permits and registrations required have been obtained by us during the Track Record Period and up to the Latest Practicable Date.

## LEGAL PROCEEDINGS

During the Track Record Period and up to the Latest Practicable Date, no litigation, arbitration, or administrative proceeding has occurred that would have a material adverse effect on us. As of the Latest Practicable Date, we act as the plaintiff in three pending litigation cases. This includes (i) a design patent infringement case with a claim amount of RMB0.3 million; (ii) an unfair competition and trademark infringement case with a claim amount of RMB1 million; and (iii) a copyright infringement case with a claim amount of RMB5.1 million. None of them is expected to materially adversely affect our financial condition or operations.

## RISK MANAGEMENT AND INTERNAL CONTROL

We have established an integrated risk management and internal control system designed to identify, assess and mitigate risks that may affect our operations, financial reporting and regulatory compliance. Our Board of Directors has overall responsibility for risk oversight, and risk considerations are incorporated into our decision-making and day-to-day management processes.

We maintain internal policies and procedures covering key operational and financial areas, supported by regular risk assessments, internal reporting mechanisms and periodic internal audits, to safeguard assets, enhance financial reporting reliability and promote compliance with applicable laws and regulations. Our management actively monitors key financial risks, including credit, liquidity and market risks, through prudent financial controls and cash flow management. We also implement compliance measures such as employee training, internal reporting and whistleblowing channels to facilitate the early identification and handling of potential legal or regulatory issues.

In May 2025, our internal control consultant conducted a general review of our major business processes and did not identify any material internal control deficiencies requiring further action. Based on the observations of the internal control consultant and management's ongoing monitoring, our Directors consider that our risk management and internal control systems were effective and that we were in compliance with the relevant requirements during the Track Record Period and up to the Latest Practicable Date.

## AWARDS, RECOGNITIONS AND MEMBERSHIPS

The table below sets forth some of our major awards and recognitions at the Latest Practicable Date, which were awarded to us in recognition of our business development and our provision of quality services.

| Year | Award of recognition | Accrediting/Issuing institution/authority |
|---|---|---|
| 2025 . . . | Selected for the Zhejiang Province Key Trademark Protection List (浙江省重點商標保護名錄) | Zhejiang Provincial Market Supervision and Administration Bureau (浙江省市場監督管理局) |
| 2025 . . . | 2025 Municipal Key Manufacturing Companies (2025年度市級重點製造業企業) | The People's Government of Jiande City (建德市人民政府) |
| 2024 . . . | Key Cultural Enterprises in Zhejiang Province (浙江省重點文化企業) | The Publicity Department of the Zhejiang Provincial Committee of the Communist Party of China (中共浙江省委宣傳部) |
| 2024 . . . | Lost Wax Casting Method – Intangible Cultural Heritage Workshops of Zhejiang Province (浙江省非遺工坊-"失蠟鑄銅"省級非遺工坊) | Zhejiang Provincial Department of Culture and Tourism (浙江省文化和旅遊廳) |
| 2024 . . . | 2024 the second batch of Zhejiang province digital culture gradient cultivation enterprise leader type (2024年第二批浙江省數字文化梯度培育企業領軍型) | Zhejiang Provincial Department of Culture and Tourism & Economy and Information Technology Department of Zhejiang (浙江省文化和旅遊廳、浙江省經濟和信息化廳) |

## OVERVIEW

As at the Latest Practicable Date, Mr. Yu held approximately 26.27% of the voting rights in our Company. Immediately upon completion of the [**REDACTED**] (assuming the [**REDACTED**] is not exercised), Mr. Yu will directly hold approximately [**REDACTED**]% Shares in our Company. Accordingly, Mr. Yu will be entitled to exercise and control the exercise of an aggregate of approximately [**REDACTED**]% of the voting rights at our general meetings upon [**REDACTED**] and will be regarded as our single largest shareholder.

Apart from the above, Mr. Yu is also the chairman of our Board, an executive Director and the general manager of our Company. For further background details of Mr. Yu, please see the section headed "Directors and Senior Management – Executive Directors" in this document.

## EXCLUDED BUSINESS

As at the Latest Practicable Date, Mr. Yu (an executive Director, chairman of the Board, the general manager of the Company and the Single Largest Shareholder) had material interest in certain companies outside of our Group, details of which are set out below:

| Company name | Place of incorporation | Date of incorporation | Ownership |
|---|---|---|---|
| Shejiguo (Hangzhou) Technology Co., Ltd.* (設計國(杭州)科技有限公司) ("**Shejiguo**") . . . . | Hangzhou, the PRC | October 25, 2018 | 96%, 2% and 2% by Mr. Yu, Zhang Huifang (張慧芳) and Pan Yu (潘育), each an independent third party |
| Tongmu Zhuyi . . . . . | Hangzhou, the PRC | December 17, 2020 | Approximately 29.10% by Mr. Yu, 14.00% by Shunwei Ventures III (Hong Kong) Limited ("**Shunwei**"), 0.90% by Yang Ke (楊軻) (supervisor of our Company), 0.11% by Hu Wenping (胡文萍) (supervisor of our Company), 0.08% by Yu Qing (俞清) (brother of Mr. Yu) and the remaining 55.81% by 47 shareholders, of whom no shareholders hold more than 15% of the shares of Tongmu Zhuyi. Save as to Mr. Yu (our Director and our substantial Shareholder), Shunwei (our substantial Shareholder), Mr. Yang Ke and Ms. Hu Wenping (supervisors of our Company) and Mr. Yu Qing (an associate of Mr. Yu), all the remaining 47 shareholders of Tongmu Zhuyi (43 of whom hold minority shareholding in our Company due to the Demerger. For details, please refer to the section headed "History, Development and Corporate Structure – (v) Demerger of the Company in December 2020") are independent third parties. |

| Company name | Place of incorporation | Date of incorporation | Ownership |
|---|---|---|---|
| Xijiang Technology (Hangzhou) Co., Ltd.* (璽匠科技(杭州)有限公司) ("**Xijiang Technology**") . . . . . | Jiande, the PRC | July 17, 2001 | Approximately 98.39% by Tongmu Zhuyi and the remaining approximately 1.61% by four shareholders, of whom no shareholders hold more than 1% of the registered capital of Xijiang Technology. Save for Mr. Luo Renxiang, our Director, who holds 0.0083% of the equity interests in Xijiang Technology, each of the remaining three shareholders is an independent third party |
| Hangzhou Yige Intelligent Home Furnishing Co., Ltd.* (杭州亦格智造家居有限公司) ("**Hangzhou Yige**") . . . | Jiande, the PRC | September 10, 2010 | Wholly owned by Xijiang Technology |
| Hangzhou Xijiang Copper and Wood Home Furnishing Co., Ltd.* (杭州璽匠銅木主義家居股份有限公司) ("**Copper and Wood Home Furnishing**") . . . | Jiande, the PRC | December 17, 2019 | 99% and 1% by Tongmu Zhuyi and Mr. Yu |

As at the Latest Practicable Date, Mr. Yu was the chairman of the board in each of Tongmu Zhuyi and Copper and Wood Home Furnishing, and a director in each of Hangzhou Yige and Shejiguo. Mr. Yu did not hold any directorship or management position at Xijiang Technology as at the Latest Practicable Date.

Since its establishment and up to the Latest Practicable Date, Shejiguo had no actual business operations. Xijiang Technology and its wholly-owned subsidiary Hangzhou Yige are principally engaged in the design, production and sales of bathroom products. As at the Latest Practicable Date, Xijiang Technology and Hangzhou Yige had ceased business operations. Accordingly, Mr. Yu had no intention to inject his interests in the aforesaid companies into our Group after the [**REDACTED**].

By way of Demerger, Tongmu Zhuyi was demerged from our Group in December 2020. For details, please refer to the section headed "History, Development and Corporate Structure – (v) Demerger of the Company in December 2020." Tongmu Zhuyi and its subsidiary, Copper and Wood Home Furnishing are mainly engaged in the production and sale of solid wood furniture, whose business model is clearly delineated from our Group's business.

Mr. Yu confirmed that none of his respective close associates had any interest in a business that competes or is likely to compete, either directly or indirectly, with our business, which is subject to disclosure pursuant to Rule 8.10 of the Listing Rules.

## INDEPENDENCE OF OUR BUSINESS

Having considered the following factors, our Directors are satisfied that we can function, operate and carry on our business independently from our Single Largest Shareholder upon [**REDACTED**].

**Operational Independence**

We have full rights to make business decisions and to carry out our business independent of our Single Largest Shareholder and his close associates. On the basis of the following reasons, our Directors consider that the Company will continue to be operationally independent of our Single Largest Shareholder and his close associates after [**REDACTED**]:

(a) we are not reliant on trademarks owned by our Single Largest Shareholder, or by other companies controlled by our Single Largest Shareholder;

(b) we are the holder of all relevant licenses material to the operation of our business and has sufficient capital, equipment and employees to operate our business independently;

(c) we primarily make our own procurement purchases and conduct our own sales and marketing. The Group has independent access to suppliers and customers and our major customers and suppliers are unrelated to our Single Largest Shareholder and his close associates;

(d) as at the Latest Practicable Date, we leased factory and office space from independent third parties. All the properties and facilities necessary to our business operations are independent from our Single Largest Shareholder and his close associates;

(e) we have our own administrative and corporate governance infrastructure, including our own accounting and human resources departments;

(f) as at the Latest Practicable Date, all of our full-time employees were recruited independently from our Single Largest Shareholder and his close associates and primarily through job market recruiting, and internal referrals;

(g) our Directors do not expect that there will be any other transactions between our Group and our Single Largest Shareholder or his close associates upon or shortly after [**REDACTED**]; and

(h) none of our Single Largest Shareholder and his close associates has any interest which competes or is likely to compete with the business of our Group.

**Management Independence**

Our management and operational decisions are made by the Board in a collective manner. The Board comprises five executive Directors, one non-executive Director and three independent non-executive Directors. Please see the section headed "Directors and Senior Management" in this document for further details.

As at the Latest Practicable Date, save for Mr. Yu, none of our Directors or the members of our senior management team hold any position at Mr. Yu's companies outside of our Group.

Our Directors are of the view that our Directors (except Mr. Yu) have relevant experience to ensure the proper functioning of the Board. We further believe that our Directors (except Mr. Yu) and members of the senior management are able to perform their roles in our Company in managing our business independently from our Single Largest Shareholder for the following reasons:

(i) as a part of our preparation for the [**REDACTED**], we have promulgated the Articles of Association to comply with the Listing Rules. In particular, our Articles of Association provides that any Director and senior management member should not place himself or herself in a position where his or her duty and his or her own interests may conflict. In the event of a conflict of interest arising out of any transactions to be entered into by our Group, all Directors with conflicting interest shall abstain from voting in respect of such transactions and shall not be counted in forming a quorum at the relevant Board meetings;

(ii) our independent non-executive Directors constitute more than one-third of our Board and none of them has any relationship with our Single Largest Shareholder. Our independent non-executive Directors have extensive experience in different areas. We believe that they will be able to exercise their independent judgment and will be able to provide impartial opinions in the decision-making process of our Board to protect the interests of our Shareholders;

(iii) each of our Directors is aware of his or her fiduciary duties as a director, which require, among other things, that he or she acts for our Company's best interests and he or she must not allow any conflict between his or her duties as a Director and his or her personal interests; and

(iv) where a Shareholders' meeting is held to consider a proposed transaction in which our Single Largest Shareholder has a material interest, our Single Largest Shareholder shall abstain from voting on the resolutions and shall not be counted towards the quorum for the voting.

**Financial Independence**

We have our own financial management system and we make financial decisions according to our own business needs. We have internal control and accounting systems and an independent finance department in charge of our treasury function. We do not expect to rely on our Single Largest Shareholder and his respective close associates for financing after the [**REDACTED**] as we expect that our working capital will be funded by the cash, cash equivalent on hand as well as the [**REDACTED**] from the [**REDACTED**]. Our Directors confirm that the only guarantee of RMB128,500,000 provided by Mr. Yu for borrowings by our Company during the year ended December 31, 2022 was fully released in the same year. As of the Latest Practicable Date, there was no outstanding loan or guarantee provided by our Single Largest Shareholder and his respective close associates. Based on the above, our Directors believe that we are able to maintain financial independence from our Single Largest Shareholder and his close associates after [**REDACTED**].

**Corporate Governance Measures**

Our Company will comply with the provisions of the Corporate Governance Code, which sets out principles of good corporate governance.

Our Directors believe that there are adequate corporate governance measures in place to manage the potential conflict of interests between our Single Largest Shareholder and our Group and to safeguard the interests of our Shareholders taken as a whole for the following reasons:

(i) in the event that the independent non-executive Directors are requested to review any conflicts of interests circumstances between our Group on the one hand and the Single Largest Shareholder and/or the Directors on the other hand, the Single Largest Shareholder and/or the Directors shall provide the independent non-executive Directors with all necessary information and our Company shall disclose the decisions of the independent non-executive Directors either through its annual report or by way of announcements;

(ii) our Company has established internal control mechanisms to identify connected transactions. Upon [**REDACTED**], if our Company enters into connected transactions with our Single Largest Shareholder and his respective close associates, our Company will comply with the applicable Listing Rules;

(iii) we are committed that our Board shall include a balanced composition of executive Directors and non-executive Directors (including independent non-executive Directors). We have appointed three independent non-executive Directors, and we believe our independent non-executive Directors (i) possess sufficient experiences, (ii) are free of any business or other relationship which could interfere in any material manner with the exercise of their independent judgment, and (iii) will be able to provide an impartial and external opinion to protect the interests of our Shareholders as a whole. For details of the independent non-executive Directors, see the section headed "Directors and Senior Management" in this document;

(iv) any transaction that is proposed between our Group and our Directors, including Mr. Yu and/or his respective associates will be required to comply with the requirements of the Articles of Association and the Listing Rules, including, where appropriate, the reporting, annual review, announcement and independent shareholders' approval requirements; and

(v) we have appointed Innovax Capital Limited as our compliance adviser, who will provide advice and guidance to us in respect of compliance with the applicable laws and the Listing Rules including various requirements relating to directors' duties and corporate governance. Based on the above, our Directors are satisfied that sufficient corporate governance measures have been put in place to manage conflicts of interest that may arise between our Company and our Single Largest Shareholder, and to protect our minority Shareholders' interests after the [**REDACTED**].

Further, any transaction that is proposed between our Company and the Single Largest Shareholder and/or our Directors and their respective associates will be required to comply with the requirements of the Listing Rules, including, where appropriate, the annual reporting, announcement, circular and independent Shareholders' approval requirements.

## BOARD OF DIRECTORS

Our board currently consists of nine Directors, comprising five executive Directors, one non-executive Director, and three independent non-executive Directors. The following table sets forth general information regarding our Directors:

| Name | Position | Age | Date of appointment as Director | Date of joining our Group | Role and responsibilities |
|---|---|---|---|---|---|
| Mr. Yu Guang (俞光) | Chairman of the Board, executive Director and general manager | 53 | March 2013 | March 2013 | Overall management of our Group, overall strategic planning, business direction, product development and operational management |
| Mr. Luo Renxiang (羅仁祥) | Executive Director, deputy general manager and financial director | 50 | June 2021 | April 2014 | Overall financial management of our Group |
| Mr. He Yun (何贇) | Executive Director, deputy general manager and marketing director of offline marketing centre | 53 | October 2014 | January 2014 | Overall production management of our Group |
| Ms. Wang Xiaoxia (汪小霞) | Executive Director, deputy general manager and marketing director of online marketing centre | 38 | July 2024 | October 2019 | Overall marketing of our Group |
| Mr. Chen Ruiguang (陳銳廣) | Executive Director, employee representative Director and video director | 37 | July 2024 | July 2014 | Responsible for the image management of our Group's products and marketing promotions |
| Mr. Xiao Feng (肖峰) | Non-executive Director | 50 | April 2015 | April 2015 | Participating in decision-making in respect of major matters such as corporate and business strategies |
| Mr. Tu Bisheng (涂必勝) | Independent Non-executive Director | 61 | December 2021 | December 2021 | Supervising and providing independent judgment to our Board |
| Dr. Huang Wenli (黃文澧) | Independent Non-executive Director | 44 | July 2024 | July 2024 | Supervising and providing independent judgment to our Board |
| Mr. Fong Chun Fai (方俊輝) | Independent Non-executive Director | 47 | April 2025 | April 2025 | Supervising and providing independent judgment to our Board |

None of the Directors and senior management of the Company is related to other Directors or senior management of the Company. The following sets forth the biographies of our Directors:

### Executive Directors

**Mr. Yu Guang (俞光)**, aged 53, is our chairman of the Board, executive Director and the general manager of our Company. He is primarily responsible for the overall management of the Group, overall strategic planning, business direction, product development and operational management. Mr. Yu served as the chairman of the Board, a Director of our Company since March 2013 and he was redesignated as an executive Director in April 2025. Mr. Yu was the general manager of our Company since December 2021.

Mr. Yu has nearly 25 years of working experience in corporate management. From July 2001 to November 2019, Mr. Yu was chairman of the Board and general manager of Yading Creative Home Furnishing Co., Ltd (雅鼎創意家居股份有限公司), now known as Xijiang Technology (Hangzhou) Co., Ltd.* (璽匠科技(杭州)有限公司) ("**Xijiang Technology**"), which is principally engaged in the design, production and sales of bathroom products where he was responsible for managing the overall operations of the company.

Mr. Yu graduated from the 87th Arts and Crafts Class (87屆工藝美術班) of Shaoxing Secondary Vocational School (紹興市中等專業學校) in June 1991. Mr. Yu graduated from the Shanghai Jiao Tong University China CEO (President) Innovation Management Advanced Training Program (上海交通大學中國CEO (總裁)創新管理高級研修班) in July 2012.

Mr. Yu was previously a director of the following company which was dissolved:

| Name of company | Place of incorporation | Position held | Date of dissolution | Principal business activity | Status |
|---|---|---|---|---|---|
| Hong Kong Yatin (International) Group Corporation Limited (香港雅鼎(國際)集團有限公司) . | Hong Kong | Director | September 14, 2007 | No actual business operations | Dissolved by Striking Off |

Mr. Yu confirmed that (i) there is no wrongful act on his part leading to the dissolution; (ii) he is not aware of any outstanding or potential claim that has been or will be made against him as a result of the dissolution; and (iii) no misconduct or misfeasance had been involved in the dissolution.

**Mr. Luo Renxiang (羅仁祥),** aged 50, is our executive Director, deputy general manager and financial director. He is primarily responsible for the overall financial management of the Group. Mr. Luo was appointed a Director from April 2014 to August 2017 and was reappointed as a Director in June 2021 and redesignated as an executive Director in April 2025. Mr. Luo was appointed as a deputy general manager and financial director of the Company in December 2021 and April 2019 respectively. Mr. Luo was appointed as a secretary to the Board from December 2021 to March 2025.

From June 2008 to April 2019, Mr. Luo held positions including a finance department manager, financial director, secretary to the board of Xijiang Technology, where he was responsible for the company's financial accounting, financial management, investment and financing decisions.

Mr. Luo graduated from Zhongnan University of Economics and Law (中南財經政法大學) with a bachelor's degree in accounting through distant learning in December 2006. Mr. Luo graduated jointly from Zhejiang Gongshang University (浙江工商大學) and Université du Québec à Chicoutimi with a master's degree in project management in September 2018. Mr. Luo has been a certified public accountant by Hubei Institute of Certified Public Accountants (湖北省註冊會計師協會) in the PRC since September 2004. In September 2022, Mr. Luo was awarded the Intermediate Accountant Certificate.

**Mr. He Yun (何贇)**, aged 53, is our executive Director, deputy general manager and marketing director of offline marketing centre. He is primarily responsible for the overall production management of the Group. Mr. He served as a Director since October 2014 and was redesignated as an executive Director in April 2025. Mr. He served as the production director from January 2025 to July 2025. Mr. He was appointed as the deputy general manager and marketing director of offline marketing centre since December 2021 and July 2025, respectively. Mr. He joined our Company since January 2014 and had held positions including general manager, manager of business department, procurement director.

Mr. He has over 20 years of working experience. From January 2003 to January 2014, Mr. He was a manager of business department and a manager of procurement department (採購部經理) of Xijiang Technology, where he was mainly responsible for the company's raw material procurement, production workshop management and other matters.

Mr. He graduated from Zhejiang Xinchang Chengguan Middle School (浙江省新昌縣城關中學) with a vocational high school diploma in June 1990.

**Ms. Wang Xiaoxia (汪小霞)**, aged 38, is our executive Director, deputy general manager and marketing director of online marketing centre. She is primarily responsible for the overall marketing of the Group. Ms. Wang was appointed as a Director since July 2024 and was redesignated as an executive Director in April 2025. In addition, Ms. Wang joined our Company in October 2019 and was appointed as the deputy general manager since December 2021. Ms. Wang was appointed as the marketing director since July 2020 and was redesignated as the marketing director of online marketing centre of our Company since July 2025.

Ms. Wang has over 13 years of working experience. From November 2011 to June 2015, she worked at Hangzhou Rock Color Advertising Planning Co., Ltd.* (杭州岩色廣告策劃有限公司). From July 2015 to December 2016, Ms. Wang worked at Hangzhou Particle Culture Technology Co., Ltd.* (杭州粒子文化科技有限公司). From January 2017 to December 2018, Ms. Wang worked at Zhejiang Yanhua Culture Media Co., Ltd.* (浙江岩華文化傳媒有限公司), now known as Zhejiang Yanhua Culture Technology Co., Ltd.* (浙江岩華文化科技有限公司). From January 2019 to September 2019, Ms. Wang worked at Hangzhou Tangerine Meow Cultural and Creative Co., Ltd.* (杭州橘喵文化創意有限公司).

Ms. Wang graduated from Zhejiang University of Technology (浙江工業大學) with a bachelor's degree in business administration for junior college graduates through part-time study in June 2020.

**Mr. Chen Ruiguang (陳銳廣),** aged 37, is our executive Director, employee representative Director and video director. He is primarily responsible for the image management of the Group's products and marketing promotions. Mr. Chen joined our Company in July 2014 and has been appointed as a Director in July 2024. He was redesignated as an executive Director and served as an employee representative Director in April 2025. Mr. Chen was appointed as the video director of our Company since January 2025.

Mr. Chen has over 15 years of working experience. From July 2008 to July 2014, Mr. Chen also served as a manager of photographing department of Xijiang Technology where he was mainly responsible for taking photos of the company's products for marketing and promotion.

In July 2006, Mr. Chen was awarded the Graphics and Image Processing (圖形圖像處理) Vocational Qualification Certificate by Chaozhou Vocational Skills Appraisal and Guidance Center (潮州市職業技能鑒定指導中心).

**Non-executive Director**

**Mr. Xiao Feng (肖峰)**, aged 50, is our non-executive Director. He is primarily responsible for participating in decision-making in respect of major matters such as corporate and business strategies. Mr. Xiao was appointed as a director in April 2015 and was redesignated as a non-executive Director in April 2025.

From June 2001 to August 2012, Mr. Xiao has been the project manager of the Zhejiang Prospect Landscaping Engineering Co., Ltd.* (浙江前景園林綠化工程有限公司). From November 2013 to July 2020, Mr. Xiao has served as a secretary in Tanger Village, Lizhu Town, Keqiao District, Shaoxing City (紹興市柯橋區灘渚鎮棠二村).

Mr. Xiao graduated from Correspondence College of the Party School of Zhejiang Provincial Party Committee (浙江省委黨校函授學院) with a diploma in economics and management in June 2004.

**Independent Non-executive Directors**

**Mr. Tu Bisheng (涂必勝)**, aged 61, is our independent non-executive Director. He is primarily responsible for supervising and providing independent judgment to our Board. Mr. Tu was appointed as an independent director on December 2021 and was redesignated as an independent non-executive Director in April 2025.

From September 1987 to August 1993, Mr. Tu was a teaching assistant of Hangzhou Business School (杭州商學院) (now Zhejiang Gongshang University (浙江工商大學)). From September 1993 to November 2001, Mr. Tu was a lecturer of Hangzhou Business School (杭州商學院) (now Zhejiang Gongshang University (浙江工商大學)). From December 2001 to October 2024, Mr. Tu was an associate professor of Zhejiang Gongshang University (浙江工商大學). From December 2022 to May 2025, Mr. Tu was an independent director of Hangzhou Yugu Technology Co., Ltd* (杭州宇谷科技股份有限公司). Since May 2019 to present, Mr. Tu is an independent director of Yuancheng Environment Co., Ltd.* (元成環境股份有限公司) (stock code: 603388, a company listed on the Shanghai Stock Exchange). Since December 2019 to present, Mr. Tu is an independent director of Zhejiang Songyuan Automotive Safety Systems Co., Ltd.* (浙江松原汽車安全系統股份有限公司) (stock code: 300893, a company listed on the Shenzhen Stock Exchange).

Mr. Tu graduated from Hangzhou Business School (杭州商學院) (now Zhejiang Gongshang University (浙江工商大學) with a bachelor's degree in business financial accounting (商業財務會計) in July 1986. Mr. Tu graduated from Xiamen University (廈門大學) with a master's degree in national economy (國民經濟) in December 2001.

**Dr. Huang Wenli (黃文禮)**, aged 44, is our independent non-executive Director. He is primarily responsible for supervising and providing independent judgment to our Board. Dr. Huang was appointed as an independent director in July 2024 and was redesignated as an independent non-executive Director in April 2025.

From June 2016 to December 2023, Dr. Huang was employed by the school of China Institute of Financial Research, Zhejiang University of Finance and Economics (浙江財經大學中國金融研究院) and held positions of Vice-President and Executive Dean. From July 2016 to May 2022, Dr. Huang has been an independent director of Zhejiang Jinghua Laser Technology Co., Ltd. (浙江京華激光科技股份有限公司) (stock code: 603607, a company listed on the Shanghai Stock Exchange). From December 2021 to June 2024, Dr. Huang was an independent non-executive director of Zhejiang Leapmotor Technology Co., Ltd. (浙江零跑科技股份有限公司) (stock code: 9863, a company listed on the Stock Exchange). From December 2017 to December 2023, Dr. Huang served as an independent director of Zhejiang Lin'an Rural Commercial Bank Co., Ltd. (浙江臨安農村商業銀行股份有限公司) And his current position is the Secretary of the Party Committee in School of Finance, Zhejiang University of Finance and Economics (浙江財經大學金融學院) since January 2024.

Dr. Huang graduated from Ningbo University (寧波大學) with a bachelor degree in mathematics and applied mathematics (數學與應用數學) in June 2005, a master's degree in fundamental mathematics (基礎數學) in the same university in June 2008. Dr. Huang graduated from Zhejiang University (浙江大學) with a doctorate degree in mathematics in June 2011. Dr. Huang received a post-doctoral degree in management science and engineering (管理科學與工程) from University of Science and Technology of China (中國科學技術大學) in April 2016.

He was the on-campus tutor to his graduate students who published *ZUFE quantitative trading system (ZUFE量化交易體系)* that won the Outstanding Achievement Award of Zhejiang Graduate Education Society (浙江省研究生教育學會) in December 2023.

**Mr. Fong Chun Fai (方俊輝)**, aged 47, is our independent non-executive Director. He is primarily responsible for supervising and providing independent judgment to our Board. Mr. Fong was appointed as an independent non-executive Director in April 2025.

Mr. Fong has over twenty years of investment, financing and corporate management experience from listed companies, start-ups, investment banks and funds. He has led numerous financial projects, including direct investments, IPOs, mergers and acquisitions, corporate and debt restructuring, equity and bond issuance and financial advisory works. Mr. Fong has been serving as the president of Mango Financial Limited since October 2024, an independent and non executive director of KeXing Biopharm Co., Ltd. (stock code: 688136.SH) since August 2025, an independent director of Living Homeopathy International Ltd. (stock code: LHI.US) since May 2025 and an independent director of Beta Fintech Holdings Limited (stock code: BTFT.US) since June 2025. From September 2023 to September 2024, he served as adviser and chief financial officer of 91360 Med Tech (Nanjing) Co., Ltd, where he successfully facilitated the completion of its round B fund-raising. From October 2021 to September 2023, he served as head of corporate finance and healthcare of Ping An of China Capital (Hong Kong) Company Limited (a member of Ping An Insurance (Group) Company of China, Ltd. (stock code 2318.HK)). From November 2019 to December 2020, he served as head of corporate finance and managing director of China Industrial Securities International Capital Limited (a member of China Industrial Securities International Financial Group Limited (stock code 6058.HK)). From August 2018 to October 2019, he served in Orient Capital (Hong Kong) Limited (a member of Orient Securities Co., Ltd (stock code 3958.HK)) as the executive director of its investment banking department. From July 2010 to August 2017, he served in BOCI Asia Limited (a member of Bank of China Limited (stock code 3988.HK)) with the last position being the executive director of its investment banking department. From May 2005 to January 2009, he served in BNP Paribas Peregrine (Asia Pacific) Capital Limited (法國巴黎百富勤融資(亞太)有限公司) with the last position as senior manager. From May 2004 to May 2005, he served in ICEA Capital Limited (a member of Industrial and Commercial Bank of China Limited (stock code 1398.HK)). From September 2001 to February 2003, he served as an auditor of Ernst & Young Hong Kong.

Mr. Fong obtained a bachelor's degree of Actuarial Sciences from the University of Hong Kong in 2001 and was awarded with HSBC Hong Kong Bank Foundation Bursary. He obtained membership of Hong Kong Institute of Certified Public Accountants in July 2006 and has been a member of corporate finance committee of Hong Kong Institute of Certified Public Accountants since 2018. He is currently the vice chairman of Angel Investment Foundation Limited and a member of Chinese Academy of Governance (HK) Industrial and Commercial Professionals Alumni Association Ltd. He has been a part time lecturer of HKU School of Professional and Continuing Education. Mr. Fong is a co-founder of Hong Kong Precision Pathology Laboratory Limited, where he is responsible for business establishment, strategic planning and financing.

Save as disclosed in this document, each of our Directors confirms with respect to himself or herself, to the best of his or her knowledge, information and belief, that he or she (1) did not hold other long positions or short positions in the Shares, underlying Shares, debentures of our Company or any associated corporation (within the meaning of Part XV of the SFO) as at the Latest Practicable Date; (2) had no other relationship with any Directors, senior management or substantial shareholders of our Company; (3) did not hold any other directorships in the three years prior to the Latest Practicable Date in any public companies of which the securities are listed on any securities market in Hong Kong and/or overseas; and (4) there are no other matters concerning our Director's appointment that need to be brought to the attention of our Shareholders and the Stock Exchange or shall be disclosed pursuant to Rules 13.51(2)(h) to (v) of the Listing Rules.

## SENIOR MANAGEMENT

Our senior management is responsible for the day-to-day management of our business. The table below sets out certain information in respect of the senior management of our Group:

| Name | Position | Age | Date of appointment | Date of joining our Group | Role and responsibilities |
|---|---|---|---|---|---|
| Mr. Yu Guang (俞光) | General manager | 53 | March 2013 | March 2013 | Overall management, overall strategic planning, business direction, product development and operational management of our Group |
| Mr. Luo Renxiang (羅仁祥) | Deputy general manager and financial director | 50 | April 2019 | April 2019 | Overall financial management of our Group |
| Mr. He Yun (何贇) | Deputy general manager and marketing director of offline marketing centre | 53 | January 2014 | January 2014 | Overall production management of our Group |
| Ms. Wang Xiaoxia (汪小霞) | Deputy general manager and marketing director of online marketing centre | 38 | October 2019 | October 2019 | Overall marketing of our Group |
| Ms. Xu Jiaying (徐佳穎) | Secretary of the Board, manager of international department | 28 | March 2025 | February 2025 | Managing daily affairs of our Board and the development of international business |

For the biographical details of Mr. Yu, Mr. Luo, Mr. He and Ms. Wang, see "– Board of Directors – Executive Directors" for details.

**Ms. Xu Jiaying (徐佳穎)**, aged 28, is our secretary of the Board and manager of international department. She is primarily responsible for managing daily affairs of our Board and the development of international business. Ms. Xu has been appointed as manager of international department since February 2025, as well as the secretary of the Board since March 2025.

From July 2021 to January 2025, She served as analyst and then associate in Investment Banking Department of China International Capital Corporation Limited (中國國際金融股份有限公司投資銀行部).

Ms. Xu graduated from Peking University (北京大學) with a bachelor's degree in Finance in July 2020, and obtained a master's degree in Science in Financial Analysis in London Business School (倫敦商學院) in September 2021.

## JOINT COMPANY SECRETARIES

**Ms. Xu Jiaying (徐佳穎)**, has been appointed as a joint company secretary of our Company with effect from the [**REDACTED**]. see "– Senior Management" for details.

**Ms. Leung Hoi Yan (梁嵅欣)**, was appointed as a joint company secretary with effect from the [**REDACTED**].

Ms. Leung has over 14 years of experience in company secretarial and corporate governance matters of listed companies in Hong Kong. She currently serves as an assistant manager, Entity Solutions of Computershare Hong Kong Investor Services Limited (香港中央證券登記有限公司).

Ms. Leung holds a degree of Bachelor of Commerce (Honours) in Accounting from Hong Kong Shue Yan University (香港樹仁大學). She is an associate member of the Hong Kong Chartered Governance Institute (香港公司治理公會) and the Chartered Governance Institute.

## SUPERVISORY COMMITTEE

Pursuant to our first extraordinary general meeting on April 30, 2025, our Shareholders approved a resolution that our Company would no longer set up the supervisory committee from the date of [**REDACTED**], and the powers of the supervisory committee will be exercised by the Audit Committee. Accordingly, the term of our current supervisors and the supervisory committee would be terminated immediately before our [**REDACTED**]. Our PRC Legal Adviser has confirmed that such arrangements comply with the relevant PRC laws and regulations.

## BOARD COMMITTEES

Our Board delegates certain responsibilities to various Board committees. In accordance with the relevant PRC laws and regulations, the Articles and the Listing Rules, we have established our Audit Committee, Remuneration and Appraisal Committee, Nomination Committee, Strategy Committee.

### Audit Committee

We have established an audit committee with terms of reference in compliance with Rule 3.21 of the Listing Rules and paragraph D.3 of the Corporate Governance Code on April 30, 2025 with effect from the [**REDACTED**]. The audit committee consists of Mr. Tu Bisheng, Mr. Fong Chun Fai and Mr. Xiao Feng, with Mr. Fong Chun Fai, who holds the appropriate accounting or related financial management expertise as required under Rules 3.10(2) of the Listing Rules, being the chairman of the committee. The primary function of the audit committee is to assist our Board in evaluating and perfecting our financial reporting process, internal control and risk management system, overseeing the audit process and performing other duties and responsibilities as assigned by our Board.

### Remuneration and Appraisal Committee

We have established a Remuneration and Appraisal Committee with terms of reference in compliance with Rule 3.25 of the Listing Rules and paragraph E.1 of the Corporate Governance Code on April 30, 2025 with effect from the [**REDACTED**]. The Remuneration and Appraisal Committee consists of Dr. Huang Wenli, Mr. Tu Bisheng and Mr. Luo Renxiang, with Dr. Huang Wenli being the chairman of the committee. The primary function of the Remuneration and Appraisal Committee is formulating and reviewing remuneration policies of our Directors and senior management and formulating and conducting assessment standards for the company's directors and senior management personnel.

### Nomination Committee

We have established a nomination committee with terms of reference in compliance with Rule 3.27A of the Listing Rules and paragraph B.3 of the Corporate Governance Code on April 30, 2025 with effect from the [**REDACTED**]. The nomination committee consists of Dr. Huang Wenli, Ms. Wang Xiaoxia and Mr. Fong Chun Fai, with Dr. Huang Wenli being the chairman of the committee. The primary function of the nomination committee is to make recommendations to our Board in relation to the appointment and removal of Directors.

### Strategy Committee

We have established a strategy committee whose primary functions are for researching and making recommendations on our Company's long-term development strategy and major investment decisions. The strategy committee consists Mr. Yu Guang, Mr. Luo Renxiang and Dr. Huang Wenli, with Mr. Yu Guang being the chairman of the committee.

## CONFIRMATION FROM OUR DIRECTORS

### Rule 8.10 of the Listing Rules

Each of our Directors confirms that as at the Latest Practicable Date, he or she did not have any interest in a business which competes or is likely to compete, either directly or indirectly, with our Company's business which would require disclosure under Rule 8.10 of the Listing Rules.

### Rule 3.09D of the Listing Rules

Each of our Directors confirms that he or she (i) has obtained the legal advice referred to under Rule 3.09D of the Listing Rules on April 30, 2025, and (ii) understands his or her obligations as a director of a [**REDACTED**] issuer under the Listing Rules.

### Rule 3.13 of the Listing Rules

Each of the independent non-executive Directors has confirmed (i) his independence as regards each of the factors referred to in Rules 3.13(1) to (8) of the Listing Rules, (ii) he had no past or present financial or other interest in the business of the Company or its subsidiaries or any connection with any core connected person of the Company under the Listing Rules as at the Latest Practicable Date, and (iii) that there are no other factors that may affect his independence at the time of his appointment.

## CORPORATE GOVERNANCE

### Code Provision C.2.1 of the Corporate Governance Code

Under paragraph C.2.1 of the Corporate Governance Code, the roles of chairman and chief executive should be separate and should not be performed by the same individual. Mr. Yu is our chairman of the Board and the general manager of our Company. With extensive experience in the cultural and creative crafts industry and having served in our Company since its establishment, Mr. Yu is in charge of overall management, business, strategic development and scientific research and development of our Group. Despite the fact that the roles of our chairman of the Board and our general manager are both performed by Mr. Yu which constitutes a deviation from paragraph C.2.1 of the Corporate Governance Code, our Board considers that vesting the roles of chairman and general manager in the same person is beneficial to the management of our Group. The balance of power and authority is ensured by the operation of our Board, our senior management, which comprises experienced and diverse individuals. Our Board currently comprises five executive Directors (including Mr. Yu), one non-executive Director and three independent non-executive Directors, and therefore has a strong independence element in its composition.

Save as disclosed above, our Company intends to comply with all code provisions under the Corporate Governance Code after the [**REDACTED**].

### Board Diversity

The Board has adopted a board and all employees diversity policy (the "**Board and Employees Diversity Policy**") prior to the [**REDACTED**] in order to enhance the effectiveness of our Board and to maintain a high standard of corporate governance. Our Company recognizes and embraces the benefits of having a diverse Board. Pursuant to the Board and Employees Diversity Policy, in reviewing and assessing suitable candidates to serve as a Director of the Company, the Company will consider a range of diversity perspectives from different aspects, including but not limited to gender, age, cultural and educational background, ethnicity, professional qualifications, skills, knowledge and length of service. All board appointments will be based on the candidate's professional capabilities and the contribution he or she can make to the Board or position, taking into account the overall benefits of membership diversity and organizational needs.

As at the Latest Practicable Date, our Board consists of eight male members and one female member with ages ranging from 37 years old to 61 years old. Our Directors have a balanced portfolio of knowledge and skills, including investment, financing, corporate management, accounting, mathematics etc. They obtained degrees in various fields such as mathematics, accountancy, actuarial sciences, business administration. Our Company has reviewed the membership, structure and composition of the Board, and is of the opinion that the structure of the Board is reasonable, and the experiences and skills of the Directors in various aspects and fields can enable our Company to maintain high standard of operation.

Upon the [**REDACTED**], the nomination committee will from time to time review the Board and Employees Diversity Policy, develop and review measurable objectives for implementing the policy, and monitor the progress on achieving these measurable objectives in order to ensure that the policy remains effective. Our Company will (i) disclose the biographical details of each Director and (ii) report on the implementation of the Board and Employees Diversity Policy (including whether we have achieved board diversity) in its annual corporate governance report.

## EMOLUMENT OF DIRECTORS AND SENIOR MANAGEMENT

We offer our Directors and senior management members, who are also employees of our Company, emolument in the form of salaries, allowances, bonuses and benefits in kind. Our independent non-executive Directors receive emolument based on their responsibilities (including being members or chairman of Board committees).

The aggregate amount of remuneration which was paid to our Directors for the three years ended December 31, 2022, 2023 and 2024 and nine months ended September 30, 2025 were RMB1.5 million, RMB1.8 million, RMB2.6 million and RMB1.6 million, respectively.

It is estimated that the aggregate amount of remuneration payable to Directors for the year ended December 31, 2026 will be approximately RMB3.8 million under arrangements in force at the date of this document.

During the Track Record Period, our Group's five highest paid individuals included one, two, two and one Director(s), respectively. The emoluments of the remaining 4, 3, 3 and 4 individuals throughout the Track Record Period, were approximately RMB2.3 million, RMB1.7 million, RMB1.7 million and RMB1.5 million, respectively.

None of our Directors or any past directors of any member of the Group has been paid any sum of money for the three years ended December 31, 2022, 2023 and 2024 and nine months ended September 30, 2025 as (a) an inducement to join or upon joining the Company; or (b) for loss of office as a director of any member of the Group or of any other office in connection with the management of the affairs of any member of the Group.

There has been no arrangement under which a Director has waived or agreed to waive any emoluments for the three years ended December 31, 2022, 2023 and 2024 and nine months ended September 30, 2025.

Save as disclosed above, no other payments have been paid, or are payable, by our Company or any of our subsidiaries to our Directors or the five highest paid individuals of our Group during the Track Record Period.

## COMPLIANCE ADVISER

We have appointed Innovax Capital Limited ("**Innovax**") as our compliance adviser pursuant to Rules 3A.19 and 19A.05 of the Listing Rules. Pursuant to Rule 3A.23 of the Listing Rules, the compliance adviser will advise us on the following circumstances:

(a) before the publication of any announcements, circulars or financial reports required by regulatory authorities or applicable laws;

(b) where a transaction, which might constitute a notifiable or connected transaction under the Listing Rules, is contemplated, including share issues and securities repurchases;

(c) where we propose to use the [**REDACTED**] of the [**REDACTED**] in a manner different from that detailed in this document or where our business activities, developments or results deviate from any forecast, estimate or other information in this document; and

(d) where the Stock Exchange makes an inquiry of us regarding unusual price movement and trading volume or other issues under Rule 13.10 of the Listing Rules.

The term of the appointment will commence on the [**REDACTED**] and end on the date on which we distribute the annual report of the first full financial year commencing after the [**REDACTED**] pursuant to the Rule 13.46 of the Listing Rules.

## SHARE CAPITAL

### Immediately before the [REDACTED]

As at the Latest Practicable Date, the registered share capital of the Company was RMB57,000,000, comprising of 57,000,000 Domestic Unlisted Shares with a nominal value of RMB1.00.

### Upon the Completion of the [REDACTED]

Immediately after the [**REDACTED**] and conversion of Domestic Unlisted Shares into H Shares (for details, see – "Conversion of our Domestic Unlisted Shares into H Shares" in this section below) (assuming that the [**REDACTED**] is not exercised), the share capital of the Company will be as follows:

| Description of Shares | Number of Shares | Approximate % of the enlarged issued share capital after the [REDACTED] |
|---|---|---|
| Domestic Unlisted Shares in issue | [**REDACTED**] | [**REDACTED**] |
| H Shares to be converted from Domestic Unlisted Shares | [**REDACTED**] | [**REDACTED**] |
| H Shares to be issued pursuant to the [**REDACTED**] | [**REDACTED**] | [**REDACTED**] |
| **Total** | [**REDACTED**] | 100% |

Immediately after the [**REDACTED**] (assuming that the [**REDACTED**] exercised in full), the share capital of the Company will be as follows.

| Description of Shares | Number of Shares | Approximate % of the enlarged issued share capital after the [REDACTED] |
|---|---|---|
| Domestic Unlisted Shares in issue | [**REDACTED**] | [**REDACTED**] |
| H Shares to be converted from Domestic Unlisted Shares | [**REDACTED**] | [**REDACTED**] |
| H Shares to be issued pursuant to the [**REDACTED**] | [**REDACTED**] | [**REDACTED**] |
| **Total** | [**REDACTED**] | 100% |

## CLASS OF SHARES

The H Shares in issue following the completion of the [**REDACTED**] and the Domestic Unlisted Shares are ordinary Shares in the share capital of our Company and are considered as one class of Shares. However, H Shares may only be [**REDACTED**] for and [**REDACTED**] in Hong Kong dollars (except for H Shares under the Shanghai-Hong Kong Stock Connect and the Shenzhen-Hong Kong Stock Connect, if applicable, and can be traded in Renminbi) between qualified domestics institutional investors of the PRC, legal and natural persons of Hong Kong, Macau, Taiwan or any country or jurisdiction other than the PRC. Apart from certain qualified domestic institutional investors in the PRC, as well as certain PRC qualified investors under the Shanghai-Hong Kong Stock Connect and the Shenzhen-Hong Kong Stock Connect, if applicable, H Shares generally cannot be [**REDACTED**] by or [**REDACTED**] among legal and natural persons of the PRC. Domestic Unlisted Shares, on the other hand, may be purchased or transferred between legal and natural persons of the PRC, qualified foreign institutional investors or qualified foreign strategic investors.

## RANKING

Domestic Unlisted Shares and H Shares are regarded as one class of Shares under the Articles of Association and will rank equally for all dividends or distributions declared, paid or made after the date of this document. However, the transfer of the Domestic Unlisted Shares is subject to such restrictions as PRC laws may impose from time to time.

## CONVERSION OF OUR DOMESTIC UNLISTED SHARES INTO H SHARES

After the completion of the [**REDACTED**], our Shares will consist of Domestic Unlisted Shares and H Shares, which are all ordinary Shares in the share capital of our company. Our Domestic Unlisted Shares are Shares which are currently not listed or traded on any stock exchange. According to the stipulations by the State Council's securities regulatory authority and the Articles of Association, the holders of our Domestic Unlisted Shares may, at their own option, authorize the Company to apply to the CSRC for conversion of their respective Shares to H Shares. After the conversion of Domestic Unlisted Shares, such converted Shares may be [**REDACTED**] or [**REDACTED**] on an overseas stock exchange, provided that prior to the conversion and trading of such converted shares any requisite internal approval processes shall have been duly completed and the approval from the relevant PRC regulatory authorities, including the CSRC, shall have been obtained. In addition, such conversion, trading and [**REDACTED**] shall in all respects comply with the regulations prescribed by the State Council's securities regulatory authorities and the regulations, requirements and procedures prescribed by the relevant overseas stock exchange.

Approval of the Stock Exchange is required for the [**REDACTED**] of such converted shares on the Stock Exchange. Based on the methodology and procedures for the conversion of our Domestic Unlisted Shares into H Shares as described in this section, we can apply for the [**REDACTED**] of all or any portion of our Domestic Unlisted Shares on the Stock Exchange as H Shares in advance of any proposed conversion to ensure that the conversion process can be completed promptly upon notice to the Stock Exchange and delivery of shares for entry on the H Share register. As any [**REDACTED**] of additional Shares after our [**REDACTED**] on the Stock Exchange is ordinarily considered by the Stock Exchange to be a purely administrative matter, it does not require such prior application for [**REDACTED**] at the time of our [**REDACTED**] in Hong Kong.

After the completion of filing and all the requisite approvals have been obtained, the following procedure will need to be completed in order to effect the conversion: the relevant Domestic Unlisted Shares will be withdrawn from the Domestic Share register and we will re-register such Shares on [**REDACTED**] maintained in Hong Kong and instruct the [**REDACTED**] to issue [**REDACTED**]. Registration on [**REDACTED**] will be conditional on (a) the [**REDACTED**] lodging with the Stock Exchange a letter confirming the proper entry of the relevant H Shares on the [**REDACTED**] and the due dispatch of [**REDACTED**] and (b) the [**REDACTED**] of the H Shares to [**REDACTED**] on the Stock Exchange in compliance with the Listing Rules, the [**REDACTED**] and the [**REDACTED**] in force from time to time. Until the converted shares are re-registered on our [**REDACTED**], such Shares would not be [**REDACTED**] as H Shares.

No Shareholder voting by class is required for the [**REDACTED**] and trading of the converted Shares on an overseas stock exchange. Any application for [**REDACTED**] of the converted shares on the Stock Exchange after our initial [**REDACTED**] is subject to prior notification by way of announcement to inform Shareholders and the public of such proposed conversion.

Pursuant to the filing notice of the CSRC dated February 4, 2026, a total of [**REDACTED**] Domestic Unlisted Shares will be converted into H Shares on a [**REDACTED**] basis and [**REDACTED**] on Stock Exchange for [**REDACTED**] upon completion of the [**REDACTED**].

## [REDACTED] APPROVAL BY THE STOCK EXCHANGE

We have applied to the Listing Committee of the Stock Exchange for the granting of [**REDACTED**] of, and permission to [**REDACTED**], our H Shares to be issued pursuant to the [**REDACTED**] (including any H Shares which may be issued pursuant to the exercise of the [**REDACTED**]), and the H Shares to be converted from [**REDACTED**] Domestic Unlisted Shares on the Stock Exchange, which is subject to the approval by the Stock Exchange.

We will perform the following procedures for the conversion of Domestic Unlisted Shares into H Shares after receiving the approval of the Stock Exchange: (1) giving instructions to our [**REDACTED**] regarding relevant share certificates of the converted H Shares; and (2) enabling the converted H Shares to be accepted as eligible securities by [**REDACTED**] for deposit, clearance and settlement in the [**REDACTED**].

## SHAREHOLDERS' GENERAL MEETINGS

For details of circumstances under which Shareholders' general meeting is required, please refer to "Appendix V – Summary of Principal Laws and Regulations" and "Appendix VI – Summary of Articles of Association" to this document.

## REGISTRATION OF SHARES NOT LISTED ON AN OVERSEAS STOCK EXCHANGE

According to the Interim Measures for the Administration of Overseas Securities Offering and Listing by Domestic Enterprises (《境內企業境外發行證券和上市管理試行辦法》) issued by CSRC, an overseas listed company is required to centrally register its shares that are not listed on any overseas stock exchange with domestic securities registration and settlement institution.

## TRANSFER OF SHARES ISSUED PRIOR TO THE [REDACTED]

In accordance with the PRC Company Law, the shares issued prior to any [**REDACTED**] of shares by a company cannot be transferred within one year from the date on which such publicly [**REDACTED**] are [**REDACTED**] and [**REDACTED**] on the relevant stock exchange. As such, the Shares issued by our Company prior to the issue of H Shares will be subject to such statutory restriction on transfer within a period of one year from the [**REDACTED**].

## SHAREHOLDERS' APPROVAL FOR THE [REDACTED]

Approval from our Shareholders is required for our Company to issue H Shares and apply the [**REDACTED**] of H Shares on the Stock Exchange. Our Company has obtained such approval at the Shareholders' general meeting held on April 30, 2025.

To the best of the knowledge of our Directors, the following persons will, immediately after the completion of the [**REDACTED**] (assuming the [**REDACTED**] is not exercised), have an interest or short position in our Shares or underlying Shares which are required to be disclosed to our Company and the Stock Exchange pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, or will be, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying the rights to vote in all circumstances at the general meetings of our Company:

| Shareholder/ Ultimate Shareholder | Nature of Interest | Class of Shares | Number of Shares[2] | Approximate percentage of interest | |
|---|---|---|---|---|---|
| | | | | In the relevant class of Shares upon the completion of the [REDACTED][1] | In the total share capital of our Company upon the completion of the [REDACTED][1] |
| Mr. Yu | Beneficial Interest | H Shares | [**REDACTED**] | [**REDACTED**] | [**REDACTED**] |
| Shunwei[3] | Beneficial Interest | H Shares | [**REDACTED**] | [**REDACTED**] | [**REDACTED**] |
| Shunwei China[3] | Interest in controlled corporation | H Shares | [**REDACTED**] | [**REDACTED**] | [**REDACTED**] |
| Shunwei Capital LP[3] | Interest in controlled corporation | H Shares | [**REDACTED**] | [**REDACTED**] | [**REDACTED**] |
| Shunwei Capital Ltd[3] | Interest in controlled corporation | H Shares | [**REDACTED**] | [**REDACTED**] | [**REDACTED**] |
| Silver Unicorn[3] | Interest in controlled corporation | H Shares | [**REDACTED**] | [**REDACTED**] | [**REDACTED**] |
| Koh Tuck Lye[3] | Interest in controlled corporation | H Shares | [**REDACTED**] | [**REDACTED**] | [**REDACTED**] |
| Tianjin Jinmi[4] | Beneficial Interest | H Shares | [**REDACTED**] | [**REDACTED**] | [**REDACTED**] |
| Xiaomi Inc.[4] | Interest in controlled corporation | H Shares | [**REDACTED**] | [**REDACTED**] | [**REDACTED**] |
| Xiaomi Communications[4] | Interest in controlled corporation | H Shares | [**REDACTED**] | [**REDACTED**] | [**REDACTED**] |
| Xiaomi HK[4] | Interest in controlled corporation | H Shares | [**REDACTED**] | [**REDACTED**] | [**REDACTED**] |
| Xiaomi Corporation[4] | Interest in controlled corporation | H Shares | [**REDACTED**] | [**REDACTED**] | [**REDACTED**] |
| Beijing Hezhong[5] | Beneficial Interest | Domestic Unlisted Shares | [**REDACTED**] | [**REDACTED**] | [**REDACTED**] |
| Baiquan Nahai[5] | Interest in controlled corporation | Domestic Unlisted Shares | [**REDACTED**] | [**REDACTED**] | [**REDACTED**] |
| Wang Wenzhong[5] | Interest in controlled corporation | Domestic Unlisted Shares | [**REDACTED**] | [**REDACTED**] | [**REDACTED**] |
| Shanghai Ruma[6] | Beneficial Interest | Domestic Unlisted Shares | [**REDACTED**] | [**REDACTED**] | [**REDACTED**] |

| Shareholder/ Ultimate Shareholder | Nature of Interest | Class of Shares | Number of Shares[2] | Approximate percentage of interest | |
|---|---|---|---|---|---|
| | | | | In the relevant class of Shares upon the completion of the [REDACTED][1] | In the total share capital of our Company upon the completion of the [REDACTED][1] |
| Ruma Management[6] | Interest in controlled corporation | Domestic Unlisted Shares | [REDACTED] | [REDACTED] | [REDACTED] |
| Shanghai Oujie[6] | Interest in controlled corporation | Domestic Unlisted Shares | [REDACTED] | [REDACTED] | [REDACTED] |
| Wang Changlin[6] | Interest in controlled corporation | Domestic Unlisted Shares | [REDACTED] | [REDACTED] | [REDACTED] |
| Zhang Haiyun[6] | Interest in controlled corporation | Domestic Unlisted Shares | [REDACTED] | [REDACTED] | [REDACTED] |

*Notes:*

(1) The calculation is based on the total number of [**REDACTED**] Shares, consisting of [**REDACTED**] Domestic Unlisted Shares and [**REDACTED**] H Shares) in issue immediately after completion of the [**REDACTED**] (without taking into account the H Shares which may be issued upon the exercise of the [**REDACTED**]).

(2) "L" denotes long position.

(3) Shunwei Ventures III (Hong Kong) Limited ("**Shunwei**") is wholly owned by Shunwei China Internet Fund III, L.P. ("**Shunwei China**"). The general partner of Shunwei China is Shunwei Capital Partners III GP, L.P. ("**Shunwei Capital LP**"), and the general partner of Shunwei Capital LP is Shunwei Capital Partners III GP Limited ("**Shunwei Capital Ltd**"). Silver Unicorn Ventures Limited ("**Silver Unicorn**") holds more than 50% of the issued and outstanding shares of Shunwei Capital Ltd, and Mr. Koh Tuck Lye is the sole shareholder of Silver Unicorn. Therefore, in accordance with the SFO, Shunwei China, Shunwei Capital LP, Shunwei Capital Ltd, Silver Unicorn and Koh Tuck Lye are deemed to be interested in all the shares directly held by Shunwei.

(4) The general partner of Tianjin Jinmi Investment Partnership (Limited Partnership) ("**Tianjin Jinmi**") is Tianjin Venus Venture Capital Co., Ltd.* (天津金星創業投資有限公司) ("**Tianjin Venus**"), which is wholly owned by Xiaomi Inc.* (小米科技有限責任公司) ("**Xiaomi Inc.**"), a consolidated affiliated entity controlled by Xiaomi Communications Co., Ltd. ("**Xiaomi Communications**") through, among others, contractual arrangements entered into between Xiaomi Inc. and Xiaomi Communications. Both Xiaomi Software and Xiaomi Communications are wholly owned by Xiaomi H.K. Limited ("**Xiaomi HK**"), which in turn is wholly owned by Xiaomi Corporation (stock code: 1810.HK) ("**Xiaomi Corporation**"). Therefore, in accordance with the SFO, Tianjin Venus, Xiaomi Inc., Xiaomi Communications, Xiaomi HK and Xiaomi Corporation are deemed to be interested in all the shares directly held by Tianjin Jinmi.

(5) Beijing Hezhong Venture Capital Equity Investment Center (Limited Partnership)* (北京合眾創投股權投資中心(有限合夥)) ("**Beijing Hezhong**") was owned as to approximately 3.63% by Beijing Baiquan Nahai Investment Management Co., Ltd.* (北京百泉納海投資管理有限公司) ("**Baiquan Nahai**") as its general partner, which in turn was owned as to approximately 35% by Wang Wenzhong (汪文忠). Therefore, in accordance with the SFO, Baiquan Nahai and Wang Wenzhong are deemed to be interested in all the shares directly held by Beijing Hezhong.

(6) Shanghai Ruma Youhua Enterprise Management Partnership (Limited Partnership)* (上海如碼有花企業管理合夥企業(有限合夥)) ("**Shanghai Ruma**") was owned as to approximately 1.96% by Shanghai Ruma Enterprise Management Consulting Co., Ltd. (上海如碼企業管理諮詢有限公司) ("**Ruma Management**") as its general partner, which in turn was owned as to 99% by Shanghai Oujie Cultural Communication Co., Ltd. (上海歐捷文化傳播有限公司) ("**Shanghai Oujie**"), which in turn was owned as to 50% and 50% by Wang Changlin (王長林) and Zhang Haiyun (張海雲). Therefore, in accordance with the SFO, Ruma Management, Shanghai Oujie, Wang Changlin and Zhang Haiyun are deemed to be interested in all the shares directly held by Shanghai Ruma.

Save as disclosed herein, our Directors are not aware of any person who will, immediately following the [**REDACTED**], have an interest or short position in our Shares or underlying Shares which would be required to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company.

***You should read the following discussion and analysis with our consolidated financial information, including the notes thereto, included in the Accountants' Report as set out in Appendix I to this document. Our consolidated financial information has been prepared in accordance with IFRS Accounting Standards, which may differ in material aspects from generally accepted accounting principles in other jurisdictions.***

***The following discussion and analysis contain forward-looking statements that reflect our current views with respect to future events and financial performance. These statements are based on our assumptions and analysis in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. However, whether actual outcomes and developments will meet our expectations and predictions depends on a number of risks and uncertainties. In evaluating our business, you should carefully consider the information provided in the section headed "Risk Factors" in this document.***

***For the purpose of this section, unless the context otherwise requires, references to 2022, 2023 and 2024 refer to our financial year ended December 31 of such year. Unless the context otherwise requires, financial information described in this section is described on a consolidated basis.***

## OVERVIEW

We, TONGSHIFU (銅師傅), have focused on developing copper-based cultural and creative products by integrating traditional techniques with modern design and usage scenarios since our inception. According to the F&S Report, we ranked No. 1 in China's copper-based cultural and creative crafts market in terms of overall revenue for the year ended December 31, 2024, with a market share of 35.0%. The PRC copper-based cultural and creative crafts market accounted for approximately 6.3% of the PRC metal cultural and creative craft market in 2024 and is a narrow sub-segment of the broader PRC cultural and creative craft market, in which we held an approximately 0.2% market share in 2024.

For the years ended December 31, 2022, 2023, 2024 and the nine months ended September 30, 2024 and 2025, our revenue was RMB503.2 million, RMB506.4 million, RMB571.2 million, RMB402.4 million and RMB447.7 million, respectively. Gross margins for the same periods were 32.2%, 32.4%, 35.4%, 35.6% and 34.3%, respectively, demonstrating our steady performance in business expansion and operational efficiency.

## BASIS OF PREPARATION

Our Company, Hangzhou Tongshifu Cultural and Creative (Group) Co., Ltd., is a joint stock company incorporated under the laws of the PRC. The consolidated financial statements of the Group for the Track Record Period have been prepared in accordance with the accounting policies set out in Note 2 to the Accountants' Report in Appendix I to this document. These accounting policies conform to all applicable IFRS Accounting Standards.

The consolidated financial statements have been audited by Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, in accordance with the International Standards on Auditing issued by the International Auditing and Assurance Standards Board. Unless otherwise indicated, the consolidated financial information is presented in RMB, the functional and presentation currency of the Group.

## SIGNIFICANT FACTORS AFFECTING OUR RESULTS OF OPERATIONS

A number of external and internal factors have influenced, and are expected to continue to influence, our financial performance during the Track Record Period and going forward. Key considerations are set out as below.

### Consumer Sentiment, Macroeconomic Conditions, and Cultural Consumption Trends

Our results are sensitive to macroeconomic conditions and consumer sentiment in the PRC because our products are discretionary purchases. Changes in income expectations, purchasing confidence and broader sentiment toward economic prospects can affect demand and, in turn, our revenue growth and operating leverage. Global headwinds such as geopolitical tensions, inflation and softer external demand may also create volatility in consumer confidence and spending. We also see consumer preferences shifting from purely functional attributes toward symbolic and cultural relevance, with greater emphasis on cultural identity, self-expression and personalized aesthetics. This trend supports demand for culturally resonant offerings and underpins our product pipeline and launch cadence. According to the F&S Report, the urban penetration rate was 2.34% in 2024 and is projected to increase to 2.58% by 2029, while rural penetration remains below 1.4%, indicating further room for market expansion as cultural awareness deepens and e-commerce access broadens.

Channel mix also influences our financial performance. During the Track Record Period, online direct sales contributed the majority of our revenue, benefiting from platform traffic and scalable customer reach. More recently, our offline expansion has complemented our online presence by strengthening brand engagement and conversion; our offline revenue increased following the opening of new self-operated stores in 2024. We expect our omni-channel approach to continue supporting revenue growth and customer engagement, consistent with the channel strategy described in the "Business" section.

### Product Capabilities, Development and Portfolio Expansion

Our business is fundamentally driven by product strength, which is based on our creative capabilities, artisanal craftsmanship, and ability to translate cultural meaning into tangible forms. Our growth is built on a design-first philosophy that integrates original aesthetic expression with refined production execution. Anchored in copper, which remains the cultural and material foundation of our brand, we have gradually expanded our product matrix to include gold, silver, and plastic-based cultural and creative products. Each material category reflects a strategic response to different consumer preferences, usage scenarios, and pricing expectations. Our gold cultural and creative products, in particular, emphasize symbolic richness and commemorative value, and have demonstrated growing market appeal.

In parallel with material diversification, we have continued to deepen and broaden our IP portfolio. Our product development is primarily led by self-developed IPs which allow us to build lasting connections with consumers. We selectively complement these with licensed IPs, including collaborations with museums and global franchises, to enrich our offering and extend reach across different consumer segments. All of our IPs, whether self-created or externally licensed, are developed and commercialized through an integrated in-house process that combines cultural research, design, modeling, prototyping, and production.

### Our Product Positioning and Pricing Strategy

Our brand philosophy is deeply connected in the pursuit of value-driven quality, where high artistry and cultural meaning are delivered through accessible pricing. This approach underpins our ability to reach a broad consumer base while maintaining high standards of craftsmanship. Our pricing is a key advantage. It carefully balances product complexity, cultural meaning, and customer value. This strategy allows us to build trust and encourage long-term relationships with our customers.

In the PRC market, we implement a unified retail pricing mechanism across both online and offline channels to ensure transparency and consistency. Through vertically integrated production, disciplined cost management, and scalable product design, we are able to deliver high-quality, culturally grounded products across multiple price points. This enables us to serve consumers while reinforcing our market leadership in the copper-based cultural and creative crafts market. Our consistent performance further validates the effectiveness of this strategy. For more information, please refer to "Business – Our Pricing" in this document.

**Our Relationship with Third-Party E-Commerce Platforms**

A large portion of our revenue generated from online direct sales through major third-party e-commerce platforms in the PRC, comprising Tmall, JD.com and Douyin, represented 70.6%, 69.9%, 70.5%, 69.3% and 70.9% of total revenue for the years ended December 31, 2022, 2023, 2024 and the nine months ended September 30, 2024 and 2025 respectively. These platforms serve as our primary consumer touchpoints and have played a pivotal role in building brand awareness, consumer engagement, and transaction volume. Our flagship stores on these platforms are operated by us directly, allowing us to manage pricing, content, and customer service while leveraging each platform's user base, logistics infrastructure, and marketing ecosystem. In addition, our long-standing and positive relationships with the major e-commerce platforms have enabled us to secure prominent promotional placements, participate in high-traffic campaign events, and access real-time consumer insights to refine product strategy.

**Raw Material Costs and Procurement Strategy**

Copper is the primary raw material used in our production process, and fluctuations in copper prices have a direct impact on our cost of sales and gross margin. During the Track Record Period, copper prices in the PRC exhibited a generally upward yet volatile trend. According to the F&S Report, the average annual price of copper increased from RMB47,621.8 per ton in 2019 to RMB74,958.3 per ton in 2024, reaching a historical peak of RMB88,600.0 per ton in May 2024. As of September 30, 2025, the copper price has reached RMB83,110.0 per ton. This trajectory reflects a combination of industrial demand growth, supply chain disruptions, and broader global commodity market dynamics. In the PRC market, domestic prices are typically higher than international benchmarks due to import costs, warehousing, tax policies, and foreign exchange factors. Our cost structure is therefore exposed to changes in copper prices. A sharp rise in copper prices without corresponding product pricing adjustments could result in margin compression, particularly for mass-market or lower-ticket SKUs with limited pricing elasticity. Conversely, declining copper costs may enhance our gross margin. We currently do not include raw material price fluctuation clauses in our supplier contracts and rely on our procurement scheduling and design planning to mitigate this risk.

***Sensitivity Analysis***

The following sensitivity analysis illustrates the impact of hypothetical fluctuations of raw material costs on our total cost of sales for the periods indicated. The hypothetical rate for material costs is set at 5.0%.

| | Impact on total cost of sales | | | |
|---|---|---|---|---|
| | For the year ended December 31, | | | For the nine months ended September 30, |
| | 2022 | 2023 | 2024 | 2025 |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| **Increased/(decreased) by** | | | | |
| +5.0% | 338,895 | 338,482 | 365,248 | 290,715 |
| -5.0% | 327,374 | 329,602 | 355,160 | 282,701 |

We will continue to refine our procurement and production planning mechanisms to better respond to market fluctuations and ensure that our product quality, pricing, and profitability remain aligned with business objectives.

### Labor Costs and Skilled Workforce

Our products are labor-intensive and craftsmanship-driven. As a result, the availability, stability and productivity of skilled craftsman directly affect our cost structure, production capacity and ability to maintain consistent product quality. We may continue to face upward labor cost pressure due to wage inflation and competition for experienced technicians, which could increase our cost of sales and affect margins if not offset by productivity improvements and mix optimization. For details of our production processes and workforce arrangements, please refer to "Business — Our Production — Our Production Facility — Production Capacity" in this document.

## SEASONALITY

We experience seasonal fluctuations in revenue, primarily driven by major e-commerce promotional campaigns and traditional gift-giving occasions in China. In particular, online shopping festivals such as the "618 Shopping Festival" in June, the "Double 11 Shopping Festival" in November, and the "Double 12" campaign in December consistently generate large order volumes due to intensified promotional efforts, platform-wide traffic surges, and heightened consumer engagement.

Traditional holidays also play a key role in shaping seasonal demand. The first quarter typically benefits from the New Year and Chinese New Year periods, which are peak occasions for personal and corporate gifting. The fourth quarter includes the National Day Golden Week and the Mid-Autumn Festival.

As a result, our revenue generally peaks in the first and fourth quarters of each year. Period-to-period comparisons of revenue and profitability may therefore not be indicative of full-year trends.

## MATERIAL ACCOUNTING POLICIES AND ESTIMATES

We have identified certain accounting policies that are significant to the preparation of our financial statements. Our material accounting policies and estimates, which are important for an understanding of our financial condition and results of operations, are set forth in detail in Notes 2 and 3 to the Accountants' Report as set out in Appendix I to this document. Some of our accounting policies involve subjective assumptions and estimates, as well as complex judgments relating to accounting items. Actual results could differ from those estimates. We continually evaluate these estimates and assumptions based on the most recently available information, our own historical experience and other factors that we believe to be relevant under the circumstances.

Our management has discussed the development, selection and disclosure of these estimates with our Board of Directors. Since our financial reporting process inherently relies on the use of estimates and assumptions, actual results may differ from these estimates under different assumptions or conditions. When reviewing our financial statements, you should consider (i) our selection of key accounting policies, (ii) the judgment and other uncertainties affecting the application of such policies, and (iii) the sensitivity of reported results to changes in conditions and assumptions.

## DESCRIPTION OF SELECTED COMPONENTS OF STATEMENTS OF PROFIT OR LOSS

The table below sets forth our consolidated statements of profit or loss with line items in absolute amounts and as percentages of our revenue for the periods indicated, which are derived from our consolidated statements of profit or loss included in the Accountants' Report as set out in Appendix I to this document:

| | For the year ended December 31, | | | | | | For the nine months ended September 30, | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2022 | | 2023 | | 2024 | | 2024 | | 2025 | |
| | *RMB'000* | *%* | *RMB'000* | *%* | *RMB'000* | *%* | *RMB'000* | *%* | *RMB'000* | *%* |
| | | | | | | | *(unaudited)* | | | |
| **Revenue** | **503,185** | **100.0** | **506,383** | **100.0** | **571,188** | **100.0** | **402,355** | **100** | **447,672** | **100** |
| Cost of sales | (340,957) | 67.8 | (342,174) | 67.6 | (369,103) | 64.6 | (258,958) | 64.4 | (294,065) | 65.7 |
| **Gross profit** | **162,228** | **32.2** | **164,209** | **32.4** | **202,085** | **35.4** | **143,397** | **35.6** | **153,607** | **34.3** |
| Other income | 13,747 | 2.7 | 15,620 | 3.1 | 14,370 | 2.5 | 10,034 | 2.5 | 7,974 | 1.8 |
| Other gains and losses | 42 | 0.0 | 105 | 0.0 | 260 | 0.0 | (140) | 0.0 | 1,093 | 0.3 |
| Impairment losses under expected credit loss model, net of reversal | (756) | 0.1 | 715 | 0.1 | (190) | 0.0 | (80) | 0.0 | 39 | 0.0 |
| Selling and marketing expenses | (62,667) | 12.4 | (72,448) | 14.3 | (71,590) | 12.5 | (53,502) | 13.3 | (59,623) | 13.3 |
| Administrative expenses | (27,972) | 5.6 | (30,426) | 6.0 | (26,923) | 4.7 | (18,675) | 4.6 | (20,108) | 4.5 |
| Other operating expenses | (2,479) | 0.5 | (2,291) | 0.4 | (1,637) | 0.3 | (1,232) | 0.3 | (1,205) | 0.3 |
| [**REDACTED**] | – | – | – | – | – | – | – | – | (12,821) | 2.9 |
| Research and development expenses | (18,802) | 3.7 | (28,638) | 5.7 | (28,212) | 5.0 | (20,714) | 5.2 | (24,703) | 5.5 |
| Finance costs | (896) | 0.2 | (5) | 0.0 | (97) | 0.0 | (69) | 0.0 | (83) | 0.0 |
| **Profit before tax** | **62,445** | **12.4** | **46,841** | **9.2** | **88,066** | **15.4** | **59,019** | **14.7** | **44,170** | **9.9** |
| Income tax expenses | (5,507) | 1.1 | (2,710) | 0.5 | (9,084) | 1.6 | (5,751) | 1.4 | (2,617) | 0.6 |
| **Profit and total comprehensive income for the year/period** | **56,938** | **11.3** | **44,131** | **8.7** | **78,982** | **13.8** | **53,268** | **13.3** | **41,553** | **9.3** |

## NON-IFRS MEASURES

To supplement our consolidated financial statements that are presented in accordance with IFRS, we also use adjusted net profit (non-IFRS measure) as additional financial measures, which are not required by, or presented in accordance with, IFRS. We believe that these measures provide useful information to investors and others in understanding and evaluating our consolidated results of operations in the same manner as they help our management. However, our presentation of adjusted net profit (non-IFRS measure) may not be comparable to similarly titled 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 results of operations or financial condition as reported under IFRS.

### Adjusted Net Profit (Non-IFRS Measure)

We define adjusted net profit (non-IFRS measure) as profit and total comprehensive income for the year/period comprising [**REDACTED**], as they are expenses relating to the [**REDACTED**].

The following table provides the reconciliation from profit and total comprehensive income for the year/period to adjusted net profit (non-IFRS measure) for the year/periods indicated.

| | For the year ended December 31, | | | For the nine months ended September 30, | |
|---|---|---|---|---|---|
| | 2022 | 2023 | 2024 | 2024 | 2025 |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000 (unaudited)* | *RMB'000* |
| ***Reconciliation of profit and total comprehensive income for the year/period to adjusted net profit (non-IFRS measure)*** | | | | | |
| Profit and total comprehensive income for the year/period | 56,938 | 44,131 | 78,982 | 53,268 | 41,553 |
| Add: | | | | | |
| [**REDACTED**] | – | – | – | – | 12,821 |
| **Adjusted net profit (non-IFRS measure)** | **56,938** | **44,131** | **78,982** | **53,268** | **54,374** |

**Revenue**

We primarily recognize revenue from the sale of products at the point in time when control of the asset is transferred to the customer, which typically occurs upon delivery and acceptance for online orders, and at the time of payment and handover for retail and distributor sales.

***Product Category***

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

| | For the year ended December 31, | | | | | | For the nine months ended September 30, | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2022 | | 2023 | | 2024 | | 2024 | | 2025 | |
| | *RMB'000* | *%* | *RMB'000* | *%* | *RMB'000* | *%* | *RMB'000 (unaudited)* | *%* | *RMB'000* | *%* |
| Copper-based cultural and creative products | 479,645 | 95.4 | 488,005 | 96.3 | 551,251 | 96.6 | 389,196 | 96.7 | 424,600 | 94.8 |
| – Copper ornaments | 428,004 | 85.1 | 434,161 | 85.7 | 497,831 | 87.2 | 351,260 | 87.3 | 390,203 | 87.2 |
| – Copper engraved artworks | 51,641 | 10.3 | 53,844 | 10.6 | 53,420 | 9.4 | 37,936 | 9.4 | 34,397 | 7.6 |
| Plastic figures and toys | 3,286 | 0.7 | 13,304 | 2.6 | 14,252 | 2.5 | 11,089 | 2.8 | 6,959 | 1.6 |
| Silver cultural and creative products | 4,771 | 0.9 | 3,320 | 0.7 | 4,232 | 0.7 | 1,086 | 0.3 | 6,538 | 1.5 |
| Gold cultural and creative products | – | – | – | – | 1,274 | 0.2 | 820 | 0.2 | 9,496 | 2.1 |
| Wooden cultural and creative products | 15,483 | 3.0 | 1,754 | 0.4 | 179 | 0.0 | 164 | 0.0 | 79 | 0.0 |
| **Total** | **503,185** | **100.0** | **506,383** | **100.0** | **571,188** | **100.0** | **402,355** | **100.0** | **447,672** | **100.0** |

Copper-based cultural and creative products remained our dominant revenue contributor, accounting for 95.4%, 96.3%, 96.6%, 96.7% and 94.8% of total revenue during the Track Record Period, respectively, and increased mainly due to stronger sales of copper ornaments driven by newly launched smaller-scale, entry-level SKUs. Within this category, revenue from copper engraved artworks decreased from RMB37.9 million for the nine months ended September 30, 2024 to RMB34.4 million for the same period in 2025, mainly due to fewer launches as we allocated more research and development resources to copper ornaments.

Plastic figures and toys increased from RMB3.3 million in 2022 to RMB13.3 million in 2023 and RMB14.3 million in 2024 due to new SKUs, but declined to RMB7.0 million for the nine months ended September 30, 2025 (nine months ended September 30, 2024: RMB11.1 million) due to fewer launches and reduced promotional efforts.

Silver cultural and creative products remained small in 2022 to 2024 but increased to RMB6.5 million for the nine months ended September 30, 2025 driven by new SKUs and improved consumer recognition, while gold cultural and creative products, launched in 2024, increased to RMB9.5 million for the nine months ended September 30, 2025 (nine months ended September 30, 2024: RMB0.8 million) as the offering expanded. Wooden cultural and creative products declined after we ceased production starting in 2022, with subsequent revenue mainly from remaining inventory sales.

***Sales Channel***

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

| | For the year ended December 31, | | | | | | For the nine months ended September 30, | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2022 | | 2023 | | 2024 | | 2024 | | 2025 | |
| | *RMB'000* | *%* | *RMB'000* | *%* | *RMB'000* | *%* | *RMB'000* | *%* | *RMB'000* | *%* |
| | | | | | | | *(unaudited)* | | | |
| **Direct sales** | | | | | | | | | | |
| Online direct sales | 355,392 | 70.6 | 353,977 | 69.9 | 402,889 | 70.5 | 278,823 | 69.3 | 317,286 | 70.9 |
| Retail stores sales | 3,648 | 0.7 | 3,624 | 0.7 | 17,627 | 3.1 | 10,940 | 2.7 | 21,573 | 4.8 |
| Other direct sales | 12,805 | 2.5 | 13,354 | 2.6 | 17,761 | 3.1 | 12,556 | 3.1 | 12,279 | 2.7 |
| **Subtotal** | **371,845** | **73.8** | **370,955** | **73.2** | **438,277** | **76.7** | **302,319** | **75.1** | **351,138** | **78.4** |
| **Distribution partnerships** | | | | | | | | | | |
| Online distributors | 51,842 | 10.3 | 47,027 | 9.3 | 37,996 | 6.7 | 30,656 | 7.6 | 25,951 | 5.8 |
| Offline distributors | 75,952 | 15.1 | 74,342 | 14.7 | 78,986 | 13.8 | 60,781 | 15.1 | 48,673 | 10.9 |
| **Subtotal** | **127,794** | **25.4** | **121,369** | **24.0** | **116,982** | **20.5** | **91,437** | **22.7** | **74,624** | **16.7** |
| **Consignment arrangement** | **3,546** | **0.8** | **14,059** | **2.8** | **15,929** | **2.8** | **8,599** | **2.2** | **21,910** | **4.9** |
| **Total** | **503,185** | **100.0** | **506,383** | **100.0** | **571,188** | **100.0** | **402,355** | **100.0** | **447,672** | **100.0** |

Our revenue remained centered on direct sales, accounting for 73.8%, 73.2%, 76.7%, 75.1% and 78.4% of total revenue for the years ended December 31, 2022, 2023, 2024 and the nine months ended September 30, 2024 and 2025, respectively, with online direct sales consistently contributing around 70% of total revenue. Offline direct sales increased materially (RMB3.6 million in 2023 to RMB17.6 million in 2024; and RMB10.9 million in the nine months ended September 30, 2024 to RMB21.6 million in the same period of 2025) primarily due to the expansion of our self-operated store network. Other direct sales decreased slightly in the nine months ended September 30, 2025 to RMB12.3 million due to lower customized order volume.

Distribution partnerships declined as a percentage of revenue over time as we increased our focus on self-operated channels, while consignment revenue increased to RMB21.9 million for the nine months ended September 30, 2025 (nine months ended September 30, 2024: RMB8.6 million), mainly driven by stronger performance of managed online store channels supported by livestreaming and trending SKUs.

*Geographical Region*

The following table sets forth a breakdown of our revenue by geographical market for the period indicated:

| | For the year ended December 31, | | | | | | For the nine months ended September 30, | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2022 | | 2023 | | 2024 | | 2024 | | 2025 | |
| | *RMB'000* | *%* | *RMB'000* | *%* | *RMB'000* | *%* | *RMB'000* | *%* | *RMB'000* | *%* |
| | | | | | | | *(unaudited)* | | | |
| Chinese Mainland | 495,990 | 98.6 | 500,514 | 98.8 | 564,147 | 98.8 | 396,700 | 98.6 | 442,847 | 98.9 |
| Taiwan | 7,195 | 1.4 | 5,869 | 1.2 | 6,624 | 1.1 | 5,238 | 1.3 | 4,794 | 1.1 |
| United States | – | – | – | – | 417 | 0.1 | 417 | 0.1 | 31 | 0.0 |
| **Total** | **503,185** | **100.0** | **506,383** | **100.0** | **571,188** | **100.0** | **402,355** | **100.0** | **447,672** | **100.0** |

We generate the vast majority of our revenue from the PRC, accounting for over 98% of our total revenue throughout the Track Record Period. Revenue from the PRC increased by 11.6% from RMB396.7 million for the nine months ended September 30, 2024 to RMB442.8 million for the nine months ended September 30, 2025. This growth was mainly attributable to the continued expansion of online flagship stores and stronger contribution from our self-operated retail stores, accounted for an improvement of RMB10.7 million from RMB10.9 million for the nine months ended September 30, 2024, to RMB21.6 million for the nine months ended September 30, 2025. Revenue from Taiwan remained stable during the Track Record Period. Our United States business began in 2024 with a trial shipment of RMB417,000 for the year ended December 31, 2024 and RMB31,000 for the nine months ended September 30, 2025. In the future, we expect domestic sales to continue growing at a steady pace, driven by channel diversification and enhanced product-market alignment. Meanwhile, our overseas sales are at an early stage and subject to further exploration.

## Cost of Sales

Our cost of sales primarily consists of direct material costs, direct labor costs, and manufacturing overhead. During the Track Record Period, our cost of sales amounted to RMB341.0 million, RMB342.2 million, RMB369.1 million, RMB259.0 million and RMB294.1 million for the years ended December 31, 2022, 2023, 2024 and the nine months ended September 30, 2024 and 2025, respectively.

The following table sets forth a breakdown of our cost of sales by nature for the periods indicated:

| | For the year ended December 31, | | | | | | For the nine months ended September 30, | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2022 | | 2023 | | 2024 | | 2024 | | 2025 | |
| | *RMB'000* | *%* | *RMB'000* | *%* | *RMB'000* | *%* | *RMB'000* | *%* | *RMB'000* | *%* |
| | | | | | | | *(unaudited)* | | | |
| Direct materials | 176,932 | 51.9 | 161,176 | 47.1 | 173,682 | 47.1 | 121,452 | 46.9 | 139,842 | 47.6 |
| Direct labor | 103,683 | 30.4 | 106,453 | 31.1 | 108,586 | 29.4 | 77,012 | 29.7 | 83,508 | 28.4 |
| Manufacturing overhead | 60,342 | 17.7 | 74,545 | 21.8 | 86,835 | 23.5 | 60,494 | 23.4 | 70,715 | 24.0 |
| **Total** | **340,957** | **100.0** | **342,174** | **100.0** | **369,103** | **100.0** | **258,958** | **100.0** | **294,065** | **100.0** |

Direct materials consistently represented the largest component of our cost of sales, primarily comprising copper used in our core copper-based cultural and creative products, alongside packaging materials and select materials for plastic and silver product lines. Direct materials cost decreased from RMB176.9 million for the year ended December 31, 2022, to RMB161.2 million for the year ended December 31, 2023, reflecting a reduction in raw material consumption as a result of upgraded production techniques in 2023, which led to a more efficient utilization of copper. These upgrades temporarily constrained production output for approximately three months during the year. Our direct materials cost continued to growth for the nine months ended September 30, 2025, mainly as a result of increased sales volume and a rise in raw material prices, particularly copper, which remains the dominant input for our cultural and creative products.

Direct labor mainly includes the wages and performance-based compensation of production personnel under both piece-rate and time-based compensation systems. Direct labor costs remained relatively stable during the Track Record Period.

Manufacturing overhead includes utility expenses (electricity, water, and gas), depreciation of machinery and equipment, and indirect production-related expenses such as management salaries allocated to workshop operations and personal protective equipment. Manufacturing overhead increased from RMB60.3 million in 2022 to RMB74.5 million in 2023 and RMB86.8 million in 2024, accounting for 17.7%, 21.8% and 23.5% of total cost of sales, respectively. For the nine months ended September 30, 2025, manufacturing overhead increased to RMB70.7 million, from RMB60.5 million for the same period in 2024. Manufacturing overhead increased steadily throughout the Track Record Period, mainly driven by increased utility expenses, which reflected intensified production activities to meet growing demand.

The following table sets forth a breakdown of our cost of sales by product categories for the periods indicated:

| | For the year ended December 31, | | | | | | For the nine months ended September 30, | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2022 | | 2023 | | 2024 | | 2024 | | 2025 | |
| | *RMB'000* | *%* | *RMB'000* | *%* | *RMB'000* | *%* | *RMB'000* | *%* | *RMB'000* | *%* |
| | | | | | | | *(unaudited)* | | | |
| Copper-based cultural and creative products | 323,991 | 95.0 | 332,103 | 97.1 | 357,227 | 96.8 | 251,818 | 97.2 | 277,550 | 94.4 |
| Plastic figures and toys | 1,795 | 0.5 | 6,498 | 1.9 | 8,037 | 2.2 | 5,932 | 2.3 | 4,797 | 1.6 |
| Silver cultural and creative products | 2,888 | 0.8 | 1,981 | 0.6 | 2,674 | 0.7 | 469 | 0.2 | 3,731 | 1.3 |
| Gold cultural and creative products | – | – | – | – | 1,069 | 0.3 | 670 | 0.3 | 7,911 | 2.7 |
| Wooden cultural and creative products | 12,283 | 3.7 | 1,592 | 0.4 | 96 | – | 69 | 0.0 | 76 | 0.0 |
| **Total** | **340,957** | **100.0** | **342,174** | **100.0** | **369,103** | **100.0** | **258,958** | **100.0** | **294,065** | **100.0** |

### Gross Profit and Gross Profit Margin

Gross profit represents the difference between our revenue and cost of sales, reflecting the profitability of our core operations. The following table sets forth the breakdown of our gross profit and gross profit margin by product categories during the Track Record Period.

| | For the year ended December 31, | | | | | | For the nine months ended September 30, | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2022 | | 2023 | | 2024 | | 2024 | | 2025 | |
| | 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 |
| | *RMB'000* | *%* | *RMB'000* | *%* | *RMB'000* | *%* | *RMB'000* | *%* | *RMB'000* | *%* |
| | | | | | | | *(unaudited)* | | | |
| Copper-based cultural and creative products | 155,654 | 32.5 | 155,902 | 31.9 | 194,024 | 35.2 | 137,378 | 35.3 | 147,050 | 34.6 |
| Plastic figures and toys | 1,491 | 45.4 | 6,806 | 51.2 | 6,215 | 43.6 | 5,157 | 46.5 | 2,162 | 31.1 |
| Silver cultural and creative products | 1,883 | 39.5 | 1,339 | 40.3 | 1,558 | 36.8 | 617 | 56.8 | 2,807 | 42.9 |
| Gold cultural and creative products | – | – | – | – | 205 | 16.1 | 150 | 18.3 | 1,585 | 16.7 |
| Wooden cultural and creative products | 3,200 | 20.7 | 162 | 9.2 | 83 | 46.4 | 95 | 57.9 | 3 | 3.8 |
| **Total** | **162,228** | **32.2** | **164,209** | **32.4** | **202,085** | **35.4** | **143,397** | **35.6** | **153,607** | **34.3** |

Copper-based cultural and creative products were our primary contributor to gross profit. During the Track Record Period, the gross profit and gross profit margin of this category experienced fluctuations primarily due to changes in production efficiency, retail pricing adjustments and movements in copper prices. In 2023, our gross profit remained broadly stable year-on-year, while gross profit margin declined slightly as we implemented a major production process reform starting from June 2023, which was aimed at improving overall production efficiency and standardizing workflow management, but temporarily constrained output and increased unit production costs due to fixed cost absorption during the transition. In 2024, both gross profit and gross profit margin improved meaningfully as the new process progressively stabilized, resulting in higher production efficiency and lower unit costs, and we also implemented an upward retail price adjustment for selected copper-based SKUs in February 2024. For the nine months ended September 30, 2025, gross profit continued to increase, but gross profit margin declined slightly, primarily due to a higher contribution from lower-margin entry-level and outsourced products, together with higher copper costs during the period, which exerted some pressure on profit margins. For plastic figures and toys, our gross profit and gross profit margin decreased to RMB2.2 million and 31.1% for the nine months ended September 30, 2025 (nine months ended September 30, 2024: RMB5.2 million and 46.5%), primarily due to promotional and clearance-driven mix, which compressed margins and was not fully proportional to the revenue movement for this category discussed above.

### Other Income

Other income primarily comprises revenue from the sale of production scrap, rental income, government-related incentives, interest income, and compensation income.

The table below sets forth a breakdown of our other income for the periods indicated:

| | For the year ended December 31, | | | | | | For the nine months ended September 30, | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2022 | | 2023 | | 2024 | | 2024 | | 2025 | |
| | *RMB'000* | *%* | *RMB'000* | *%* | *RMB'000* | *%* | *RMB'000* | *%* | *RMB'000* | *%* |
| | | | | | | | *(unaudited)* | | | |
| **Other Income** | | | | | | | | | | |
| Sales of scrap and others | 4,009 | 29.2 | 3,391 | 21.7 | 4,242 | 29.5 | 2,698 | 26.9 | 2,837 | 35.6 |
| Sales of accessories | 206 | 1.5 | 58 | 0.4 | 28 | 0.2 | 24 | 0.2 | 17 | 0.2 |
| Rental income | 5,143 | 37.4 | 5,143 | 32.9 | 3,656 | 25.4 | 2,742 | 27.3 | 2,788 | 35.0 |
| Government grants | 2,430 | 17.7 | 3,003 | 19.2 | 2,621 | 18.2 | 2,198 | 21.9 | 816 | 10.2 |
| Super deduction of value added tax | 358 | 2.6 | 2,418 | 15.5 | 2,414 | 16.8 | 1,272 | 12.7 | 631 | 7.9 |
| Interest income on bank deposits | 759 | 5.5 | 1,042 | 6.7 | 1,077 | 7.5 | 843 | 8.4 | 652 | 8.2 |
| Compensation from third parties | 842 | 6.1 | 565 | 3.6 | 332 | 2.4 | 257 | 2.6 | 233 | 2.9 |
| **Total** | **13,747** | **100.0** | **15,620** | **100.0** | **14,370** | **100.0** | **10,034** | **100.0** | **7,974** | **100.0** |

Sale of scrap and others primarily comprised proceeds from the disposal of reusable production materials such as metal offcuts and packaging.

Sales of accessories were incidental in nature and consisted mainly of small components sold separately from our principal products.

Rental income was derived from the leasing of unused land and facilities at our Yading Road site to a related party. The decrease in 2024 reflected the reduction in the leased area and rent adjustments.

Government grants represented discretionary subsidies received from government authorities for purposes such as supporting cultural development, employment stabilization, and equipment upgrades.

Value-added tax benefits comprised tax benefits granted to us as a qualified high and new technology enterprise under relevant PRC policies.

Interest income on bank deposits reflected the return from our cash management activities, including placements in time and structured deposits.

Compensation from third parties included indemnities received through settlement of disputes. These items are non-recurring and vary by case.

**Other gains and losses**

Other gains and losses primarily represent non-recurring items that are incidental to our core operations. For the years ended December 31, 2022, 2023 and 2024, we recorded net other gains of RMB42,000, RMB105,000 and RMB260,000, respectively. For the nine months ended September 30, 2024 and 2025, we recorded net other losses of RMB140,000 and net other gains of RMB1.1 million respectively.

The table below sets forth a breakdown of our other gains and losses for the periods indicated:

| | For the year ended December 31, | | | | | | For the nine months ended September 30, | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2022 | | 2023 | | 2024 | | 2024 | | 2025 | |
| | *RMB'000* | *%* | *RMB'000* | *%* | *RMB'000* | *%* | *RMB'000* | *%* | *RMB'000* | *%* |
| | | | | | | | *(unaudited)* | | | |
| (Loss) gain on disposal of property, plant and equipment | (352) | (838.1) | 79 | 75.2 | (247) | (95.0) | (247) | 176.4 | (211) | (19.3) |
| Net foreign exchange gains (losses) | 394 | 938.1 | 26 | 24.8 | 157 | 60.4 | 66 | (47.1) | (19) | (1.7) |
| Fair value gain of financial assets at FVTPL | – | – | – | – | 345 | 132.7 | 36 | (25.7) | 1,323 | 121.0 |
| Gain on disposal of interest in an associate | – | – | – | – | 5 | 1.9 | 5 | (3.6) | – | – |
| **Total** | **42** | **100.0** | **105** | **100.0** | **260** | **100.0** | **(140)** | **100.0** | **1,093** | **100.0** |

In the years ended December 31, 2022 and 2024, we recorded losses from the disposal of certain aged production equipment during fixed asset upgrades, while in the year ended December 31, 2023, a small net gain was recognized.

**Impairment Losses Under Expected Credit Loss Model, Net of Reversal**

Impairment losses under the ECL model, net of reversal primarily represent provisions and reversals related to trade and other receivables in accordance with IFRS 9. For the years ended December 31, 2022, 2023, 2024 and the nine months ended September 30, 2024 and 2025, we recorded net impairment losses of RMB0.8 million, a net reversal of RMB0.7 million, a net impairment loss of RMB0.2 million, a net impairment losses of RMB0.1 million and a net reversal of RMB39,000, respectively.

**Selling and Marketing Expenses**

Selling and marketing expenses primarily consist of costs associated with supporting our sales activities, executing promotional campaigns, and maintaining ongoing customer engagement. These expenses typically include salaries and benefits for sales and marketing personnel, expenditures related to advertising and promotional placements, customer relationship management, as well as office utilities and consumables incurred by the sales department.

For the years ended December 31, 2022, 2023, 2024 and the nine months ended September 30, 2024 and 2025, our selling and marketing expenses amounted to RMB62.7 million, RMB72.4 million, RMB71.6 million, RMB53.5 million and RMB59.6 million, respectively, representing 12.4%, 14.3%, 12.5%, 13.3% and 13.3% of our total revenue in the respective years/periods.

The table below sets forth a breakdown of our selling and marketing expenses by nature for the Track Record Period:

| | For the year ended December 31, | | | | | | For the nine months ended September 30, | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2022 | | 2023 | | 2024 | | 2024 | | 2025 | |
| | *RMB'000* | *%* | *RMB'000* | *%* | *RMB'000* | *%* | *RMB'000* | *%* | *RMB'000* | *%* |
| | | | | | | | *(unaudited)* | | | |
| Platform services and promotion | 47,800 | 76.3 | 55,658 | 76.8 | 49,378 | 69.0 | 38,146 | 71.4 | 38,546 | 64.6 |
| Employee salaries and benefits | 10,485 | 16.7 | 10,871 | 15.1 | 14,544 | 20.3 | 10,068 | 18.8 | 13,550 | 22.7 |
| Rental and related costs | 2,090 | 3.3 | 886 | 1.2 | 1,796 | 2.5 | 1,046 | 2.0 | 1,621 | 2.7 |
| Office expenses and consumables | 1,103 | 1.8 | 753 | 1.0 | 1,951 | 2.7 | 1,346 | 2.5 | 2,213 | 3.7 |
| IP and licensing fees | 988 | 1.6 | 3,657 | 5.0 | 1,972 | 2.8 | 1,575 | 2.9 | 1,775 | 3.0 |
| Store operation and travel | 137 | 0.2 | 539 | 0.8 | 1,489 | 2.1 | 1,042 | 1.9 | 1,408 | 2.4 |
| Others | 64 | 0.1 | 84 | 0.1 | 460 | 0.6 | 279 | 0.5 | 510 | 0.9 |
| **Total** | **62,667** | **100.0** | **72,448** | **100.0** | **71,590** | **100.0** | **53,502** | **100.0** | **59,623** | **100.0** |

Platform services and promotion costs, comprising advertising expenses and platform service fees, accounted for the largest portion of our total selling and marketing expenses in each of the years ended December 31, 2022, 2023, 2024 and the nine months ended September 30, 2024 and 2025, representing approximately 76.3%, 76.8%, 69.0%, 71.4% and 64.6% of selling and marketing expenses, respectively. The platform service fees described above comprise the commission fees together with marketing and traffic services fees paid to e-commerce platforms in the "Business" section. The commission fees paid to e-commerce platforms refer to the same expenses in the "Business" section, representing fees paid to online direct sales channels based on transaction values as well as payments to consignment platforms for facilitating online sales. Commission fees are generally deducted by the platforms on a real-time basis per transaction. For details of our platform service and promotion costs, please refer to "Business — Sales and Marketing — Direct Sales — Online Direct Sales" and "Business — Sales and Marketing — Consignment."

Employee salaries and benefits constituted our second-largest expense item, accounting for approximately 16.7%, 15.1%, 20.3%, 18.8% and 22.7% of selling and marketing expenses in the same years. This primarily reflects the size and structure of our in-house sales and promotion team increased in 2024 as we expanded our offline presence.

Other components included rental and related costs (including store leases and renovations), office consumables and depreciation, and IP and licensing fees.

**Administrative Expenses**

Administrative expenses primarily represent costs incurred in connection with our general management functions, administrative support, and corporate operations. These expenses typically include employee salaries and benefits for administrative staff, professional service fees, depreciation of administrative-use assets, and various office-related costs.

For the years ended December 31, 2022, 2023, 2024 and the nine months ended September 30, 2024 and 2025, our administrative expenses amounted to RMB28.0 million, RMB30.4 million, RMB26.9 million, RMB18.7 million and RMB20.1 million, respectively, representing 5.6%, 6.0%, 4.7%, 4.6% and 4.5% of our total revenue for the respective years/periods.

| | For the year ended December 31, | | | | | | For the nine months ended September 30, | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2022 | | 2023 | | 2024 | | 2024 | | 2025 | |
| | *RMB'000* | *%* | *RMB'000* | *%* | *RMB'000* | *%* | *RMB'000* | *%* | *RMB'000* | *%* |
| | | | | | | | *(unaudited)* | | | |
| Employee salaries and benefits | 12,023 | 43.0 | 15,214 | 50.0 | 15,741 | 58.5 | 11,745 | 63.0 | 11,893 | 59.1 |
| Professional and consulting fees | 8,539 | 30.5 | 7,043 | 23.1 | 2,589 | 9.6 | 2,134 | 11.4 | 800 | 4.0 |
| Office and utility expenses | 4,534 | 16.2 | 4,818 | 15.8 | 4,478 | 16.6 | 2,614 | 14.0 | 3,214 | 16.0 |
| Depreciation and amortization | 1,899 | 6.8 | 1,812 | 6.0 | 2,521 | 9.4 | 1,594 | 8.5 | 2,064 | 10.3 |
| Others | 977 | 3.5 | 1,539 | 5.1 | 1,594 | 5.9 | 588 | 3.1 | 2,137 | 10.6 |
| **Total** | **27,972** | **100.0** | **30,426** | **100.0** | **26,923** | **100.0** | **18,675** | **100.0** | **20,108** | **100.0** |

Our administrative expenses primarily consist of employee compensation, depreciation and amortization, professional service fees, and general administrative and office-related costs. For the years ended December 31, 2022, 2023, 2024 and the nine months ended September 30, 2024 and 2025, employee salaries and benefits consistently represented the largest component of administrative expenses, accounting for approximately 43.0%, 50.0%, 58.5%, 63.0% and 59.1% of total administrative expenses, respectively.

Professional service fees, primarily comprising legal, audit and financial advisory costs, accounted for 30.5%, 23.1%, 9.6%, 11.4% and 4.0% in the respective years and periods. The decrease in the year ended December 31, 2024 was following the completion of several financial and internal control checks in 2023. We initiated the internal control checks as a preparation to the [**REDACTED**], and to ensure the effective and efficient management of our operations, financial reporting, and compliance with relevant regulations.

Depreciation and amortization accounted for approximately 6.8%, 6.0%, 9.4%, 8.5% and 10.3% of administrative expenses for the years ended December 31, 2022, 2023, 2024 and the nine months ended September 30, 2024 and 2025, respectively, primarily relating to our administrative-use properties and equipment.

Others mainly include office utilities, travel, maintenance, leasing, and related consumables.

**Other Operating Expenses**

Other operating expenses primarily consist of miscellaneous costs incurred in the ordinary course of business that are not classified under cost of sales, selling and marketing expenses, or administrative expenses. Our other operating expenses primarily relate to (i) the cost of component processing performed on behalf of our related party, and (ii) depreciation and amortization of properties leased to third parties, which are recognized on an ongoing basis during the relevant lease period.

For the years ended December 31, 2022, 2023, 2024 and the nine months ended September 30, 2024 and 2025, our other operating expenses amounted to RMB2.5 million, RMB2.3 million, RMB1.6 million, RMB1.2 million and RMB1.2 million, respectively, representing 0.5%, 0.4%, 0.3%, 0.3% and 0.3% of our total revenue for the respective years/periods.

### Research and Development Expenses

Our research and development expenses primarily represent expenditures incurred in connection with the creative development, design iteration, and refinement of our cultural and creative products. Our research and development efforts are artistic and design-driven in nature, encompassing activities such as original IP development, sculptural modeling, sample prototyping, and iterative material and process testing. These activities are carried out by our in-house creative team under a project-based structure and form a core part of our product development cycle.

For the years ended December 31, 2022, 2023, 2024 and the nine months ended September 30, 2024 and 2025, our R&D expenses amounted to RMB18.8 million, RMB28.6 million, RMB28.2 million, RMB20.7 million and RMB24.7 million, respectively, representing 3.7%, 5.7%, 5.0%, 5.2% and 5.5% of our total revenue for the respective years/periods.

The table below sets forth a breakdown of our research and development expenses by nature for the Track Record Period:

| | For the year ended December 31, | | | | | | For the nine months ended September 30, | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2022 | | 2023 | | 2024 | | 2024 | | 2025 | |
| | *RMB'000* | *%* | *RMB'000* | *%* | *RMB'000* | *%* | *RMB'000* | *%* | *RMB'000* | *%* |
| | | | | | | | *(unaudited)* | | | |
| Employee salaries and benefits | 16,195 | 86.1 | 22,573 | 78.7 | 23,230 | 82.4 | 17,675 | 85.4 | 18,855 | 76.3 |
| Material consumption | 539 | 2.9 | 2,021 | 7.1 | 1,210 | 4.3 | 914 | 4.4 | 859 | 3.5 |
| Depreciation | 354 | 1.9 | 646 | 2.3 | 825 | 2.9 | 607 | 2.9 | 687 | 2.8 |
| R&D stage IP | 691 | 3.7 | 1,260 | 4.4 | 940 | 3.3 | 375 | 1.8 | 2,738 | 11.1 |
| Others | 1,023 | 5.4 | 2,138 | 7.5 | 2,007 | 7.1 | 1,143 | 5.5 | 1,564 | 6.3 |
| **Total** | **18,802** | **100.0** | **28,638** | **100.0** | **28,212** | **100.0** | **20,714** | **100.0** | **24,703** | **100.0** |

For the years ended December 31, 2022, 2023, 2024 and the nine months ended September 30, 2024 and 2025, employee salaries and benefits represented the dominant component, accounting for 86.1%, 78.7%, 82.4%, 85.4% and 76.3% of total research and development expenses, respectively. This reflects our continued investment in maintaining an internally driven design and product development system.

R&D-stage IP costs primarily represented licensing fees for authorized IPs, which support the enrichment of our product portfolio during the design phase.

Others captures ancillary expenditures related to research and development activities, primarily including electricity and utilities as well as 3D printing costs.

### Finance Costs

Finance costs primarily represent interest expenses incurred on bank borrowings and lease liabilities. For the years ended December 31, 2022, 2023, 2024 and the nine months ended September 30, 2024 and 2025, our finance costs amounted to RMB896,000, RMB5,000, RMB97,000, RMB69,000 and RMB83,000, respectively. The significant decrease in 2023 was due to the full repayment of short-term bank borrowings in the year ended December 31, 2022. In the year ended December 31, 2024, finance costs slightly increased, primarily due to the interest expenses recognized under lease liabilities following the expansion of our self-operated retail network and related lease arrangements.

### Income Tax Expenses

Our income tax expenses primarily comprise current tax charges under the PRC EIT, as well as movements in deferred tax arising from temporary differences. For the years ended December 31, 2022, 2023, 2024 and the nine months ended September 30, 2024 and 2025, we incurred income tax expenses of RMB5.5 million, RMB2.7 million, RMB9.1 million, RMB5.8 million and RMB2.6 million, respectively, representing effective tax rates of approximately 8.8%, 5.8%, 10.3%, 9.7% and 5.9% for the respective years/periods. The decrease in income tax expenses for the year ended December 31, 2023 was mainly due to a decline in taxable income and enhanced research and development deductions. The subsequent increase in 2024 reflected a higher profit before tax.

Under the PRC Enterprise Income Tax Law (the "**EIT Law**") and its implementation regulations, the standard EIT rate applicable to PRC enterprises is 25%. However, certain of our PRC subsidiaries qualified as "High and New Technology Enterprises" or "Micro and Small Enterprises" during the Track Record Period and were entitled to preferential tax rates of 15% or other tax concessions. As a result, our effective tax rates were below the statutory rate, primarily due to preferential rates and enhanced deductions including research and development super deductions and other qualifying deductions and, where applicable, utilization of tax losses.

## PERIOD TO PERIOD COMPARISON OF RESULTS OF OPERATIONS

### Nine Months Ended September 30, 2024 Compared to Nine Months Ended September 30, 2025

#### *Revenue and Gross Profit*

For the nine months ended September 30, 2025, our revenue was RMB447.7 million, representing an increase of 11.3% compared to RMB402.4 million for the nine months ended September 30, 2024. This increase was primarily driven by higher sales of our copper-based cultural and creative products, primarily driven by our stronger sales of newly launched small entry-level copper-based ornament products.

Our gross profit for the nine months ended September 30, 2025, was RMB153.6 million, an increase of 7.1% from RMB143.4 million in the corresponding period in 2024. Our gross profit margin decreased slightly to 34.3% for the nine months ended September 30, 2025, mainly due to promotional activities to clear accumulated inventory of our plastic figures and copper engraved artworks, which were associated with relatively lower margins as well as an increase in copper price.

#### *Cost of Sales*

Cost of sales for the nine months ended September 30, 2025, increased by 13.6% to RMB294.1 million, compared to RMB259.0 million in the same period in 2024 which is in line with the increase in revenue.

#### *Other Income*

Other income for the nine months ended September 30, 2025, was RMB8.0 million, representing a decrease of 20.5% compared to RMB10.0 million in the corresponding period in 2024. The decrease was primarily due to lower government subsidies recognized.

#### *Other Gains and Losses*

Other gains and losses amounted to RMB1.1 million in gains for the nine months ended September 30, 2025, compared to a loss of RMB0.1 million for the same period in 2024, primarily attributable to a fair value gain of RMB1.3 million on financial assets at FVTPL.

***Impairment Losses under Expected Credit Loss Model, Net of Reversal***

We recorded a net reversal of impairment losses of less than RMB39,000 for the nine months ended September 30, 2025, compared to a net impairment loss of RMB0.1 million for the same period in 2024. This improvement was mainly attributable to improved foreign exchange differences.

***Selling and Marketing Expenses***

Our selling and marketing expenses increased by 11.4%, from RMB53.5 million for the nine months ended September 30, 2024 to RMB59.6 million for the same period in 2025, primarily due to higher platform service fees in line with revenue growth, as well as higher sales staff compensation with the expansion of our offline presence.

***Administrative Expenses***

Administrative expenses remained relatively stable at RMB20.1 million for the nine months ended September 30, 2025 and RMB18.7 million in the same period in 2024.

***Other Operating Expenses***

Other operating expenses remained the same, from RMB1.2 million for the nine months ended September 30, 2024 to RMB1.2 million for the same period in 2025, which consisted of depreciation of leased properties not used in production.

[**REDACTED**]

Our [**REDACTED**] fee in the nine months ended September 30, 2025 was RMB12.8 million, compared with nil for the nine months ended September 30, 2024.

***Research and Development Expenses***

Research and development expenses for the nine months ended September 30, 2025 were RMB24.7 million, an increase of 19.3% from RMB20.7 million in the same period in 2024. This increase was primarily due to higher licensing fees incurred for new IPs, comprising domestic animation and overseas IPs.

***Finance Costs***

Finance costs for the nine months ended September 30, 2025, were RMB83,000, representing an increase of 20.3% compared to RMB69,000 for the same period in 2024. The increase was mainly due to our higher lease liabilities due to our store expansion.

***Income Tax Expenses***

Income tax expenses for the nine months ended September 30, 2025, were RMB2.6 million, representing a decrease of 54.5% compared to RMB5.8 million for the same period in 2024. This decrease was primarily due to a decrease in taxable income, which was primarily attributable to the [**REDACTED**] incurred during the period.

***Profit and Total Comprehensive Income for the Period***

Our profit and total comprehensive income for the nine months ended September 30, 2025, was RMB41.6 million, representing a decrease of 22.0% compared to RMB53.3 million in the corresponding period in 2024. This decrease was primarily due to the [**REDACTED**] incurred.

### Year Ended December 31, 2023 Compared to Year Ended December 31, 2024

***Revenue and Gross Profit***

Our revenue increased by 12.8% from RMB506.4 million for the year ended December 31, 2023 to RMB571.2 million for the year ended December 31, 2024. This increase was primarily driven by continued growth in sales of copper-based cultural and creative products, particularly copper ornaments, supported by improved product quality, increased online direct sales, and more synchronized production and demand alignment under an increasingly structured management system.

Our gross profit increased by 23.1%, from RMB164.2 million for the year ended December 31, 2023 to RMB202.1 million for the year ended December 31, 2024, while our gross profit margin improved from 32.4% in 2023 to 35.4% in 2024. The improvement primarily reflected the progressive stabilization of our production process reform, which enhanced production efficiency and reduced unit manufacturing costs. For details of the gross profit and gross profit margin by product categories, please refer to "– Description of Selected Components of Statements of Profit or Loss – Gross Profit and Gross Profit Margin" above.

***Cost of Sales***

Our cost of sales increased by 7.9%, from RMB342.2 million for the year ended December 31, 2023 to RMB369.1 million for the year ended December 31, 2024. The increase was primarily attributable to the increase in direct materials and manufacturing overhead, in line with the sales growth and an overall rise in raw material prices.

***Other Income***

Other income decreased by 8.0%, from RMB15.6 million in 2023 to RMB14.4 million in 2024, mainly due to reduced rental income as a result of the reallocation of leased premises for internal operational use.

***Other Gains and Losses***

Other gains and losses increased from RMB0.1 million in 2023 to RMB0.3 million in 2024, primarily due to fair value gains on financial instruments, partially offset by one-off losses from the disposal of assets.

***Impairment Losses under Expected Credit Loss Model, Net of Reversal***

We recorded a net impairment loss of RMB0.2 million in 2024, compared to a net reversal of RMB0.7 million in 2023. The change was attributable to shifts in the credit risk profile of certain accounts receivable.

***Selling and Marketing Expenses***

Selling and marketing expenses slightly decreased by 1.2%, from RMB72.4 million in 2023 to RMB71.6 million in 2024. The decrease reflected our ongoing efforts to optimize marketing spending and the effectiveness of our product-led sales approach.

***Administrative Expenses***

Administrative expenses decreased by 11.5%, from RMB30.4 million in 2023 to RMB26.9 million in 2024, mainly due to a reduction in professional service fees following the completion of several financial and internal control checks in 2023.

***Other Operating Expenses***

Other operating expenses declined by 28.5%, from RMB2.3 million in 2023 to RMB1.6 million in 2024, primarily due to reduced depreciation of leased properties following reallocation of space for internal use.

***Research and Development Expenses***

Research and development expenses remained broadly stable, slightly decreasing by 1.5%, from RMB28.6 million in 2023 to RMB28.2 million in 2024, primarily due to a decline in licensing fees and lower materials consumption, as a portion of research and development samples were re-integrated through recovery processes.

***Finance Costs***

Finance costs increased from RMB5,000 in 2023 to RMB97,000 in 2024, mainly due to interest expenses on newly recognized lease liabilities associated with our offline retail expansion.

***Income Tax Expenses***

Income tax expenses increased significantly from RMB2.7 million in 2023 to RMB9.1 million in 2024, primarily due to a higher level of taxable income in the year ended December 31, 2024.

***Profit and Total Comprehensive Income for the Year***

Our profit and total comprehensive income for the year increased by 79.0%, from RMB44.1 million for the year ended December 31, 2023 to RMB79.0 million for the year ended December 31, 2024. The increase was primarily driven by higher gross profit margin from copper-based cultural and creative products as discussed above.

**Year Ended December 31, 2022 Compared to Year Ended December 31, 2023**

***Revenue and Gross Profit***

Our revenue increased by 0.6%, from RMB503.2 million for the year ended December 31, 2022 to RMB506.4 million for the year ended December 31, 2023. This modest growth reflected a transitional phase in which we focused on upgrading production lines and refining artisanal processes. These upgrades temporarily constrained production output for approximately three months during the year.

Our gross profit increased by 1.2%, from RMB162.2 million for the year ended December 31, 2022 to RMB164.2 million for the year ended December 31, 2023, while our gross profit margin remained stable at 32.2% and 32.4%, respectively.

***Cost of Sales***

Our cost of sales increased slightly by 0.4%, from RMB341.0 million in 2022 to RMB342.2 million in 2023. The slight increase was attributable to the increase in manufacturing overhead, partly offset by the decrease in direct materials, reflecting a reduction in raw material consumption as a result of upgraded production techniques in 2023.

***Other Income***

Our other income increased by 13.6%, from RMB13.7 million in 2022 to RMB15.6 million in 2023, mainly driven by an increase in government grants and a moderate rise in interest income on bank deposits.

***Other Gains and Losses***

Other gains and losses increased from RMB42,000 in 2022 to RMB105,000 in 2023, primarily due to net foreign exchange gains and a small net gain on the disposal of equipment.

***Impairment Losses under Expected Credit Loss Model, Net of Reversal***

We recorded a net reversal of impairment losses of RMB0.7 million in 2023, compared to a net impairment loss of RMB0.8 million in 2022. This improvement was mainly attributable to enhanced credit control and better collection efficiency.

***Selling and Marketing Expenses***

Our selling and marketing expenses increased by 15.6%, from RMB62.7 million in 2022 to RMB72.4 million in 2023. This increase was primarily due to higher advertising expenses and promotion fees. The rise was mainly due to our participation in more advertising and promotional activities on e-commerce platforms during this period. This was primarily attributable to our procurement of additional traffic-driving promotional activities from e-commerce platforms, primarily in the form of live-streaming campaigns and related marketing services.

***Administrative Expenses***

Administrative expenses rose by 8.8%, from RMB28.0 million in 2022 to RMB30.4 million in 2023, mainly due to higher personnel-related costs, utility expenses, and an increase in operating costs associated with the commissioning of our employee canteen, which became fully operational in 2023 following its completion in 2022.

***Other Operating Expenses***

Other operating expenses decreased by 7.6%, from RMB2.5 million in 2022 to RMB2.3 million in 2023, primarily due to a reduction in depreciation charges on leased properties following a decrease in externally leased space.

***Research and Development Expenses***

Our research and development expenses increased significantly by 52.3%, from RMB18.8 million in 2022 to RMB28.6 million in 2023, reflecting an expansion in the size of our research and development team for new product development. In 2023, our research and development team established a pilot production unit to support product prototyping and process validation. As part of this initiative, we recruited additional technical personnel responsible for prototype development and sampling.

***Finance Costs***

Finance costs declined from RMB0.9 million in 2022 to RMB5,000 in 2023, mainly as a result of repaying interest-bearing bank borrowings.

***Income Tax Expenses***

Income tax expenses decreased by 50.8%, from RMB5.5 million in 2022 to RMB2.7 million in 2023, primarily due to a lower level of profit before tax.

***Profit and Total Comprehensive Income for the Year***

Our profit and total comprehensive income for the year decreased by 22.5%, from RMB56.9 million for the year ended December 31, 2022 to RMB44.1 million for the year ended December 31, 2023. This decrease was primarily due to a modest growth in revenue and a temporary slowdown in production caused by the upgrade of production lines in 2023. These factors

constrained output for approximately three months during the year. Moreover, the increase in selling and marketing expenses by 15.6%, from RMB62.7 million in 2022 to RMB72.4 million in 2023, and the rise in research and development expenses by 52.3%, from RMB18.8 million in 2022 to RMB28.6 million in 2023, further contributed to the decrease in profit and total comprehensive income for the year.

## LIQUIDITY AND CAPITAL RESOURCES

We finance our operations primarily through cash generated from operating activities. During the Track Record Period, our principal source of funds was net cash from operations, supplemented by short-term bank borrowings as necessary. We maintain a prudent approach to capital management and regularly monitor our liquidity position to ensure operational flexibility and financial stability.

### Working Capital Statement

Our Directors confirm that taking into account the financial resources presently available to our Group, including our internal resources and the estimated [**REDACTED**] of the [**REDACTED**], our Group has sufficient working capital for our present requirements for at least the next 12 months from the date of this document.

Our Directors confirm that there were no material defaults in payment of trade and non-trade payables and borrowings, and/or breaches of financial covenants during the Track Record Period and up to the date of this document.

### Cash Flows

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

| | For the year ended December 31, | | | For the nine months ended September 30, | |
|---|---|---|---|---|---|
| | 2022 | 2023 | 2024 | 2024 | 2025 |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000 (unaudited)* | *RMB'000* |
| Net cash generated from operating activities | 28,414 | 82,493 | 58,548 | 14,410 | 34,673 |
| Net cash used in investing activities | (19,203) | (24,024) | (83,058) | (54,445) | (24,777) |
| Net cash used in financing activities | (68,315) | (62) | (1,683) | (172) | (5,990) |
| Cash and cash equivalents at the beginning of the year/period | 114,520 | 55,677 | 114,094 | 114,094 | 88,044 |
| Cash and cash equivalents at the end of the year/period | 55,677 | 114,094 | 88,044 | 73,964 | 91,940 |

#### *Net Cash Generated from Operating Activities*

For the nine months ended September 30, 2025, our net cash generated from operating activities was RMB34.7 million, primarily driven by profit before tax of RMB44.2 million, adjusted for (i) depreciation of property, plant and equipment of RMB12.5 million, (ii) amortization of intangible assets of RMB3.2 million, and (iii) write-down of inventories, net of reversal of RMB0.5 million. These adjustments were partially offset by (i) fair value gains on financial assets at FVTPL of RMB1.3 million, and (ii) bank interest income of RMB0.7 million. Working capital movements

included (i) an increase in inventories of RMB21.3 million and (ii) an increase in trade and other receivables of RMB6.1 million, which were partially offset by an increase in trade and other payables of RMB6.2 million. We paid RMB6.5 million in income tax during the nine-month period.

For the year ended December 31, 2024, net cash generated from operating activities was RMB58.5 million, primarily driven by profit before tax of RMB88.1 million, adjusted for (i) depreciation of property, plant and equipment of RMB16.1 million and depreciation of right-of-use assets of RMB1.7 million, (ii) amortization of intangible assets of RMB2.3 million, and (iii) write-down of inventories of RMB0.8 million. These adjustments were partially offset by (i) bank interest income of RMB1.1 million, (ii) a fair value gain on financial assets at fair value through profit or loss of RMB0.3 million, and (iii) a gain on disposal of an associate of RMB5,000. Working capital movements included (i) an increase in inventories of RMB25.8 million, (ii) an increase in trade and other receivables of RMB8.7 million, and (iii) a decrease in contract liabilities of RMB6.4 million. We also paid income tax of RMB5.9 million during the year. The decrease in net operating cash inflow compared to 2023 primarily reflected the impact of higher year-end inventory levels following improved production stability and capacity expansion.

For the year ended December 31, 2023, net cash generated from operating activities was RMB82.5 million, primarily driven by profit before tax of RMB46.8 million, adjusted for (i) depreciation of property, plant and equipment and right-of-use assets of RMB13.5 million, (ii) amortization of intangible assets of RMB2.5 million, and (iii) a reversal of impairment losses on trade and other receivables of RMB0.7 million. Working capital movements included (i) a decrease in inventories of RMB8.7 million, (ii) an increase in trade and other payables of RMB7.0 million, and (iii) an increase in contract liabilities of RMB6.0 million. Income tax paid was RMB2.6 million during the year. The significant increase in net operating cash inflows compared to 2022 was mainly due to inventory reduction, which reflected supply constraints in the early stage of process transformation. Sales increased markedly during the year, while inventory levels remained relatively low as capacity had not fully caught up with demand.

For the year ended December 31, 2022, net cash generated from operating activities was RMB28.4 million, primarily driven by profit before tax of RMB62.4 million, adjusted for (i) depreciation of property, plant and equipment of RMB11.7 million and depreciation of right-of-use assets of RMB0.5 million, (ii) amortization of intangible assets of RMB0.9 million, and (iii) impairment losses on trade and other receivables of RMB0.8 million. These adjustments were partially offset by (i) bank interest income of RMB0.8 million, and (ii) net foreign exchange gains of RMB0.4 million. Working capital movements included (i) an increase in inventories of RMB32.2 million, (ii) a decrease in contract liabilities of RMB9.9 million, and (iii) a decrease in trade and other payables of RMB6.9 million. We paid RMB7.8 million in income tax during the year. The lower level of net operating cash inflow was primarily attributable to a deliberate increase in inventory levels at year-end to accommodate anticipated sales demand and to resolve prior backlog in order fulfillment.

***Net Cash Used in Investing Activities***

For the nine months ended September 30, 2025, our net cash used in investing activities was RMB24.8 million. This primarily reflected (i) the placement of RMB467.0 million in financial assets at FVTPL, (ii) purchases of property, plant and equipment of RMB18.4 million, (iii) purchases of intangible assets of RMB4.7 million, and (iv) payments for rental deposits of RMB1.2 million. These outflows were partially offset by (i) withdrawals of RMB466.1 million from financial assets at FVTPL, (ii) proceeds from the disposal of property, plant and equipment of RMB0.5 million, and (iii) bank interest received of RMB0.1 million.

For the year ended December 31, 2024, net cash used in investing activities was RMB83.1 million. This primarily reflected (i) the placement of RMB45.0 million in financial assets at fair value through profit or loss, (ii) the placement of RMB32.0 million in time deposits, (iii) purchases of property, plant and equipment of RMB15.7 million, and (iv) purchases of intangible assets of RMB5.9 million. We also paid RMB1.9 million for right-of-use assets and RMB0.6 million in rental deposits in relation to our offline store expansion. These outflows were partially offset by (i) withdrawals of RMB15.2 million from FVTPL investments, (ii) RMB2.1 million in proceeds from the disposal of property, plant and equipment, and (iii) bank interest income of RMB0.8 million.

For the year ended December 31, 2023, net cash used in investing activities was RMB24.0 million. This mainly consisted of RMB24.8 million in purchases of property, plant and equipment, largely for the final stage of our new production line investment. We also acquired intangible assets of RMB1.4 million related to IP licensing. These outflows were partly offset by RMB1.4 million in proceeds from asset disposals and RMB1.0 million in interest income. Lease-related movements, including rental deposits and refunds totaling approximately RMB0.3 million, were also recognized under investing activities.

For the year ended December 31, 2022, net cash used in investing activities amounted to RMB19.2 million. This primarily comprised (i) capital expenditure of RMB22.1 million for property, plant and equipment, and (ii) RMB3.3 million for intangible assets mainly related to IP licensing. These outflows were partially offset by (i) RMB0.8 million in bank interest income, (ii) RMB0.2 million in proceeds from the disposal of property, plant and equipment, and (iii) a one-time repayment from the single largest shareholder of RMB5.1 million. The investments during the year reflected our continued capital commitments to production upgrades and creative development.

***Net Cash Used in Financing Activities***

For the nine months ended September 30, 2025, net cash used in financing activities was RMB6.0 million, mainly due to (i) payments of accrued issue cost of RMB3.8 million, and (ii) repayments of lease liabilities of RMB2.2 million.

For the year ended December 31, 2024, net cash used in financing activities amounted to RMB1.7 million. This was mainly attributable to repayments of lease liabilities of RMB1.7 million in connection with our self-operated offline stores. These outflows were partially offset by proceeds from bank borrowings of RMB1.0 million, which were fully repaid within the same year. Interest paid amounted to RMB1,000.

For the year ended December 31, 2023, net cash used in financing activities was RMB62,000, mainly attributable to repayments of lease liabilities. No new bank borrowings were made during the year as our internal cash flow was sufficient to support operations.

For the year ended December 31, 2022, net cash used in financing activities was RMB68.3 million. This was primarily due to repayments of bank borrowings totaling RMB128.6 million, partially offset by proceeds from new bank borrowings of RMB61.0 million. The simultaneous occurrence of large borrowings and repayments reflected short-term liquidity arrangements aimed at bridging working capital needs during a transitional phase of business growth. Interest payments totaled RMB0.9 million. In addition, we received a capital injection of RMB0.2 million from shareholders.

## DISCUSSION OF CERTAIN SELECTED ITEMS FROM THE CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

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

| | As of December 31, | | | As of September 30, | As of January 31, |
|---|---|---|---|---|---|
| | 2022 | 2023 | 2024 | 2025 | 2026 |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000 (unaudited)* |
| **Current assets** | | | | | |
| Inventories | 115,681 | 107,161 | 132,305 | 153,277 | 172,065 |
| Trade and other receivables | 10,972 | 9,469 | 18,631 | 27,768 | 56,918 |
| Right to returned goods asset | 434 | 548 | 558 | 505 | 595 |
| Tax recoverable | 1,349 | 1,527 | 9 | 1,945 | 2,472 |
| Financial asset at FVTPL | – | – | 30,097 | 32,299 | 45,152 |
| Time deposits | – | – | 17,019 | 17,234 | 17,037 |
| Restricted bank deposit | * | – | – | – | – |
| Bank balances and cash | 55,677 | 114,094 | 88,044 | 91,940 | 40,871 |
| **Total current assets** | **184,113** | **232,799** | **286,663** | **324,968** | **335,110** |
| **Current liabilities** | | | | | |
| Trade and other payables | 66,667 | 73,035 | 68,584 | 71,534 | 88,147 |
| Income tax payable | * | 216 | 2,114 | 217 | 1,437 |
| Lease liabilities | – | 403 | 2,016 | 3,638 | 8,320 |
| Contract liabilities | 5,662 | 11,638 | 5,284 | 6,949 | 6,419 |
| Refund liabilities | 688 | 831 | 889 | 794 | 625 |
| **Total current liabilities** | **73,017** | **86,123** | **78,887** | **83,132** | **104,948** |
| **Net current assets** | **111,096** | **146,676** | **207,776** | **241,836** | **230,162** |

* Amount below RMB1,000

As of December 31, 2022, December 31, 2023, December 31, 2024, and September 30, 2025, our net current assets were RMB111.1 million, RMB146.7 million, RMB207.8 million, and RMB241.8 million, respectively. These fluctuations in our net current assets reflect a consistent improvement in our liquidity position over the Track Record Period, primarily driven by increases in specific balance sheet items such as inventories and trade receivables, while trade payables and lease liabilities remained relatively stable throughout the period.

Specifically, the increase in current assets from RMB184.1 million as of December 31, 2022, to RMB325.0 million as of September 30, 2025, was driven by the continued growth in profitability, which enhanced our operating cash inflows and allowed for the accumulation of surplus liquidity. This liquidity was partially deployed into low-risk structured deposits, leading to increases in cash and cash equivalents, time deposits, and financial assets at fair value through profit or loss. Additionally, our inventories increased from RMB115.7 million as of December 31, 2022, to RMB153.3 million as of September 30, 2025, driven by the production of the newly introduced Nezha series order products in June and the increased gold materials needed for our new gold cultural and creative products. This inventory increase was necessary to support anticipated demand growth and ensure supply chain resilience. Trade receivables also rose in tandem with revenue growth, in line with the increase in our consignment sales revenue, contributing to the overall increase in current assets. In terms of current liabilities, trade and other payables increased from RMB66.7 million as of December 31, 2022, to RMB71.5 million as of September 30, 2025,

driven by the higher sales volume, which resulted in increased procurement costs. Lease liabilities also increased, from nil as of December 31, 2022, to RMB3.6 million as of September 30, 2025, reflecting the opening of new self-operated stores. These stable liabilities, along with a slight decrease in contract liabilities from RMB5.7 million in 2022 to RMB4.3 million in 2025, have contributed to the overall improvement in our net current assets.

As of December 31, 2022, December 31, 2023, December 31, 2024, and September 30, 2025, our net assets amounted to RMB286.0 million, RMB330.2 million, RMB409.1 million, and RMB450.7 million, respectively. The fluctuations in net assets were primarily driven by our continued profitability, which resulted in the accumulation of retained earnings, as well as statutory reserve transfers. These increases reflect our consistent earnings growth and the transfer of profits to reserves in accordance with regulatory requirements.

Total comprehensive income for each period, as detailed in the Statement of Changes in Equity on page I-[8], reflects consistent profitability, with total comprehensive income increasing from RMB56.9 million for the year ended December 31, 2022, to RMB79.0 million for the year ended December 31, 2024. The positive total comprehensive income has led to a steady accumulation of reserves, which in turn has boosted our net asset position.

Looking forward, the estimated [**REDACTED**] from the [**REDACTED**] (approximately HK$[**REDACTED**]), as disclosed in the section headed "Future Plans and [**REDACTED**]" in this document, will further enhance our net asset position upon [**REDACTED**].

**Property, Plant and Equipment**

We adopt a straight-line depreciation method over the estimated useful lives of the assets. No impairment was recorded during the Track Record Period. The net carrying amount of our property, plant and equipment increased from RMB166.8 million as of December 31, 2022 to RMB176.2 million as of December 31, 2023, slightly decreased to RMB171.4 million as of December 31, 2024, and further increased to RMB175.1 million as of September 30, 2025.

The table below sets forth the breakdown of our property, plant and equipment as of the dates indicated:

| | As of December 31, | | | As of September 30, |
|---|---|---|---|---|
| | 2022 | 2023 | 2024 | 2025 |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| **Net carrying amount** | | | | |
| Plant and buildings | 126,215 | 121,392 | 116,090 | 111,970 |
| Machineries | 33,854 | 41,649 | 45,868 | 52,365 |
| Leasehold improvements | 33 | 388 | 1,407 | 3,070 |
| Office equipment | 4,284 | 3,917 | 2,771 | 2,330 |
| Motor vehicles | 2,459 | 3,032 | 5,250 | 5,310 |
| Construction in progress | – | 5,822 | – | 56 |
| **Total** | **166,845** | **176,200** | **171,386** | **175,101** |

The net carrying amount of property, plant and equipment increased by 5.6% from RMB166.8 million as of December 31, 2022 to RMB176.2 million as of December 31, 2023. This growth was primarily attributable to (i) an increase of RMB7.8 million in plant and machineries, reflecting capacity expansion during 2023 in response to production needs; and (ii) the recognition of RMB5.8 million in construction in progress ("**CIP**"), mainly related to new production line investment. These increases were partially offset by depreciation charges and limited disposals during the year.

As of December 31, 2024, the net carrying amount of property, plant and equipment slightly decreased by 2.7% to RMB171.4 million, primarily due to (i) depreciation of approximately RMB16.3 million provided during the year; and (ii) the decrease of RMB5.8 million in construction in progress was attributable to the transfer of completed assets.

As of September 30, 2025, the net carrying amount of property, plant and equipment increased by 2.2% to RMB175.1 million.

**Right-of-Use Assets**

Our right-of-use assets primarily comprise land use rights and leased properties. Our right-of-use assets are amortized over the shorter of the lease term and the estimated useful life of the leased asset on a straight-line basis. As of December 31, 2022, 2023, 2024 and September 30, 2025, the net carrying amounts of our right-of-use assets were RMB6.0 million, RMB6.6 million, RMB10.0 million and RMB13.5 million, respectively.

The table below sets forth the breakdown of our right-of-use assets as of the dates indicated:

| | As of December 31, | | | As of September 30, |
|---|---|---|---|---|
| | 2022 | 2023 | 2024 | 2025 |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Land use right | 5,957 | 5,786 | 7,525 | 7,421 |
| Leased properties | – | 795 | 2,446 | 6,050 |
| **Total** | **5,957** | **6,581** | **9,971** | **13,471** |

The land use right relates to our industrial land in Hangzhou, which was recognized at cost and amortized over a lease term of 50 years. In 2024, we acquired an additional adjoining plot of land near our factory premises, resulting in an increase in the carrying amount of land use rights to RMB7.5 million as of December 31, 2024.

Leased properties primarily represent our self-operated retail stores. The increase in the carrying amount of leased properties from RMB0.8 million in 2023 to RMB2.4 million in 2024 was due to the expansion of offline stores, consistent with our multi-channel retail strategy.

**Intangible Assets**

Our intangible assets primarily consist of externally acquired IP copyrights, which are amortized over their estimated useful lives on a straight-line basis. As of December 31, 2022, 2023, 2024 and September 30, 2025, the net carrying amount of intangible assets was RMB2.8 million, RMB1.7 million, RMB5.3 million and RMB6.7 million, respectively.

The decrease in net carrying amount from RMB2.8 million as of December 31, 2022 to RMB1.7 million as of December 31, 2023 was mainly due to amortization and the expiry of certain copyrights during the year. The subsequent increase to RMB5.3 million as of December 31, 2024 was primarily driven by the acquisition of new IP rights in connection with external content partnerships and product development initiatives.

**Inventories**

During the Track Record Period, our inventories primarily consisted of raw materials and consumables, work-in-progress, finished goods, and goods in transit. Inventories were measured at the lower of cost and net realizable value. As of December 31, 2022, 2023, 2024 and September 30, 2025, our inventories amounted to RMB115.7 million, RMB107.2 million, RMB132.3 million and RMB153.3 million, respectively.

The table below sets forth the breakdown of our inventories as of the dates indicated:

| | As of December 31, | | | As of September 30, |
|---|---|---|---|---|
| | 2022 | 2023 | 2024 | 2025 |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Raw materials and consumables | 20,883 | 22,345 | 22,354 | 33,882 |
| Work in progress | 18,517 | 30,360 | 26,456 | 29,985 |
| Finished goods | 71,476 | 47,951 | 76,574 | 84,634 |
| Goods in transit | 4,805 | 6,505 | 6,921 | 4,776 |
| **Total** | **115,681** | **107,161** | **132,305** | **153,277** |

Raw materials and consumables remained relatively stable over the period, increasing from RMB20.9 million in 2022 to RMB22.3 million in 2023 and RMB22.4 million in 2024, in line with production requirements. Work-in-progress increased from RMB18.5 million in 2022 to RMB30.4 million in 2023 and then declined to RMB26.5 million in 2024, reflecting production scheduling and throughput efficiency. Finished goods declined from RMB71.5 million in 2022 to RMB48.0 million in 2023. The lower balance in 2023 primarily reflected the reliance on existing inventory to fulfill orders during the period of reduced output caused by production upgrade. In 2024, finished goods increased to RMB76.6 million, returning to a normalized inventory level aligned with sales planning and fulfillment needs.

We recognized inventory provisions of RMB2.4 million, RMB2.2 million, RMB3.1 million and RMB3.6 million in 2022, 2023, 2024 and the nine months ended September 30, 2025, respectively. These provisions were primarily related to raw materials and finished goods with long aging periods, and were determined based on a consistent policy linked to inventory aging and recoverability.

*Turnover days*

The following table sets forth our inventory turnover days during the Track Record Period:

| | For the year ended December 31, | | | For the nine months ended September 30, |
|---|---|---|---|---|
| | 2022 | 2023 | 2024 | 2025 |
| | | *days* | | |
| Inventory turnover days[(1)] | 107 | 119 | 119 | 133 |

*Note:*

(1) Inventory turnover days is calculated based on the average of the beginning and ending balance of inventory divided by cost of sales for the year/period, then multiplied by the number of days of the year/period.

Our inventory turnover days remained relatively stable at 107 days, 119 days, 119 days and 133 days for the years ended December 31, 2022, 2023, 2024, and nine months ended September 30, 2025, respectively. The increase in inventory turnover days during the Track Record Period was primarily due to the increase in our raw material inventories. The increase from 107 days in 2022 to 119 days in 2023 was mainly attributable to higher raw material and work-in-progress inventories accumulated in advance for the production and planned sales of certain new major IP series launched in 2023 such as Transformers, Jurassic, Kung Fu Panda, as well as Sanxingdui-themed IP products. In 2025, the rise of our inventory turnover days was driven by our preparations for materials related to the launch of the new "Nezha" series products. Additionally, the increase in

inventory was also attributable to the accumulation of gold raw materials for the gold cultural and creative products, which only began operations in 2024. This inventory build-up also reflected advance preparation for supply under our newly developed premium retail supermarket chain channel, for which the cooperation arrangement was entered into in September 2025 while initial sales only commenced in December 2025.

*Aging analysis*

The table below sets forth the aging analysis of our inventories (excluding goods in transit), net of allowance, as of the dates indicated:

| | As of December 31, | | | As of September 30, |
|---|---|---|---|---|
| | 2022 | 2023 | 2024 | 2025 |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| 0 to 90 days | 63,870 | 61,786 | 71,157 | 84,146 |
| 91 to 180 days | 23,413 | 7,936 | 16,368 | 32,765 |
| 181 to 365 days | 18,197 | 14,433 | 13,377 | 4,146 |
| Above one year to two years | 4,037 | 14,011 | 13,231 | 11,092 |
| Above two years | 1,359 | 2,490 | 11,251 | 16,352 |
| **Total** | **110,876** | **100,656** | **125,384** | **148,501** |

The majority of our inventories as of each year-end remained within one year of aging, with a stable proportion of inventories within 0 to 180 days, reflecting effective alignment between production and sales cycles. The balance of inventories aged above one year increased from RMB5.4 million as of December 31, 2022 to RMB16.5 million as of December 31, 2023, further to RMB24.5 million as of December 31, 2024, and further to RMB27.4 million as of September 30, 2025.

The increase in inventories aged over one year was primarily due to historical mismatches between sales forecasts and inventory planning. In particular, the aged inventory as of December 31, 2022 mainly related to certain themed SKUs, for which demand was overestimated at the time. More broadly, while some products experienced insufficient pre-stocking leading to prolonged pre-sale cycles, others saw excess build-up due to inaccurate forecast assumptions. In response, we have made improvements to our internal demand planning and supply alignment capabilities, with an explicit focus on enhancing the accuracy of sales forecasts and production planning coordination. For details, please refer to "Business – Strategies – Improving Demand Forecasting and Resource Allocation to Optimize Order Fulfillment" in this document. In addition, we are actively conducting targeted promotional campaigns to gradually clear accumulated inventory and improve stock efficiency.

As of January 31, 2026, RMB104.2 million or 68.0% of our inventories as of September 30, 2025 were subsequently utilized.

**Trade and Other Receivables**

During the Track Record Period, our trade and other receivables primarily consisted of receivables from direct and consignment sales, e-commerce platform sales, and a small portion of other receivables including deposits and advances accounted for 17.9%, 16.4%, 12.7% and 18.7% of our total trade and other receivables as of December 31, 2022, 2023, 2024 and September 30, 2025, respectively. All receivables were non-interest-bearing and subject to our internal credit risk management policies. We allow a credit period ranging from 30 to 60 days to our certain customers.

The table below sets forth our trade and other receivables as of the dates indicated:

| | As of December 31, | | | As of September 30, |
|---|---|---|---|---|
| | 2022 | 2023 | 2024 | 2025 |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Trade receivables | 6,752 | 2,884 | 9,421 | 8,525 |
| Less: allowance for credit losses | (944) | (169) | (359) | (320) |
| | 5,808 | 2,715 | 9,062 | 8,205 |
| Other receivables | 1,965 | 1,579 | 2,394 | 5,185 |
| Less: allowance for credit losses | – | (28) | (28) | (28) |
| Amount due from a related party | – | – | – | 1,115 |
| Advances to suppliers | 1,811 | 2,455 | 4,942 | 5,283 |
| Prepayments for purchase of property, plant and equipment | – | – | – | 1,799 |
| Prepaid expenses | 978 | 2,164 | 858 | 56 |
| VAT recoverable | 410 | 584 | 1,403 | 1,709 |
| Deferred issued costs | – | – | – | 4,444 |
| **Total** | **10,972** | **9,469** | **18,631** | **27,768** |

The balance of trade and other receivables decreased by 13.7% from RMB11.0 million in 2022 to RMB9.5 million in 2023, primarily due to improved collection cycles and a reduction in e-commerce receivables. As of December 31, 2024, the balance increased significantly to RMB18.6 million, driven by our sales growth during the year, particularly in consignment and direct sales channels. As of September 30, 2025, the balance increased to RMB27.8 million, primarily attributable to an increase in deferred issued costs, which represent the [**REDACTED**] incurred that fulfill the criteria for capitalization and will be re-classed to equity upon [**REDACTED**].

*Turnover days*

The following table sets forth our trade receivables turnover days during the Track Record Period:

| | For the year ended December 31, | | | For the nine months ended September 30, |
|---|---|---|---|---|
| | 2022 | 2023 | 2024 | 2025 |
| | | *days* | | |
| Trade receivables turnover days | 5 | 4 | 4 | 6 |

*Note:*

(1) Trade receivables turnover days is calculated based on the average of the beginning and ending balance of trade receivables divided by revenue for the year/period, then multiplied by the number of days of the year/period.

Our trade receivables turnover days remained low throughout the Track Record Period, at five days, four days, four days and six days for the years ended December 31, 2022, 2023, 2024 and nine months ended September 30, 2025, respectively. These consistently low levels reflect our limited credit exposure and strong collection capabilities.

*Aging analysis*

The table below sets forth the aging analysis of our trade receivables (net of allowance for credit losses) as of the dates indicated, based on invoice dates:

| | As of December 31, | | | As of September 30, |
|---|---|---|---|---|
| | 2022 | 2023 | 2024 | 2025 |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| 0-30 days not past due | 4,766 | 2,715 | 8,465 | 7,791 |
| 31-60 days not past due | 1,042 | – | 597 | 414 |
| **Total** | **5,808** | **2,715** | **9,062** | **8,205** |

As of January 31, 2026, RMB8.5 million or 99.9% of our trade receivables as of September 30, 2025 were subsequently settled.

**Financial Asset at FVTPL**

As of December 31, 2024 and September 30, 2025, our financial assets FVTPL amounted to RMB30.1 million and RMB32.3 million, respectively. We did not hold any such assets as of December 31, 2022 and 2023.

The balance represented structured deposits purchased using internal funds, with a contractual maturity of less than 90 days and a yield rate linked to foreign currency market performance. The expected annualized yield rate is approximately 2.5% in 2024 and 1.59% to 2.1% in 2025.

Our investments in the above-mentioned structured deposits were in accordance with our internal investment policy. We have established Monetary Fund Management Policy (《貨幣資金管理制度》) as well as its corresponding approval process, which clearly states that only principal-guaranteed financial products were allowed for purchasing. Our finance department, under the supervision of our financial director, Mr. Luo Renxiang, is responsible for the evaluation and execution of such investments. Mr. Luo has extensive experience in financial management and accounting and holds a bachelor's degree in accounting as well as qualifications as a certified public accountant in the PRC. During the Track Record Period, all such investments were made in accordance with our investment procedures, were approved by our senior management. Going forward, we will ensure that all investments in structured deposits after [**REDACTED**] will be subject to prior approval of our Board and applicable notification, announcement and shareholders' approval requirements (as the case may be) under the Listing Rules.

**Bank Balances and Cash**

As of December 31, 2022, 2023, 2024 and September 30, 2025, our bank balances and cash amounted to RMB55.7 million, RMB114.1 million, RMB88.0 million and RMB91.9 million, respectively. The increase in 2023 reflected cash accumulation from operating activities, while the decrease in 2024 was primarily due to reallocation into financial assets at fair value through profit or loss.

Our bank balances and cash comprising of cash at banks and short-term bank deposits with original maturities of three months or less. These balances carried interest at market rates ranging from 0.05% to 0.9%, 0.05% to 0.7%, 0.1% to 1.3% and 0.05% to 1.3% per annum as of December 31, 2022, 2023, 2024 and September 30, 2025, respectively.

### Trade and Other Payables

During the Track Record Period, our trade and other payables primarily reflected amounts payable to suppliers for raw materials, utilities and equipment, as well as accrued expenses, distributor guarantee deposits, payroll liabilities, and tax-related payables.

The total balance of trade and other payables increased from RMB66.7 million as of December 31, 2022 to RMB73.0 million as of December 31, 2023, representing a 9.6% increase. The increase in 2023 was primarily attributable to the rise in salary and bonus payables, reflecting a temporary expansion in overall headcount in 2023, which subsequently normalized in 2024, resulting in a lower payable balance by year-end of 2024.

The table below sets forth our trade and other payables as of the dates indicated:

| | As of December 31, | | | As of September 30, |
|---|---|---|---|---|
| | 2022 | 2023 | 2024 | 2025 |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Trade payables | 31,077 | 34,525 | 32,554 | 32,266 |
| Amount due to a related party | – | – | – | 232 |
| Other payables and accruals | 7,779 | 6,825 | 7,222 | 7,943 |
| Payables for purchase of property, plant and equipment | 5,088 | 4,459 | 2,607 | 3,146 |
| Distributor guarantee deposits | 5,281 | 5,346 | 3,740 | 2,901 |
| Accrued [**REDACTED**] | – | – | – | 1,754 |
| Accrued issue cost | – | – | – | 608 |
| Salary and bonus payables | 12,353 | 17,380 | 15,513 | 17,467 |
| Other taxes payables | 5,089 | 4,500 | 6,948 | 5,217 |
| **Total** | **66,667** | **73,035** | **68,584** | **71,534** |

*Turnover days*

The following table sets forth our trade payables turnover days during the Track Record Period:

| | For the year ended December 31, | | | For the nine months ended September 30, |
|---|---|---|---|---|
| | 2022 | 2023 | 2024 | 2025 |
| | | *days* | | |
| Trade payables turnover days | 31 | 35 | 34 | 31 |

*Note:*

Trade payables turnover days is calculated based on the average of the beginning and ending balance of trade payables divided by cost of sales for the year/period, then multiplied by the number of days of the year/period.

Our trade payables turnover days remained relatively stable throughout the Track Record Period, at 31 days, 35 days, 34 days and 31 days for the years ended December 31, 2022, 2023, 2024 and nine months ended September 30, 2025, respectively.

*Aging analysis*

The table below sets forth the aging analysis of trade payables as of the dates indicated:

| | As of December 31, | | | As of September 30, |
|---|---|---|---|---|
| | 2022 | 2023 | 2024 | 2025 |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| 0-30 days | 21,763 | 29,965 | 29,216 | 28,934 |
| 31-60 days | 9,314 | 4,560 | 3,338 | 3,332 |
| **Total** | **31,077** | **34,525** | **32,554** | **32,266** |

As of January 31, 2026, RMB30.7 million or 95.2% of our trade payables as of September 30, 2025 were subsequently settled.

**Contract Liabilities**

During the Track Record Period, our contract liabilities primarily arose from (i) advance payments from distributors for product sales, and (ii) our points accumulation program operated through self-managed e-commerce platforms. Revenue is recognized when control of the goods is transferred to the customer or when points are redeemed.

Distributor-related contract liabilities primarily represent cash received in advance for undelivered goods as of each year-end. Under our revenue recognition policy, revenue is recognized when control of the goods is transferred to the customer, typically upon delivery. Accordingly, advance payments received but not fulfilled by the end of the reporting period are recorded as contract liabilities.

The points accumulation program reflects the estimated value of loyalty points earned by customers through purchases made on our flagship stores hosted on e-commerce platforms such as Tmall, JD.com, and Douyin. These points are issued, tracked, and managed independently by each respective platform and can be redeemed by customers for discounts on future purchases within that specific platform ecosystem. Customers cannot accumulate or redeem loyalty points across platforms. The associated revenue is deferred until the corresponding points are redeemed.

All contract liabilities as of the end of each reporting period were expected to be recognized as revenue within the following financial year.

The table below sets forth the breakdown of our contract liabilities as of the dates indicated:

| | As of December 31, | | | As of September 30, |
|---|---|---|---|---|
| | 2022 | 2023 | 2024 | 2025 |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Advance payments from distributors | 5,343 | 11,288 | 4,903 | 6,434 |
| Points accumulation program | 319 | 350 | 381 | 515 |
| **Total** | **5,662** | **11,638** | **5,284** | **6,949** |

As of December 31, 2022, 2023, 2024 and September 30, 2025, our contract liabilities amounted to RMB5.7 million, RMB11.6 million, RMB5.3 million and RMB6.9 million, respectively. The increase in 2023 was primarily attributable to a higher volume of distributor prepayments received near year-end, while the decrease in 2024 reflected the fulfillment of outstanding orders and a return to more normalized distributor purchasing patterns.

As of January 31, 2026, RMB6.6 million or 95.5% of our contract liabilities as of September 30, 2025 were subsequently recognized as revenue.

**Lease Liabilities**

Our lease liabilities primarily relate to leased retail store premises, and are recognized in accordance with applicable accounting standards. The classification between current and non-current liabilities is based on the remaining contractual lease terms as at the end of each reporting period.

As of December 31, 2022, 2023, 2024 and September 30, 2025, our total lease liabilities amounted to nil, RMB797,000, RMB2,355,000 and RMB5,851,000, respectively. The increase in lease liabilities reflected the continued expansion of our self-operated offline stores, which grew from one to two stores in Hangzhou as of 2022 and 2023 to 36 stores as of the Latest Practicable Date, including the opening of seven new stores in 2024 in cities such as Chengdu, Wuhan and Chongqing.

The following table sets forth our lease liabilities as of the dates indicated:

| | As of December 31, | | | As of September 30, |
|---|---|---|---|---|
| | 2022 | 2023 | 2024 | 2025 |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Current position (within 1 year) | – | 403 | 2,016 | 3,638 |
| Non-current position (1-2 years) | – | 394 | 339 | 2,213 |
| **Total** | **–** | **797** | **2,355** | **5,851** |

The weighted average incremental borrowing rate applied to lease liabilities was 4.20% in 2023, 4.01% in 2024 and 3.75% in the nine months ended September 30, 2025.

The significant increase in current lease liabilities in 2024 was due to the lease payments under newly added store leases.

## INDEBTEDNESS

As of January 31, 2026, being the most recent practicable date for this indebtedness statement, save as disclosed in this paragraph headed "Indebtedness" in this section, we did not have any outstanding or unutilized bank borrowings, loan capital issued or agreed to be issued, bank overdrafts, liabilities under acceptances (other than normal trade payables), acceptance credits, debt securities, term loans, or indebtedness in the nature of borrowings, mortgages, charges, hire purchase commitments, contingent liabilities, debentures or guarantees.

As of the Latest Practicable Date, our Directors confirmed that we had not entered into any material loan agreements and had not drawn down on any credit facilities. We had not been subject to any material covenants associated with debt obligations, nor had we breached any financial or operational covenants during the Track Record Period and up to the Latest Practicable Date. There has been no difficulty in obtaining or repaying any bank facilities or borrowings, and no default or

delay in any scheduled repayment occurred. As of the Latest Practicable Date, we did not have any unutilised bank credit facilities. Our Directors further confirmed that there has been no material change in our indebtedness or contingent liabilities since January 31, 2026 and up to the date of this document.

The following table sets forth our Group's indebtedness as of the dates indicated:

| | As of December 31, | | | As of September 30, | As of January 31, |
|---|---|---|---|---|---|
| | 2022 | 2023 | 2024 | 2025 | 2026 |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Lease liabilities (current) | – | 403 | 2,016 | 3,638 | 8,320 |
| Lease liabilities (non-current) | – | 394 | 339 | 2,213 | 6,790 |
| **Total** | **–** | **797** | **2,355** | **5,851** | **15,110** |

We expect to continue funding our operations primarily through operations generated cash flows. As of January 31, 2026, we had not utilized any bank credit facilities, and no bank loans had been approved or drawn down.

## CAPITAL EXPENDITURE

Our Group incurred capital expenditures of approximately RMB25.4 million, RMB26.2 million, RMB23.5 million, RMB11.5 million and RMB23.1 million for the years ended December 31, 2022, 2023, 2024 and the nine months ended September 30, 2024 and 2025, respectively. Our capital expenditure primarily related to additions to property, plant and equipment, IP licensing fees paid to IP licensors and land use right.

## RELATED PARTY TRANSACTIONS

Our related party transactions during the Track Record Period are summarized in Note 33 to the Accountants' Report set out in Appendix I to this document. During the Track Record Period, we entered into certain transactions with related parties in the ordinary course of business. These transactions primarily involved the sale and purchase of goods, provision of rental services, and receipt of shareholder guarantees that had been fully released in 2022.

Our Directors confirm that all transactions with related parties described in Note 33 of the Accountants' Report were conducted on normal commercial terms determined after arm's length negotiation having considered the rental paid for our office is comparable to the prevailing market rent of comparable properties in similar locations, which are considered fair, reasonable and in the interest of the Shareholders as a whole.

### Capital Commitments

The following table sets forth our capital commitments as of the dates indicated.

| | As of December 31, | | | As of September 30, |
|---|---|---|---|---|
| | 2022 | 2023 | 2024 | 2025 |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Contracted, but not provided for: | | | | |
| – Properties, plant and equipment | 109 | 265 | 354 | 2,881 |

## CONTINGENT LIABILITIES

We did not have any contingent liabilities during the Track Record Period and up to the Latest Practicable Date.

## OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

As of the Latest Practicable Date, we had not entered into any off-balance sheet transactions.

## KEY FINANCIAL RATIOS

| | As of December 31/ For the year ended December 31, | | | As of September 30,/ For the nine months ended September 30, | |
|---|---|---|---|---|---|
| | 2022 | 2023 | 2024 | 2024 | 2025 |
| | | | | *(unaudited)* | |
| Net profit margin[(1)] | 11.3% | 8.7% | 13.8% | 13.2% | 9.3% |
| Return on equity[(2)] | 22.1% | 14.3% | 21.4% | 14.9% | 9.7% |
| Return on total assets[(3)] | 15.2% | 11.4% | 17.4% | 12.2% | 8.1% |
| Current ratio[(4)] | 2.52 | 2.70 | 3.63 | 3.62 | 3.91 |
| Quick ratio[(5)] | 0.94 | 1.46 | 1.96 | 1.70 | 2.07 |

*Notes:*

(1) Net profit margin is calculated by dividing profit for the year by revenue and multiplying by 100%.

(2) Return on equity represents net profit for the year divided by the arithmetic mean of opening and closing balances of shareholder's equity, multiplied by 100%.

(3) Return on total assets is calculated by dividing net profit by the arithmetic mean of opening and closing balances of total assets and multiplying by 100%.

(4) Current ratio is calculated as total current assets divided by total current liabilities.

(5) Quick ratio is calculated as total current assets less inventories divided by total current liabilities.

Our net profit margin decreased from 11.3% in 2022 to 8.7% in 2023, primarily due to the temporary impact of production line upgrades on output and operating efficiency, together with higher operating expenses in 2023. Our net profit margin rebounded to 13.8% in 2024, mainly reflecting normalized output after the upgrades, improved production efficiency, and a more favorable product mix and pricing dynamics. Our net profit margin for the nine months ended September 30, 2025 decreased to 9.3% from 13.2% for the nine months ended September 30, 2024, primarily due to one-off [**REDACTED**] incurred during the period.

## FINANCIAL RISK MANAGEMENT

We are exposed to various financial risks in the ordinary course of business, comprising currency risk, interest rate risk, credit risk, and liquidity risk. To minimize potential adverse effects on our financial performance, we have adopted a set of risk management policies to mitigate these exposures, including internal credit assessments, cash flow planning, and conservative investment practices. For further details, please refer to Note 29 to the Accountant's Report included in Appendix I to this document.

## DIVIDEND

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

After completion of the [**REDACTED**], we may distribute dividends in the form of cash or by other means permitted by our Articles of Association. Any proposed distribution of dividends shall be formulated by our Board and will be subject to approval of our Shareholders. A decision to declare or to pay any dividends in the future, and the amount of any dividend, will depend upon a number of factors, including our earnings and financial condition, operating requirements, capital requirements, business prospects, statutory, regulatory and contractual restrictions on our declaration and payment of dividends, and any other factors that our Directors may consider important. There is no assurance that dividends of any amount will be declared or be distributed in any year. Currently, we do not have, nor do we intend to adopt a formal dividend policy or a fixed dividend distribution ratio following the [**REDACTED**].

## DISTRIBUTABLE RESERVES

As of September 30, 2025, our distributable reserves amounted to approximately RMB356.9 million.

## UNAUDITED [REDACTED] ADJUSTED NET TANGIBLE ASSETS

For details regarding the unaudited [**REDACTED**] statement, please refer to Appendix IIA to this document.

## PROPERTY INTERESTS AND PROPERTY VALUATION REPORT

Our selective property interests are set forth in the Property Valuation Report as set out in Appendix III. Cushman & Wakefield Limited, an independent property valuer, has valued our selective property interests as of February 28, 2026.

A reconciliation of the market value of our selective property interests as extracted from the Property Valuation Report as set out in Appendix III as of February 28, 2026 and net book value of our selective property interests in our consolidated financial statements as of September 30, 2025 as required under Rule 5.07 of the Listing Rules is set forth below.

| | *RMB'000* |
|---|---|
| Net book value of our property interests as of September 30, 2025 | 116,297 |
| Movement during the period from September 30, 2025 to December 31, 2025 (unaudited) | |
| Add: Additions | 138 |
| Less: Depreciations | (2,140) |
| Net book value of our property interests as of December 31, 2025 (unaudited) | 114,295 |
| Less: Portion of right of use of rural leases with no commercial value | – |
| Add: Valuation surplus | 123,705 |
| Valuation as of December 31, 2025 as set out in Appendix III | **238,000** |

See "Property Valuation Report" as set out in Appendix III for further details.

## [REDACTED] EXPENSES

We estimate that our total [**REDACTED**] expenses incurred in connection with the [**REDACTED**] will be approximately HK$[**REDACTED**] (equivalent to approximately RMB[**REDACTED**]), representing approximately [**REDACTED**]% of the gross [**REDACTED**] from the [**REDACTED**], assuming an [**REDACTED**] of HK$[**REDACTED**] per [**REDACTED**] (being the mid-point of the indicative [**REDACTED**]) and that the [**REDACTED**] is not exercised.

We estimate to incur [**REDACTED**] expenses of approximately HK$[**REDACTED**], of which approximately HK$[**REDACTED**] has been and is expected to be recognized in the consolidated statements of profit or loss and other comprehensive income as administrative expenses, and approximately HK$[**REDACTED**] is expected to be recognized as a deduction in equity directly upon the [**REDACTED**]. As of September 30, 2025, a total of approximately HK$[**REDACTED**] of the [**REDACTED**] expenses has already been recognized in profit or loss. The remaining amount of HK$[**REDACTED**] will be recognized in the future. By nature, our [**REDACTED**] expenses comprise of (i) [**REDACTED**] commission of approximately HK$[**REDACTED**] and (ii) [**REDACTED**] related expenses of approximately HK$[**REDACTED**], which consist of fees and expenses of legal advisers and the reporting accountants of approximately HK$[**REDACTED**] and other professional fees and expenses of approximately HK$[**REDACTED**]. The [**REDACTED**] expenses above are the current estimate for reference only and the final amount to be recognized to our consolidated income statement is subject to audit and the then changes in variables and assumptions.

## NO MATERIAL ADVERSE CHANGE

Our Directors confirm that up to the date of this document, there has been no material adverse change in our financial, operational or trading positions or prospects since September 30, 2025, being the end of the period reported on as set out in the Accountants' Report included in Appendix I to this document.

[**REDACTED**]

## DISCLOSURE UNDER RULES 13.13 TO 13.19 OF THE LISTING RULES

Our Directors have confirmed that, as of the Latest Practicable Date, there were no circumstances that would give rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

## FUTURE PLANS

Please refer to the section headed "Business – Strategies" in this document for a detailed discussion of our future plans.

## REASONS FOR THE [REDACTED]

We believe that the [**REDACTED**] will enhance our brand profile and credibility, strengthen our capital base to support business expansion, and provide us with access to international [**REDACTED**]. The [**REDACTED**] will also enable us to broaden our shareholder base and create a liquid market for our Shares, which we expect will facilitate future capital raising to support our strategic growth initiatives. In addition, the [**REDACTED**] will provide an opportunity for us to further institutionalize our internal controls and corporate governance framework in accordance with international standards, which we believe will support our long-term development.

[**REDACTED**]

Assuming an [**REDACTED**] of HK$[**REDACTED**] per Share (being the mid-point of the indicative [**REDACTED**]), we estimate that we will receive [**REDACTED**] of approximately HK$[**REDACTED**] from the [**REDACTED**], after deducting the [**REDACTED**] commissions and other estimated expenses payable by us in connection with the [**REDACTED**], and assuming the [**REDACTED**] is not exercised.

### 1. Invest in Product Development and Design Capabilities

We intend to allocate approximately [**REDACTED**]% of the [**REDACTED**] from the [**REDACTED**] (equivalent to approximately HK$[**REDACTED**]) to strengthen our product development and design capabilities, which serve as the foundation of our growth strategy. This investment will primarily support the construction of a dedicated research and development center and the expansion and diversification of our core product portfolio, comprising copper-based cultural and creative products, gold cultural and creative products and plastic figures and toys.

***Build and upgrade research and development infrastructure***

Approximately [**REDACTED**]% of the [**REDACTED**] (equivalent to HK$[**REDACTED**]) will be allocated to the construction and equipping of a new research and development center, which is expected to serve as a centralized hub for cross-functional collaboration among our creative designers, technical teams and marketing professionals.

Since our inception in 2013, we have consistently pursued original design as a core driver of our product development. Our in-house research and development activities have traditionally been carried out across multiple creative teams situated in general office spaces. As we scale our operations and broaden our material base, we believe the establishment of a centralized and purpose-built research and development center is essential to consolidating creative resources, improving coordination efficiency, and supporting multi-material product expansion. The research and development center will serve as a dedicated platform for creative management, spanning conceptual design, digital modeling, sample development and visual presentation. It will be equipped with specialised hardware and software including 3D design systems, physical prototyping tools, and collaborative workstations. Unlike traditional laboratory-based research and development in industrial or scientific fields, our research and development activities focus on product ideation, design realization and model testing, which are inherently iterative and creation-driven.

The total investment in the research and development center is expected to reach HK$[**REDACTED**] and HK$[**REDACTED**] of which are expected to be funded by the [**REDACTED**] from the [**REDACTED**]. A breakdown of planned utilization of the [**REDACTED**] by year is as follows:

| Year | Construction Expenditure | Equipment & Software Procurement | Other Related Costs | Total |
|---|---|---|---|---|
| | | *In HK$* [**REDACTED**] | | |
| 2026 | [**REDACTED**] | [**REDACTED**] | [**REDACTED**] | [**REDACTED**] |
| 2027 | [**REDACTED**] | [**REDACTED**] | [**REDACTED**] | [**REDACTED**] |
| 2028 | [**REDACTED**] | [**REDACTED**] | [**REDACTED**] | [**REDACTED**] |
| **Total** | [**REDACTED**] | [**REDACTED**] | [**REDACTED**] | [**REDACTED**] |

The proposed research and development center will be located in our Hangzhou Facility and is expected to span a gross floor area of approximately 31,000 square meters. Construction is scheduled to commence in June 2026 and complete in July 2028. The facility will be designed to include dedicated spaces for product design, prototyping, material testing, and collaborative work. Construction will proceed in key phases including site preparation, structural engineering, facade completion, interior fitting, and final system commissioning. Procurement of equipment and supporting systems will be synchronized with the building's readiness to enable prompt installation and trial operations. We plan to acquire 3D modeling software, CNC machines, and multi-material 3D printers to support in-house prototyping and small-batch product validation. Installation of these systems is expected to be completed by 2028, allowing the new center to commence full operation by the end of that year.

The primary commercial rationale for this investment lies in our strategic goal of expanding beyond copper-based cultural and creative products into other material categories such as gold and silver. While we intend to sustain our leading position in the copper category through high-volume new SKU launches annually, the expansion into new materials imposes significantly higher demands on our creative capacity, design throughput and prototyping resources. The establishment of a professional research and development center is essential to support this transition. The center is expected to enable a significant increase in our product output capacity. We anticipate launching approximately 800 SKUs in 2026, 1,000 SKUs in 2027 and 1,550 SKUs in 2028 across copper, gold and silver product categories.

The research and development center will also provide a structured and professional working environment for our creative professionals. It is designed not only to improve existing staff productivity, but also to serve as a strategic platform to attract and retain high-caliber talent in product styling, design and visual modeling. Aligned with our long-term vision of becoming a leading cultural and creative enterprise, the center will play a central role in building an integrated research and development talent pipeline and further reinforce our core competitiveness.

To support the expanded functions, we plan to recruit approximately 100 additional personnel by 2028, including creative designers, process engineers and project coordination staff. The new center is expected to improve internal collaboration, accelerate prototyping cycles and enable broader material integration across product lines. The additional personnel are expected to possess relevant academic backgrounds and experience in fine arts, industrial design, sculpture or related disciplines. Creative designers are expected to have practical experience in 3D modeling, drawing and sculpting to support product conceptualization and prototyping. Process engineers are expected to have experience in craftsmanship optimization and prototyping validation, while project coordination staff should have experience in managing product design and development workflows. We anticipate monthly remuneration for creative designers to range from RMB8,000 to RMB20,000 per person, for process engineers to range from RMB8,000 to RMB15,000 per person, and for project coordination staff to range from RMB6,000 to RMB12,000 per person.

***Diversify and enhance product portfolio***

Approximately [**REDACTED**]% of the [**REDACTED**] (equivalent to approximately HK$[**REDACTED**]) will be allocated to expand and refine our product portfolio. This includes enriching our copper-based cultural and creative products while also advancing the development of gold cultural and creative products and plastic figures and toys marketed under our sub-brands "Xijiang Gold Shop (璽匠金舖)" and "Huanxi Xiaojiang (歡喜小將)," respectively. These funds will primarily support product design and sampling, IP collaboration initiatives, and limited-edition licensing projects with cultural institutions and artists. We also plan to explore new themes across traditional culture, wellness, and storytelling, supported by corresponding marketing campaigns to reinforce brand identity and cross-category appeal.

**2. Enhance Production Capacity and Fulfillment Agility**

We intend to allocate approximately [**REDACTED**]% of the [**REDACTED**] from the [**REDACTED**] (equivalent to approximately HK$[**REDACTED**]) to enhance our in-house production capacity and improve alignment between demand forecasting and manufacturing output, thereby increasing fulfillment agility and supporting long-term product availability.

We have maintained a high level of capacity utilization throughout the Track Record Period. For the years ended December 31, 2022, 2023, 2024 and the nine months ended September 30, 2024 and 2025, our designed production capacities were approximately 1,391,500 kg, 1,268,625 kg, 1,518,750 kg, 1,227,366 kg and 953,480 kg, respectively, while our actual production outputs were 1,386,737 kg, 1,259,101 kg, 1,545,168 kg, 1,177,795 kg and 940,879 kg, respectively, representing utilization rates of 99.7%, 99.3%, 101.7%, 96.0% and 98.7%. Our designed capacity is calculated based on the average number of production staff, standard annual working hours, and

copper output per labor hour. This reflects the labor-intensive nature of our production model and the inherent limitations of scale under current conditions. The consistent over- or near-full utilization of capacity indicates that our existing facility has reached its operational limits. In particular, the peak output in 2024 exceeded our designed capacity, highlighting our reliance on intensified work scheduling and temporary overtime measures to meet market demand. These practices are not sustainable in the long term and may affect delivery times and product quality if capacity is not expanded.

The proposed expansion will focus on copper ornaments, which remain our primary product line, with incremental investment for copper engraved artworks. Additional space and workstations will help improve throughput and enable skill transmission via on-site training. Our planned additional design capacity is approximately 691,000 units, making the total design capacity reaching 2,209,750 units after the expansion. The expanded capacity is expected to enable us to better accommodate peak-season demand, improve delivery lead times, and reduce reliance on emergency labor deployment, thereby enhancing operational resilience and product quality consistency.

***Procure and install equipment to improve capacity throughput***

Approximately [**REDACTED**]% of the [**REDACTED**] (equivalent to approximately HK$[**REDACTED**]) will be used to procure and install new production equipment at our Hangzhou Facility. The following table outlines the major equipment categories, intended functions, and procurement schedule:

| Category | Equipment Description | Function | Planned Installation Period |
|---|---|---|---|
| Casting | Precision casting machines (90-110 units) | Improve copper casting efficiency | 2026 – 2027 |
| Machining | High-precision CNC tools | Carving and finishing | 2026 – 2027 |
| Surface finishing | Spray and baking systems | Automated coloring and drying | 2026 – 2027 |
| Environmental | Dust extraction and ventilation | Workplace air filtration and compliance | 2026 – 2027 |
| Utilities | Water, gas, power facility upgrade | Utility retrofit and safety enhancements | 2026 – 2027 |
| Civil works | Facility reconfiguration | Localized structural and layout changes | 2026 – 2027 |

The planned layout optimization and partial facility reconfiguration are expected to take less than a year and will be implemented in phases to minimize production disruptions. Our internal teams are expected to oversee utility adjustments and site handover, while third-party suppliers will be engaged for equipment installation and commissioning.

***Expand and stabilize skilled production workforce***

Approximately [**REDACTED**]% of the [**REDACTED**] (equivalent to approximately HK$[**REDACTED**]) will be used to recruit and train approximately 300 additional production personnel, including over 250 skilled craftsmen specializing in wax modeling, welding, and polishing and approximately 50 logistics, support and quality control staff. Skilled craftsmen are generally recruited with basic artisanal aptitude or apprenticeship-level manual skills and will undergo structured in-house training and practical assessment before formal placement. Logistics and support staff are expected to have relevant operational experience, while quality control personnel are expected to possess relevant technical backgrounds, familiarity with production standards and inspection procedures, and experience in process monitoring and product quality verification. The monthly salary for skilled craftsmen is anticipated to range from approximately RMB8,000 to RMB25,000 per person, while that for logistics, support and quality control staff is expected to range from approximately RMB8,000 to RMB15,000 per person.

### 3. Strengthen Sales Channels and Marketing Capabilities

We intend to allocate approximately [**REDACTED**]% of the [**REDACTED**] from the [**REDACTED**] (equivalent to approximately HK$[**REDACTED**]) to expand and enhance our retail and marketing infrastructure, with a focus on strengthening our self-operated store network in the PRC, accelerating our international presence, and reinforcing our digital marketing and content development capabilities.

***Expand our self-operated store network in the PRC***

Approximately [**REDACTED**]% of the [**REDACTED**] (equivalent to approximately HK$[**REDACTED**]) will be used to expand our self-operated store network across the PRC, with priority given to tier-one, new-tier-one, tier-two and tier-three cities. These stores are expected to serve as immersive brand touchpoints that integrate cultural storytelling and interactive experiences.

We plan to open approximately 70 new stores from 2026 to 2028. Target locations include cities such as Beijing, Shenzhen, Chongqing, Nanjing, Wuhan, Jinan, Xiamen, Xi'an, Kunming, and Guiyang. These locations were selected based on commercial foot traffic, mall rankings, and regional consumption trends. Each new store is expected to have a gross floor area of approximately 100 square meters. The average capital expenditure per store is approximately RMB[2.3] million, which primarily covers items such as decoration and fit-out, initial inventory costs, lease deposits, and staff hiring and training. Based on our past experience, each new location is expected to break even in approximately 6 to 9 months of opening.

***Enhance digital marketing and online engagement***

Approximately [**REDACTED**]% of the [**REDACTED**] (equivalent to approximately HK$[**REDACTED**]) will be allocated to strengthen our digital marketing infrastructure. Our initiatives will focus on producing branded content, including short-form videos, cultural storytelling, and livestream segments. We plan to upgrade studio capabilities, expand editing and scripting teams, and develop standardized livestreaming practices across channels. Additionally, we intend to enhance backend analytics systems for real-time performance tracking and budget optimization.

***Develop international presence and regional marketing channels***

Approximately [**REDACTED**]% of the [**REDACTED**] (equivalent to approximately HK$[**REDACTED**]) will be used to support our international expansion. We plan to explore markets such as Hong Kong, Macau, Southeast Asia, Japan, Europe, and North America. Our strategy includes participation in overseas exhibitions and trade fairs, collaboration with local distributors, and customized marketing campaigns. Under our international expansion plan, self-developed IPs are expected to remain the principal basis of our overseas product offerings, while licensed IP products will be sold only where the relevant territorial rights have been obtained. Over the next one to three years, we plan to initiate market entry in Hong Kong, Japan, and Italy through scheduled exhibitions. Subsequent efforts will extend to selected Western European and North American markets. We aim to allocate funds to international travel, sample preparation, bilingual materials, promotional adaptation, and preliminary market research. We also plan to selectively explore cooperation opportunities with IPs that are popular in the relevant markets, subject to licensing availability and commercial suitability.

### 4. Upgrade Digital and Information Infrastructure

We intend to allocate approximately [**REDACTED**]% of the [**REDACTED**] from the [**REDACTED**] (equivalent to approximately HK$[**REDACTED**]) to strengthen our digital and information infrastructure. This initiative consists of two major components: (i) the implementation of enterprise software systems to improve production and inventory coordination, and (ii) the deployment of supporting hardware and smart devices to enhance data capture and operational connectivity.

***Deploy supporting IT infrastructure and smart devices***

Approximately [**REDACTED**]% (equivalent to approximately HK$[**REDACTED**]) will be used to procure and install supporting IT infrastructure. Planned investments include four sets of dedicated data servers for system deployment and data backup, one enterprise-grade network firewall for information security, and IoT-enabled sensor nodes to support real-time tracking across core production lines and warehousing locations. These hardware systems are expected to be installed between 2026 and 2027.

***Implement Enterprise Software Systems***

Approximately [**REDACTED**]% (equivalent to approximately HK$[**REDACTED**]) will be allocated to the phased development and implementation of customized software systems. These include a Manufacturing Execution System ("**MES**"), focused on production planning, on-site execution and process traceability, and a Warehouse Management System ("**WMS**"), responsible for location-based inventory tracking, in- and out-bound logistics, and periodic stock-taking. Both systems are expected to be equipped with matching terminal hardware to ensure effective data integration and on-site operability. The MES system and hardware are scheduled for deployment by 2027, and the WMS system is also expected to go live by 2027. These systems will be tailored through modular customization to fit our existing operational processes.

All software and hardware deployments will be managed by our IT and Finance teams, with staged implementation across development, testing, and training phases. The combined system is expected to support real-time data visibility, traceability, and operational coordination, thereby enhancing efficiency and scalability as our business grows.

**5. Working Capital and General Corporate Purposes**

Approximately [**REDACTED**]% of the [**REDACTED**] from the [**REDACTED**] (equivalent to approximately HK$[**REDACTED**]) will be reserved for general working capital and operational flexibility. These funds will allow us to respond to strategic opportunities and unforeseen market shifts in a timely and prudent manner.

In the event that the designated [**REDACTED**] are insufficient to fully fund the aforementioned purposes, we intend to utilize internal resources or equity debt financing to address any shortfalls. Conversely, should there be surplus funds, these will be applied toward other projects consistent with our strategic objectives.

In the event that the [**REDACTED**] is fixed below or above the mid-point of the indicative [**REDACTED**], the [**REDACTED**] allocated to the above purposes will be adjusted on a pro rata basis. Any additional [**REDACTED**] received from the exercise of the [**REDACTED**] will be allocated to the above purposes on a pro rata basis.

In the event of any material change in our use of [**REDACTED**] of the [**REDACTED**] from the purposes described above or in our allocation of the [**REDACTED**] among the purposes described above, a formal announcement will be made.

To the extent that the [**REDACTED**] from the [**REDACTED**] are not immediately applied to the above purposes, we will only deposit such [**REDACTED**] into short-term interest-bearing accounts at licensed commercial banks and/or other authorized financial institutions (as defined under the SFO or applicable laws and regulations in other jurisdictions).

[**REDACTED**]

[**REDACTED**]

[**REDACTED**]

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[**REDACTED**]

*The following is the text of a report, set out on pages I-[1] to I-[49], received from the independent reporting accountants, [Deloitte Touche Tohmatsu], Certified Public Accountants, Hong Kong, for the purpose of incorporation in this document.*

## ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF HANGZHOU TONGSHIFU CULTURAL AND CREATIVE (GROUP) CO., LTD. AND CMB INTERNATIONAL CAPITAL LIMITED

### Introduction

We report on the historical financial information of Hangzhou Tongshifu Cultural and Creative (Group) Co., Ltd. (formerly known as Hangzhou Xijiang Culture and Creative Co., Ltd.) (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages I-[4] to I-[49], which comprises the consolidated statements of financial position of the Group as at December 31, 2022, 2023 and 2024, and September 30, 2025, the statements of financial position of the Company as at December 31, 2022, 2023 and 2024, and September 30, 2025, and the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows of the Group for each of the three years ended December 31, 2024 and the nine months ended September 30, 2025 (the "Track Record Period") and material accounting policy information and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages I-[4] to I-[49] forms an integral part of this report, which has been prepared for inclusion in the document of the Company dated [DATE] (the "Document") in connection with the initial [**REDACTED**] of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

### Directors' responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in Note 1.2 to the Historical Financial Information, and for such internal control as the directors of the Company determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

### Reporting accountants' responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 "Accountants' Reports on Historical Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgment, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in Note 1.2 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors of the Company, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Opinion**

In our opinion, the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the Group's and the Company's financial position as at December 31, 2022, 2023 and 2024, and September 30, 2025 and of the Group's financial performance and cash flows for the Track Record Period in accordance with the basis of preparation set out in Note 1.2 to the Historical Financial Information.

**Review of stub period comparative financial information**

We have reviewed the stub period comparative financial information of the Group which comprises the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the nine months ended September 30, 2024 and other explanatory information (the "Stub Period Comparative Financial Information"). The directors of the Company are responsible for the preparation of the Stub Period Comparative Financial Information in accordance with the basis of preparation set out in Note 1.2 to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Comparative Financial Information based on our review. We conducted our review in accordance with International Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the International Auditing and Assurance Standards Board ("IAASB"). 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 International 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 Stub Period Comparative Financial Information, for the purposes of the accountants' report, is not prepared, in all material respects, in accordance with the basis of preparation set out in Note 1.2 to the Historical Financial Information.

**Report on matters under the Rules Governing the Listing of Securities on the Stock Exchange and the Companies (Winding Up and Miscellaneous Provisions) Ordinance**

***Adjustments***

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I-[4] have been made.

***Dividends***

We refer to Note 12 to the Historical Financial Information which states that no dividend was declared or paid by the Company since its incorporation.

[Deloitte Touche Tohmatsu]
*Certified Public Accountants*
Hong Kong
[DATE]

## HISTORICAL FINANCIAL INFORMATION OF THE GROUP

### Preparation of Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The consolidated financial statements of the Group for the Track Record Period, on which the Historical Financial Information in this report is based, have been prepared in accordance with the accounting policies which conform with IFRS Accounting Standards issued by the International Accounting Standards Board (the "IASB") and were audited by us in accordance with International Standards on Auditing issued by the International Auditing and Assurance Standards Board (the "Underlying Financial Statements").

The Historical Financial Information is presented in Renminbi ("RMB") and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

## CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

| | Notes | Year ended December 31 | | | Nine months ended September 30 | |
|---|---|---|---|---|---|---|
| | | 2022 | 2023 | 2024 | 2024 | 2025 |
| | | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000 (unaudited)* | *RMB'000* |
| Revenue | *4* | 503,185 | 506,383 | 571,188 | 402,355 | 447,672 |
| Cost of sales | | (340,957) | (342,174) | (369,103) | (258,958) | (294,065) |
| Gross profit | | 162,228 | 164,209 | 202,085 | 143,397 | 153,607 |
| Other income | *5* | 13,747 | 15,620 | 14,370 | 10,034 | 7,974 |
| Other gains and losses | *6* | 42 | 105 | 260 | (140) | 1,093 |
| Impairment losses under expected credit loss model, net of reversal | | (756) | 715 | (190) | (80) | 39 |
| Selling and marketing expenses | | (62,667) | (72,448) | (71,590) | (53,502) | (59,623) |
| Administrative expenses | | (27,972) | (30,426) | (26,923) | (18,675) | (20,108) |
| Other operating expenses | | (2,479) | (2,291) | (1,637) | (1,232) | (1,205) |
| [**REDACTED**] | | – | – | – | – | (12,821) |
| Research and development expenses | | (18,802) | (28,638) | (28,212) | (20,714) | (24,703) |
| Finance costs | *7* | (896) | (5) | (97) | (69) | (83) |
| **Profit before tax** | *8* | 62,445 | 46,841 | 88,066 | 59,019 | 44,170 |
| Income tax expenses | *9* | (5,507) | (2,710) | (9,084) | (5,751) | (2,617) |
| **Profit and total comprehensive income for the year/period** | | 56,938 | 44,131 | 78,982 | 53,268 | 41,553 |
| **Earnings per share** | *11* | | | | | |
| Basic (RMB) | | 1.00 | 0.77 | 1.39 | 0.93 | 0.73 |

## CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

| | Notes | As at December 31 | | | As at September 30 |
|---|---|---|---|---|---|
| | | 2022 | 2023 | 2024 | 2025 |
| | | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| **Non-current assets** | | | | | |
| Property, plant and equipment | *13* | 166,845 | 176,200 | 171,386 | 175,101 |
| Right-of-use assets | *14* | 5,957 | 6,581 | 9,971 | 13,471 |
| Intangible assets | *15* | 2,770 | 1,669 | 5,288 | 6,725 |
| Interest in an associate | *16* | – | – | – | 300 |
| Deferred tax assets | *17* | 316 | 230 | 443 | 453 |
| Time deposits | *21* | – | – | 15,273 | 15,569 |
| | | 175,888 | 184,680 | 202,361 | 211,619 |
| **Current assets** | | | | | |
| Inventories | *18* | 115,681 | 107,161 | 132,305 | 153,277 |
| Trade and other receivables | *19* | 10,972 | 9,469 | 18,631 | 27,768 |
| Right to returned goods asset | *24* | 434 | 548 | 558 | 505 |
| Tax recoverable | | 1,349 | 1,527 | 9 | 1,945 |
| Financial asset at fair value through profit or loss ("FVTPL") | *20* | – | – | 30,097 | 32,299 |
| Time deposits | *21* | – | – | 17,019 | 17,234 |
| Restricted bank deposit | *21* | * | – | – | – |
| Bank balances and cash | *21* | 55,677 | 114,094 | 88,044 | 91,940 |
| | | 184,113 | 232,799 | 286,663 | 324,968 |
| **Current liabilities** | | | | | |
| Trade and other payables | *22* | 66,667 | 73,035 | 68,584 | 71,534 |
| Income tax payable | | * | 216 | 2,114 | 217 |
| Lease liabilities | *25* | – | 403 | 2,016 | 3,638 |
| Contract liabilities | *23* | 5,662 | 11,638 | 5,284 | 6,949 |
| Refund liabilities | *24* | 688 | 831 | 889 | 794 |
| | | 73,017 | 86,123 | 78,887 | 83,132 |
| **Net current assets** | | 111,096 | 146,676 | 207,776 | 241,836 |
| **Total assets less current liabilities** | | 286,984 | 331,356 | 410,137 | 453,455 |
| **Non-current liabilities** | | | | | |
| Lease liabilities | *25* | – | 394 | 339 | 2,213 |
| Deferred income | *26* | 956 | 803 | 657 | 548 |
| | | 956 | 1,197 | 996 | 2,761 |
| **Net assets** | | 286,028 | 330,159 | 409,141 | 450,694 |
| **Capital and reserves** | | | | | |
| Share capital | *27* | 57,000 | 57,000 | 57,000 | 57,000 |
| Reserves | | 229,028 | 273,159 | 352,141 | 393,694 |
| **Total equity** | | 286,028 | 330,159 | 409,141 | 450,694 |

* Amount below RMB1,000.

## STATEMENTS OF FINANCIAL POSITION OF THE COMPANY

| | Notes | As at December 31 | | | As at September 30 |
|---|---|---|---|---|---|
| | | 2022 | 2023 | 2024 | 2025 |
| | | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| **Non-current assets** | | | | | |
| Property, plant and equipment | *13* | 44,040 | 58,711 | 58,819 | 66,225 |
| Right-of-use assets | *14* | – | 795 | 2,446 | 6,050 |
| Intangible assets | *15* | 2,770 | 1,669 | 5,288 | 6,725 |
| Investment in subsidiaries | *35* | 3,974 | 3,974 | 5,774 | 7,774 |
| Interest in an associate | *16* | – | – | – | 300 |
| Deferred tax assets | *17* | 316 | 230 | 443 | 453 |
| Time deposits | *21* | – | – | 15,273 | 15,569 |
| | | 51,100 | 65,379 | 88,043 | 103,096 |
| **Current assets** | | | | | |
| Inventories | *18* | 115,681 | 107,161 | 132,305 | 153,277 |
| Trade and other receivables | *19* | 137,263 | 129,962 | 126,456 | 128,189 |
| Right to returned goods asset | *24* | 434 | 548 | 558 | 505 |
| Tax recoverable | | 1,644 | 1,873 | – | 1,931 |
| Financial asset at FVTPL | *20* | – | – | 30,097 | 32,299 |
| Time deposits | *21* | – | – | 17,019 | 17,234 |
| Restricted bank deposit | *21* | * | – | – | – |
| Bank balances and cash | *21* | 47,535 | 103,094 | 83,270 | 90,110 |
| | | 302,557 | 342,638 | 389,705 | 423,545 |
| **Current liabilities** | | | | | |
| Trade and other payables | *22* | 63,492 | 70,249 | 65,534 | 71,516 |
| Income tax payable | | – | – | 1,795 | – |
| Lease liabilities | *25* | – | 403 | 2,016 | 3,638 |
| Contract liabilities | *23* | 5,807 | 11,647 | 6,529 | 8,675 |
| Refund liabilities | *24* | 688 | 831 | 889 | 794 |
| | | 69,987 | 83,130 | 76,763 | 84,623 |
| **Net current assets** | | 232,570 | 259,508 | 312,942 | 338,922 |
| **Total assets less current liabilities** | | 283,670 | 324,887 | 400,985 | 442,018 |
| **Non-current liabilities** | | | | | |
| Lease liabilities | *25* | – | 394 | 339 | 2,213 |
| Deferred income | *26* | 956 | 803 | 657 | 548 |
| | | 956 | 1,197 | 996 | 2,761 |
| **Net assets** | | 282,714 | 323,690 | 399,989 | 439,257 |
| **Capital and reserves** | | | | | |
| Share capital | *27* | 57,000 | 57,000 | 57,000 | 57,000 |
| Reserves | *34* | 225,714 | 266,690 | 342,989 | 382,257 |
| **Total equity** | | 282,714 | 323,690 | 399,989 | 439,257 |

* Amount below RMB1,000.

## CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

| | Share capital | Capital reserve | Statutory reserve | (Accumulated losses) Retained earnings | Total |
|---|---|---|---|---|---|
| | *RMB'000* | *RMB'000 (note i)* | *RMB'000 (note ii)* | *RMB'000* | *RMB'000* |
| **As at January 1, 2022** | 57,000 | 254,679 | 4,450 | (87,201) | 228,928 |
| Profit and total comprehensive income for the year | – | – | – | 56,938 | 56,938 |
| Capital contribution from shareholder | – | 162 | – | – | 162 |
| Transfer to statutory reserve | – | – | 5,241 | (5,241) | – |
| **As at December 31, 2022** | 57,000 | 254,841 | 9,691 | (35,504) | 286,028 |
| Profit and total comprehensive income for the year | – | – | – | 44,131 | 44,131 |
| Transfer to statutory reserve | – | – | 4,098 | (4,098) | – |
| **As at December 31, 2023** | 57,000 | 254,841 | 13,789 | 4,529 | 330,159 |
| Profit and total comprehensive income for the year | – | – | – | 78,982 | 78,982 |
| Transfer to statutory reserve | – | – | 7,630 | (7,630) | – |
| **As at December 31, 2024** | 57,000 | 254,841 | 21,419 | 75,881 | 409,141 |
| Profit and total comprehensive income for the period | – | – | – | 41,553 | 41,553 |
| Transfer to statutory reserve | – | – | 3,927 | (3,927) | – |
| **As at September 30, 2025** | 57,000 | 254,841 | 25,346 | 113,507 | 450,694 |
| **As at December 31, 2023** | 57,000 | 254,841 | 13,789 | 4,529 | 330,159 |
| Profits and total comprehensive income for the period | – | – | – | 53,268 | 53,268 |
| Transfer to statutory reserve | – | – | 5,085 | (5,085) | – |
| **As at September 30, 2024 (unaudited)** | 57,000 | 254,841 | 18,874 | 52,712 | 383,427 |

*Notes:*

(i) Capital reserve represents share premium of the Company.

(ii) In accordance with the Articles of Association of the Company and its subsidiaries, they are required to transfer 10% of the profit after tax to the statutory reserve until the reserve reaches 50% of their registered capital. Transfer to this reserve must be made before distributing dividends to equity holders. The statutory reserve can be used to make up for previous years' losses, expand the existing operations or convert into additional capital of the Company and its subsidiaries.

## CONSOLIDATED STATEMENTS OF CASH FLOWS

| | Year ended December 31 | | | Nine months ended September 30 | |
|---|---|---|---|---|---|
| | 2022 | 2023 | 2024 | 2024 | 2025 |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000 (unaudited)* | *RMB'000* |
| **OPERATING ACTIVITIES** | | | | | |
| Profit before tax | 62,445 | 46,841 | 88,066 | 59,019 | 44,170 |
| *Adjustments for:* | | | | | |
| Finance costs | 896 | 5 | 97 | 69 | 83 |
| Bank interest income | (759) | (1,042) | (1,077) | (843) | (652) |
| Depreciation of property, plant and equipment | 11,749 | 13,512 | 16,125 | 11,974 | 12,511 |
| Depreciation of right-of-use assets | 523 | 229 | 1,663 | 1,121 | 2,126 |
| Amortization of intangible assets | 931 | 2,476 | 2,327 | 1,520 | 3,232 |
| Impairment losses on trade and other receivables, net of reversal | 756 | (715) | 190 | 80 | (39) |
| Write-down of inventories, net of reversal | 137 | (185) | 824 | 534 | 525 |
| Income from government grants related to asset | (175) | (153) | (146) | (73) | (109) |
| Loss (gain) on disposal of property, plant and equipment | 352 | (79) | 247 | 247 | 211 |
| Gain on disposal of interest in an associate | – | – | (5) | (5) | – |
| Net foreign exchange (gains) losses | (394) | (26) | (157) | (66) | 19 |
| Fair value gain of financial assets at FVTPL | – | – | (345) | (36) | (1,323) |
| Operating cash flows before movements in working capital | 76,461 | 60,863 | 107,809 | 73,541 | 60,754 |
| (Increase) decrease in inventories | (32,230) | 8,672 | (25,761) | (30,858) | (21,346) |
| Decrease (increase) in trade and other receivables | 8,669 | 2,542 | (8,712) | (7,048) | (6,146) |
| (Increase) decrease in right to returned goods asset | (64) | (114) | (10) | 139 | 53 |
| (Decrease) increase in trade and other payables | (6,863) | 6,997 | (2,599) | (7,805) | 6,247 |
| (Decrease) increase in contract liabilities | (9,852) | 5,976 | (6,354) | (8,854) | 1,665 |
| Increase (decrease) in refund liabilities | 122 | 143 | 58 | (166) | (95) |
| Cash generated from operations | 36,423 | 85,079 | 64,431 | 18,949 | 41,132 |
| Income taxes paid | (7,829) | (2,586) | (5,883) | (4,539) | (6,459) |
| **NET CASH FROM OPERATING ACTIVITIES** | 28,414 | 82,493 | 58,548 | 14,410 | 34,673 |

| | Year ended December 31 | | | Nine months ended September 30 | |
|---|---|---|---|---|---|
| | 2022 | 2023 | 2024 | 2024 | 2025 |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* (unaudited) | *RMB'000* |
| **INVESTING ACTIVITIES** | | | | | |
| Bank interest received | 759 | 1,042 | 785 | 767 | 141 |
| Proceeds on disposal of property, plant and equipment | 240 | 1,422 | 2,062 | 1,988 | 516 |
| Payments for property, plant and equipment | (22,116) | (24,807) | (15,678) | (10,616) | (18,364) |
| Payments for intangible assets | (3,320) | (1,375) | (5,946) | (889) | (4,669) |
| Payments for right-of-use assets | – | – | (1,910) | – | (56) |
| Repayment from shareholder | 5,102 | – | – | – | – |
| Proceeds on disposal of interest in an associate | – | – | 5 | 5 | – |
| Investment in an associate | – | – | – | – | (300) |
| Refund of rental deposits | – | 116 | 28 | 7 | 51 |
| Payments for rental deposits | – | (422) | (652) | (645) | (1,217) |
| Withdrawal of restricted bank deposits | 132 | * | – | – | – |
| Withdrawal of financial assets at FVTPL | – | – | 15,248 | 15,036 | 466,121 |
| Placement of financial assets at FVTPL | – | – | (45,000) | (45,000) | (467,000) |
| Placement of time deposits | – | – | (32,000) | (15,098) | – |
| **NET CASH USED IN INVESTING ACTIVITIES** | (19,203) | (24,024) | (83,058) | (54,445) | (24,777) |
| **FINANCING ACTIVITIES** | | | | | |
| Proceeds from bank borrowings | 61,000 | – | 1,000 | 1,000 | – |
| Repayments of bank borrowings | (128,581) | – | (1,000) | – | – |
| Interest paid | (896) | – | (1) | – | – |
| Repayments of lease liabilities | – | (62) | (1,682) | (1,172) | (2,154) |
| Capital injection by shareholders | 162 | – | – | – | – |
| Payment of issue cost | – | – | – | – | (3,836) |
| **NET CASH USED IN FINANCING ACTIVITIES** | (68,315) | (62) | (1,683) | (172) | (5,990) |
| **NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS** | (59,104) | 58,407 | (26,193) | (40,207) | 3,906 |
| **CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR/ PERIOD** | 114,520 | 55,677 | 114,094 | 114,094 | 88,044 |
| Effect of foreign exchange rate changes | 261 | 10 | 143 | 77 | (10) |
| **TOTAL CASH AND CASH EQUIVALENTS AT END OF YEAR/PERIOD, represented by bank balances and cash** | 55,677 | 114,094 | 88,044 | 73,964 | 91,940 |

* Amount below RMB1,000.

## NOTES TO THE HISTORICAL FINANCIAL INFORMATION

### 1. GENERAL INFORMATION AND BASIS OF PREPARATION OF HISTORICAL FINANCIAL INFORMATION

#### 1.1 General Information

The Company was incorporated in The People's Republic of China (the "PRC") on March 26, 2013 as a limited liability company. The Company was converted into a joint-stock company with limited liability and renamed as Hangzhou Xijiang Cultural Arts Co., Ltd. (杭州璽匠文化藝術品股份有限公司) on October 28, 2014. On December 16, 2024, the Company was further renamed as Hangzhou Tongshifu Cultural and Creative (Group) Co., Ltd. (杭州銅師傅文創(集團)股份有限公司).

As at January 1, 2022, the share capital of the Company has been increased to RMB57,000,000. The share capital of the Company of RMB57,000,000 has remained unchanged throughout the Track Record Period.

As at September 30, 2025, Mr. Yu Guang ("Mr. Yu"), the founder, chairman and general manager of the Company and its subsidiaries (the "Group"), holds 26.27% of the total share capital of the Company. His shareholding remained unchanged throughout the Track Record Period. Mr. Yu is also the single largest shareholder of the Company.

The addresses of the registered office and principal place of business of the Company are disclosed in the section "Corporate Information" of the Document.

The Company and its subsidiaries, as set out in Note 35, are principally involved in research and development, production and sale of cultural and creative products made of copper, silver, gold and wooden.

The Historical Financial Information is presented in the currency of RMB, which is the functional currency of the Company.

The statutory financial statements of the Company for the years ended December 31, 2022, 2023, 2024 and 2025 were prepared in accordance with Accounting Standards for Business Enterprises and were audited by Deloitte Touche Tohmatsu Certified Public Accountants LLP, a certified public accountant registered in the PRC.

#### 1.2 Basis of Preparation of Historical Financial Information

The Historical Financial Information has been prepared based on the accounting policies, in accordance with IFRS Accounting Standards issued by the International Accounting Standards Board (the "IASB").

### 2. APPLICATION OF NEW AND AMENDMENTS TO IFRS ACCOUNTING STANDARDS AND MATERIAL ACCOUNTING POLICY INFORMATION

#### 2.1 Application of New and Amendments to IFRS Accounting Standards

For the purpose of preparing and presenting the Historical Financial Information for the Track Record Period, the Group has consistently adopted IFRS Accounting Standards issued by the IASB, which are effective for the accounting period beginning on January 1, 2025, throughout the Track Record Period.

***New and revised IFRS Accounting Standards in issue but not yet effective***

The Group has not early applied the following amendments to the IFRS Accounting Standards that have been issued but not yet effective:

| | |
|---|---|
| Amendments to IFRS 9 and IFRS 7 | Amendments to the Classification and Measurement of Financial Instruments[2] |
| Amendments to IFRS 9 and IFRS 7 | Contracts Referencing Nature-dependent Electricity[2] |
| Amendments to IFRS 10 and IAS 28 | Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[1] |
| Amendments to IFRS Accounting Standards | Annual Improvements to IFRS Accounting Standards – Volume 11[2] |
| IFRS 18 | Presentation and Disclosure in Financial Statements[3] |
| Amendments to IAS 21 | Translation to a Hyperinflationary Presentation Currency[3] |

[1] Effective for annual periods beginning on or after a date to be determined.

[2] Effective for annual periods beginning on or after January 1, 2026.

[3] Effective for annual periods beginning on or after January 1, 2027.

Except for the new IFRS Accounting Standard mentioned below, the directors of the Company anticipate that the application of all the amendments to IFRS Accounting Standards will have no material impact on the consolidated financial statements of the Group in the foreseeable future.

***IFRS 18 Presentation and Disclosure in Financial Statements***

IFRS 18 *Presentation and Disclosure in Financial Statements*, which sets out requirements on presentation and disclosures in financial statements, will replace IAS 1 *Presentation of Financial Statements*. This new IFRS Accounting Standard, while carrying forward many of the requirements in IAS 1, introduces new requirements to present specified categories and defined subtotals in the statement of profit or loss; provide disclosures on management-defined performance measures in the notes to the financial statements and improve aggregation and disaggregation of information to be disclosed in the financial statements. In addition, some IAS 1 paragraphs have been moved to IAS 8 and IFRS 7. Minor amendments to IAS 7 *Statement of Cash Flows* and IAS 33 *Earnings per Share* are also made.

IFRS 18, and amendments to other standards, will be effective for annual periods beginning on or after January 1, 2027, with early application permitted. The application of IFRS 18 has no impact on the Group's financial positions and performance, but has impact on presentation of the consolidated statement of profit or loss and other comprehensive income.

**2.2 Material Accounting Policy Information**

The Historical Financial Information has been prepared in accordance with IFRS Accounting Standards issued by the IASB. For the purpose of preparation of Historical Financial Information, information is considered material if such information is reasonably expected to influence decisions made by primary users. In addition, the Historical Financial Information includes applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") and by the Hong Kong Companies Ordinance.

The Historical Financial Information has been prepared on the historical cost basis except for certain financial instruments that are measured at fair value at the end of each reporting period, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in this Historical Financial Information is determined on such a basis, except for share-based transactions that are within the scope of IFRS 2 *Share-based Payment*, leasing transactions that are accounted for within the scope of IFRS 16 *Leases* and measurements that have some similarities to fair value but are not fair value, such as net realizable value in IAS 2 *Inventories* or value in use in IAS 36 *Impairment of Assets*.

For financial instruments which are transacted at fair value and a valuation technique that unobservable inputs are to be used to measure fair value in subsequent periods, the valuation technique is calibrated so that at initial recognition the results of the valuation technique equals the transaction price.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

***Basis of consolidation***

The Historical Financial Information incorporates the financial statements of the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statements of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

***Investments in an associate***

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of an associate are incorporated in these consolidated financial statements using the equity method of accounting. The financial statements of an associate used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, an investment in an associate is initially recognized in the consolidated statement of financial position at cost and adjusted thereafter to recognize the Group's share of the profit or loss and other comprehensive income of the associate. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognizing its share of further losses. Additional losses are provided for, and a liability is recognized only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

An investment in an associate is accounted for using the equity method from the date on which the investee becomes an associate.

The Group assesses whether there is an objective evidence that the interest in an associate may be impaired. When any objective evidence exists, the entire carrying amount of the investment is tested for impairment in accordance with IAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognized is not allocated to any asset, that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When the Group ceases to have significant influence over an associate, it is accounted for as a disposal of the entire interest in the investee with a resulting gain or loss being recognized in profit or loss.

***Revenue from contracts with customers***

Information about the Group's accounting policies relating to contracts with customers is provided in Notes 4, 23 and 24.

***Property, plant and equipment***

Property, plant and equipment are tangible assets that are held for use in the production or supply of goods, or for administrative purposes (other than equipment in the course of construction as below described). Property, plant and equipment are stated in the consolidated statements of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Equipment in the course of construction for production, supply or administrative purposes are carried at cost, less any recognized impairment loss. Costs include any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management, including costs of testing whether the related assets are functioning properly. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Depreciation is recognized so as to write off the cost of items of property, plant and equipment other than equipment in the course of construction less their residual values over their estimated useful lives using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

***Leases***

The Group assesses whether a contract is or contains a lease based on the definition under IFRS 16 at inception of the contract. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

*The Group as a lessee*

Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

Non-lease components are separated from lease component and are accounted for by applying other applicable standards.

Short-term leases

The Group applies the short-term lease recognition exemption to leases (including dormitory and retail stores) that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. Lease payments on short-term leases are recognized as expense on a straight-line basis over the lease term.

Right-of-use assets

The cost of right-of-use assets includes:

- the amounts of the initial measurement of the lease liabilities; and
- any initial direct costs incurred by the Group.

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

Refundable rental deposits

Refundable rental deposits paid are accounted under IFRS 9 and initially measured at fair value.

Right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets as a separate line item on the consolidated statements of financial position.

Lease liabilities

At the commencement date of a lease, the Group recognizes and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. The incremental borrowing rate depends on the term, currency and start date of the lease and is determined based on a series of inputs including: the risk-free rate based on government bond rates; and an entity-specific adjustment whether the risk profile of the entity that enters into the lease is different to that of the Group.

The lease payments are fixed payments (including in-substance fixed payments).

Variable lease payments that do not depend on an index or a rate are not included in the measurement of lease liabilities and right-of-use assets, and are recognized as expense in the period in which the event or condition that triggers the payment occurs.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group presents lease liabilities as a separate line item on the consolidated statements of financial position.

*The Group as a lessor*

Classification and measurement of leases

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

Rental income from operating leases is recognized in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset, and such costs are recognized as an expense on a straight-line basis over the lease term.

***Intangible assets***

*Intangible assets acquired separately*

Intangible assets with finite useful lives that are acquired separately are carried at costs less accumulated amortization and any accumulated impairment losses. Amortization for intangible assets with finite useful lives is recognized on a straight-line basis over their estimated useful lives. The estimated useful life and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

*Internally-generated intangible assets — research and development expenditure*

Expenditure on research activities is recognized as an expense in the period in which it is incurred.

***Inventories***

Inventories are stated at the lower of cost and net realizable value. Costs of inventories are determined on a weighted average method. Net realizable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale. Costs necessary to make the sale include incremental costs directly attributable to the sale and non-incremental costs which the Group must incur to make the sale, including costs to be incurred in marketing, selling and distribution.

***Bank balances and cash***

Bank balances and cash presented on the consolidated statements of financial position include:

(a) cash, which comprises of cash on hand and demand deposits; and

(b) cash equivalents, which comprises of short-term deposits (generally with original maturity of three months or less). Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

For the purposes of the consolidated statements of cash flows, cash and cash equivalents consist of bank balances and cash as defined above.

***Provisions***

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

***Investment in subsidiaries***

Investments in subsidiaries are stated at cost less any identified impairment loss on the statement of financial position of the Company.

***Government grants***

Government grants are not recognized until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognized in profit or loss on a systematic basis over the periods in which the Group recognizes as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognized as deferred income in the consolidated statements of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants related to income that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognized in profit or loss in the period in which they become receivable. Such grants are presented under "other income."

***Employee benefits***

*Retirement benefits costs*

Payments to state-managed retirement benefit schemes are recognized as an expense when employees have rendered service entitling them to the contributions.

*Short-term employee benefits*

Short-term employee benefits are recognized at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognized as an expense unless another IFRS Accounting Standards requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognized for benefits accruing to employees (such as wages and salaries, and annual leaves) after deducting any amount already paid.

***Foreign currencies***

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognized at the rates of exchanges prevailing on the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognized in profit or loss in the period in which they arise.

***Taxation***

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before tax because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of each reporting period.

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the Historical Financial Information and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from the initial recognition of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit and at the time the transaction does not give rise to equal taxable and deductible temporary differences.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associate, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realized, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax for leasing transactions in which the Group recognized the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies IAS 12 requirements to the lease liabilities and the related assets separately. The Group recognizes a deferred tax asset related to lease liabilities to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilized and a deferred tax liability for all taxable temporary differences.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied to the same taxable entity by the same taxation authority.

Current and deferred tax are recognized in profit or loss.

***Impairment on property, plant and equipment, right-of-use assets and intangible assets***

At the end of each reporting period, the Group reviews the carrying amounts of its property, plant and equipment, right-of-use assets and intangible assets with finite useful lives to determine whether there is any indication that these assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss (if any).

The recoverable amount of property, plant and equipment, right-of-use assets and intangible assets are estimated individually. When it is not possible to estimate the recoverable amount individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

In testing a cash-generating unit for impairment, corporate assets are allocated to the relevant cash-generating unit when a reasonable and consistent basis of allocation can be established, or otherwise they are allocated to the smallest group of cash generating units for which a reasonable and consistent allocation basis can be established. The recoverable amount is determined for the cash-generating unit or group of cash-generating units to which the corporate asset belongs, and is compared with the carrying amount of the relevant cash-generating unit or group of cash-generating units.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or a cash-generating unit) for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a cash-generating unit, the Group compares the carrying amount of a group of cash-generating units, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of cash-generating units, with the recoverable amount of the group of cash-generating units. In allocating the impairment loss, the impairment loss is allocated to the assets on a pro-rata basis based on the carrying amount of each asset in the unit or the group of cash-generating units. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit or the group of cash-generating units. An impairment loss is recognized immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit or a group of cash-generating units) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or a cash-generating unit or a group of cash-generating units) in prior years. A reversal of an impairment loss is recognized in profit or loss immediately.

***Financial instruments***

Financial assets and financial liabilities are recognized when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with IFRS 15. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets at FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets at FVTPL are recognized immediately in profit or loss.

The effective interest method is a method of calculating the amortized cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

*Financial assets*

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established generally by regulation or convention in the market place concerned.

All recognized financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Classification and subsequent measurement of financial assets

Financial assets that meet the following conditions are subsequently measured at amortized cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at FVTPL.

(i) Amortized cost and interest income

Interest income is recognized using the effective interest method for debt instruments measured subsequently at amortized cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognized by applying the effective interest rate to the amortized cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognized by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit-impaired.

(ii) Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortized cost are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognized in profit or loss. The net gain or loss recognized in profit or loss includes any dividend or interest earned on the financial asset and is included in the "other gains and losses" line item.

Impairment of financial assets subject to impairment assessment under IFRS 9

The Group performs impairment assessment under ECL model on financial assets (including trade receivables, other receivables, time deposits, restricted bank deposits and bank balances) which are subject to impairment assessment under IFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessments are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of past events and current conditions at the reporting date as well as the forecast of future economic conditions.

The Group always recognizes lifetime ECL for trade receivables.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless there has been a significant increase in credit risk since initial recognition, in which case the Group recognizes lifetime ECL. The assessment of whether lifetime ECL should be recognized is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

(ii) Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above analysis, the Group considers that default has occurred when a financial asset is more than one year past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event;

(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganization; or

(e) the disappearance of an active market for that financial asset because of financial difficulties.

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognized in profit or loss.

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data and forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights. The Group uses a practical expedient in estimating ECL on trade receivables using a provision matrix taking into consideration historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and forward-looking information, including time value of money where appropriate, that is available without undue cost or effort.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Lifetime ECL for trade receivables are considered on a collective basis taking into consideration past due information and relevant credit information such as forward-looking macroeconomic information.

For collective assessment, the Group takes into consideration the following characteristics when formulating the grouping:

- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on amortized cost of the financial asset.

The Group recognizes an impairment gain or loss in profit or loss for all financial instruments by adjustment to their carrying amount, except for trade receivables and other receivables where the corresponding adjustment is recognized through a loss allowance account.

Foreign exchange gains and losses

The carrying amount of financial assets that are denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of each reporting period. Specifically for financial assets measured at amortized cost that are not part of a designated hedging relationship, exchange differences are recognized in profit or loss in the 'Other gains and losses' line item as part of the net foreign exchange gains/(losses).

Derecognition of financial assets

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset measured at amortized cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss.

*Financial liabilities and equity*

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognized at the proceeds received, net of direct issue costs.

Financial liabilities

All financial liabilities are subsequently measured at amortized cost using the effective interest method.

*Financial liabilities at amortized cost*

Financial liabilities, including trade payable, other payables, payables for purchase of property, plant and equipment and guarantee deposits are subsequently measured at amortized cost, using the effective interest method.

*Derecognition of financial liabilities*

The Group derecognizes financial liabilities when, and only when, the Group's obligations are discharged, canceled or have expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

## 3. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, the management of the Group is required to make judgments, estimates and assumptions about the carrying amounts of assets that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and further periods.

**Key sources of estimation uncertainty**

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets within the next financial year.

***Estimated useful lives of property, plant and equipment***

The Group determines the estimated useful lives and related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature, taking into consideration of the production plan. The Group will increase the depreciation charge where useful lives are expected to be less than previously estimated lives, or will write off or write down those assets which are technically obsolete or abandoned.

***Allowance for inventories***

The Group reviews the carrying amount of inventories at each balance sheet date to determine whether the inventories are carried at the lower of cost and realizable value. Net realizable value is estimated based on current market situation and historical experience on similar inventories. Any change in these assumptions may increase or decrease the amount of inventory allowance or its subsequent reversal. The change in allowance would affect the Group's profit for the year.

## 4. REVENUE

### (i) Disaggregation of revenue from contracts with customers

| | For the year ended December 31 | | | Nine months ended September 30 | |
|---|---|---|---|---|---|
| | 2022 | 2023 | 2024 | 2024 | 2025 |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000 (unaudited)* | *RMB'000* |
| **Type of goods** | | | | | |
| Copper-based cultural and creative products | 479,645 | 488,005 | 551,251 | 389,196 | 424,600 |
| – Copper ornaments | 428,004 | 434,161 | 497,831 | 351,260 | 390,203 |
| – Copper engraved artworks | 51,641 | 53,844 | 53,420 | 37,936 | 34,397 |
| Plastic figures and toys | 3,286 | 13,304 | 14,252 | 11,089 | 6,959 |
| Silver cultural and creative products | 4,771 | 3,320 | 4,232 | 1,086 | 6,538 |
| Gold cultural and creative products | – | – | 1,274 | 820 | 9,496 |
| Wooden cultural and creative products | 15,483 | 1,754 | 179 | 164 | 79 |
| **Total** | 503,185 | 506,383 | 571,188 | 402,355 | 447,672 |
| **Timing of revenue recognition** | | | | | |
| A point in time | 503,185 | 506,383 | 571,188 | 402,355 | 447,672 |

| | For the year ended December 31 | | | Nine months ended September 30 | |
|---|---|---|---|---|---|
| | 2022 | 2023 | 2024 | 2024 | 2025 |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000 (unaudited)* | *RMB'000* |
| **Sales channel** | | | | | |
| Direct sales | 371,845 | 370,955 | 438,277 | 302,319 | 351,138 |
| – Online direct sales | 355,392 | 353,977 | 402,889 | 278,823 | 317,286 |
| – Retail stores sales | 3,648 | 3,624 | 17,627 | 10,940 | 21,573 |
| – Other direct sales | 12,805 | 13,354 | 17,761 | 12,556 | 12,279 |
| Distribution partnerships | 127,794 | 121,369 | 116,982 | 91,437 | 74,624 |
| – Online distributors | 51,842 | 47,027 | 37,996 | 30,656 | 25,951 |
| – Offline distributors | 75,952 | 74,342 | 78,986 | 60,781 | 48,673 |
| Consignment arrangement | 3,546 | 14,059 | 15,929 | 8,599 | 21,910 |
| – Online | 3,546 | 13,990 | 14,185 | 7,621 | 20,210 |
| – Offline | – | 69 | 1,744 | 978 | 1,700 |
| **Total** | 503,185 | 506,383 | 571,188 | 402,355 | 447,672 |

**(ii) Performance obligations for contracts with customers and revenue recognition policies**

***Sales of goods***

The Group sells cultural and creative products to the customers through direct sales, distribution partnerships and consignment arrangement.

*Direct sales*

- Online direct sales

For online direct sales, revenue is recognized when control of goods has been transferred to customers, being at the point when confirmation of goods receipt by the customers or upon a certain period of time, usually 7 days, following the date of delivery as specified by the online platform, whichever is earlier.

Under the online direct sales, customers are entitled to return goods within a 7-day period upon date of delivery as specified by the online platform. The Group applies the expected value method based on accumulated historical experience, to estimate the volume of return on a portfolio level. Revenue is recognized only when it is highly probable that a significant reversal of the cumulative revenue recognized will not occur. A refund liability is recognized in respect of the expected refunds for estimated goods to be returned. The Group's right to recover products upon customers exercise their right is recognized as a right to returned goods asset, with a corresponding adjustment to cost of sales. The details of the refund liabilities estimated by the management of the Group are set out in Note 24.

- Retail store sales

Revenue from sales of goods through retail stores is recognized when control of the goods is transferred to the customer, being at the point the customer purchases the goods at the retail stores. Payment of the transaction price is due immediately at the point of sales.

- Other direct sales

For other direct sales, revenue is recognized when control of the goods is transferred, being when the goods have been delivered to the customers. These transactions are under cash on delivery.

*Distribution partnerships*

For sales of goods through online and offline distributors, revenue is recognized when control of the goods is transferred upon handed over to the distributor's designated carrier. The Group generally receives full advance from distributors prior to delivery. Accordingly, a contract liability is recognized for the advances received in respect of sales for which revenue has yet been recognized. In certain cases, credit term of 30 to 60 days from the date of delivery are extended to selected distributors. Following the delivery, the distributor has full discretion over the manner of distribution and price to sell the goods, has the primary responsibility for selling the goods and bears the risks of obsolescence and loss in relation to the goods.

*Consignment arrangement*

For consignment arrangement, revenue is recognized when control of the goods is transferred to the end customers by the consignees. Prior to the sales, the Group typically ships the goods to the consignees; however, control of the goods remains with the Group until they are delivered to the end customers. During this period, the Group retains full discretion over the pricing and distribution of the goods and continues to bear the risk associated with obsolescence and loss.

For sales of goods from direct sales, distribution partnerships and consignment arrangement, sales-related warranties associated with the goods sold cannot be purchased separately and they serve as an assurance that the products sold comply with agreed-upon specification. Accordingly, the Group accounts for warranties in accordance with IAS 37.

*Points accumulation program*

For online direct sales, points are granted to the customer by the Group on each purchase. These points entitle customers to discounts on future purchases that would not be granted without the initial purchases. As such, the promise provides future discounts constitutes a separate performance obligation under the contract. The total transaction price is allocated between the product sold and the points based on their relative stand-alone selling prices. The stand-alone selling price of the points is estimated by reference to the value of the discount offered upon redemption and the expected redemption rate, which is determined using the Group's historical data. At the time of the initial sales, a contract liability is recognized in respect of the points. Revenue relating to the points is subsequently recognized when the points are redeemed. For points not expected to be redeemed, revenue is recognized in proportion to the pattern of the rights exercised by customers.

**(iii) Transaction price allocated to the remaining performance obligation for contracts with customers**

Contract liabilities arising from advances received from customers and from unredeemed points are expected to be recognized as revenue within one year. As permitted under IFRS 15, the Group does not disclose the transaction price allocated to these unsatisfied performance obligations.

**(iv) Segment information**

Information reported to Mr. Yu, being the chief operating decision maker, uses revenue analysis by type of goods and by sales channel for the purposes of resource allocation and assessment. No other discrete financial information is provided other than the Group's results and financial position as a whole. Accordingly, only entity-wide disclosures, including major customers and geographic information, are presented.

***Geographical information***

Information about the Group's revenue from external customers is presented based on the location of the operations.

| | For the year ended December 31 | | | Nine months ended September 30 | |
|---|---|---|---|---|---|
| | 2022 | 2023 | 2024 | 2024 | 2025 |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000 (unaudited)* | *RMB'000* |
| Chinese Mainland | 495,990 | 500,514 | 564,147 | 396,700 | 442,847 |
| Taiwan | 7,195 | 5,869 | 6,624 | 5,238 | 4,794 |
| United States | – | – | 417 | 417 | 31 |
| | 503,185 | 506,383 | 571,188 | 402,355 | 447,672 |

As at December 31, 2022, 2023 and 2024, and September 30, 2025, the Group's non-current assets are all located in the Chinese Mainland.

***Information about major customers***

No customer contributes over 10% of total revenue of the Group over the Track Record Period.

## 5. OTHER INCOME

| | For the year ended December 31 | | | Nine months ended September 30 | |
|---|---|---|---|---|---|
| | 2022 | 2023 | 2024 | 2024 | 2025 |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000 (unaudited)* | *RMB'000* |
| Sales of scrap and others | 4,009 | 3,391 | 4,242 | 2,698 | 2,837 |
| Sales of accessories | 206 | 58 | 28 | 24 | 17 |
| Rental income *(note i)* | 5,143 | 5,143 | 3,656 | 2,742 | 2,788 |
| Government grants related to: | | | | | |
| – Income *(note ii)* | 2,255 | 2,850 | 2,475 | 2,125 | 707 |
| – Asset *(note iii)* | 175 | 153 | 146 | 73 | 109 |
| Super deduction of value added tax | 358 | 2,418 | 2,414 | 1,272 | 631 |
| Interest income on bank deposits | 759 | 1,042 | 1,077 | 843 | 652 |
| Compensation from third parties | 842 | 565 | 332 | 257 | 233 |
| | 13,747 | 15,620 | 14,370 | 10,034 | 7,974 |

*Notes:*

(i) In respect of rental income, direct operating expenses incurred for properties that generated rental income amounted to RMB2,264,609, RMB2,229,975, RMB1,605,838, RMB1,204,393 and RMB1,205,450 for the years ended December 31, 2022, 2023 and 2024, and for the nine months ended September 30, 2024 (unaudited) and September 30, 2025, respectively.

(ii) The Group's income from government grants comprises financial incentives provided by related local government authorities in the PRC. These incentives were awarded in recognition of the Group's support and contribution to local economic development. No specific conditions were attached to the grants received from these local government authorities.

(iii) The Group has received certain government grants as incentive for investing in plant and machineries. The grants have been recognized in profit or loss over the useful lives of the relevant assets. Details of the grants are set out in Note 26.

## 6. OTHER GAINS AND LOSSES

| | For the year ended December 31 | | | Nine months ended September 30 | |
|---|---|---|---|---|---|
| | 2022 | 2023 | 2024 | 2024 | 2025 |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000 (unaudited)* | *RMB'000* |
| (Loss) gain on disposal of property, plant and equipment | (352) | 79 | (247) | (247) | (211) |
| Gain on disposal of interest in an associate | – | – | 5 | 5 | – |
| Net foreign exchange gains (losses) | 394 | 26 | 157 | 66 | (19) |
| Fair value gain of financial assets at FVTPL | – | – | 345 | 36 | 1,323 |
| | 42 | 105 | 260 | (140) | 1,093 |

## 7. FINANCE COSTS

| | For the year ended December 31 | | | Nine months ended September 30 | |
|---|---|---|---|---|---|
| | 2022 | 2023 | 2024 | 2024 | 2025 |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000 (unaudited)* | *RMB'000* |
| Interest on: | | | | | |
| – lease liabilities | – | 5 | 96 | 69 | 83 |
| – bank borrowings | 896 | – | 1 | – | – |
| | 896 | 5 | 97 | 69 | 83 |

## 8. PROFIT BEFORE TAX

Profit before tax has been arrived at after charging (crediting):

| | For the year ended December 31 | | | Nine months ended September 30 | |
|---|---|---|---|---|---|
| | 2022 | 2023 | 2024 | 2024 | 2025 |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000 (unaudited)* | *RMB'000* |
| Depreciation of property, plant and equipment | 12,025 | 13,480 | 16,331 | 12,142 | 12,663 |
| Depreciation of right-of-use assets | 523 | 229 | 1,663 | 1,121 | 2,126 |
| Amortization of intangible assets | 931 | 2,476 | 2,327 | 1,520 | 3,232 |
| Total depreciation and amortization | 13,479 | 16,185 | 20,321 | 14,783 | 18,021 |
| Less: Capitalized in inventories | (7,144) | (8,453) | (10,490) | (7,263) | (7,598) |
| | 6,335 | 7,732 | 9,831 | 7,520 | 10,423 |
| Directors' remuneration *(Note 10)* | 1,544 | 1,846 | 2,573 | 1,408 | 1,590 |
| Salaries, allowances and benefits | 156,851 | 153,726 | 169,480 | 127,670 | 125,378 |
| Retirement benefits scheme contributions | 9,541 | 9,532 | 11,302 | 8,442 | 8,705 |
| Total staff costs (including directors) | 167,936 | 165,104 | 183,355 | 137,520 | 135,673 |
| Less: Capitalized in inventories | (128,810) | (117,178) | (129,765) | (97,529) | (91,441) |
| | 39,126 | 49,926 | 53,590 | 39,991 | 44,232 |
| Impairment losses under expected credit loss model, net of reversal on: | | | | | |
| – Trade receivables | 756 | (743) | 190 | 80 | (39) |
| – Other receivables | – | 28 | – | – | – |
| | 756 | (715) | 190 | 80 | (39) |
| Auditors' remuneration | 116 | 943 | 472 | 472 | 472 |
| Write-down of inventories (included in cost of sales) | 2,296 | 1,510 | 1,664 | 1,480 | 1,609 |
| Reversal of inventories write-down (included in cost of sales) | (2,159) | (1,695) | (840) | (946) | (1,084) |
| Cost of inventories recognized as cost of sales (excluding write-down and reversal of write-down of inventories) | 333,135 | 334,042 | 360,204 | 246,604 | 279,675 |

## 9. INCOME TAX EXPENSES

| | For the year ended December 31 | | | Nine months ended September 30 | |
|---|---|---|---|---|---|
| | 2022 | 2023 | 2024 | 2024 | 2025 |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000 (unaudited)* | *RMB'000* |
| Current tax: | | | | | |
| PRC Enterprise Income Tax ("EIT") | 5,283 | 2,624 | 9,297 | 5,886 | 3,038 |
| Over provision in prior years | – | – | – | – | (411) |
| Deferred tax: | | | | | |
| Current year *(Note 17)* | 224 | 86 | (213) | (135) | (10) |
| | 5,507 | 2,710 | 9,084 | 5,751 | 2,617 |

Under the Enterprise Income Tax Law of the PRC (the "EIT Law") and its Implementation Regulation of the EIT Law, the EIT rate of the subsidiaries operating in the PRC is 25% during the Track Record Period.

However, throughout the Track Record Period, the Company has been accredited as "High and New Technology Enterprise" and is therefore eligible for a preferential EIT rate of 15% up to the year ending December 31, 2026. In addition, certain subsidiaries of the Group operating in the PRC have been accredited as "Micro and Small Enterprise" and are therefore eligible for a preferential EIT rate of 20%.

| | For the year ended December 31 | | | Nine months ended September 30 | |
|---|---|---|---|---|---|
| | 2022 | 2023 | 2024 | 2024 | 2025 |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000 (unaudited)* | *RMB'000* |
| Profit before tax | 62,445 | 46,841 | 88,066 | 59,019 | 44,170 |
| Tax charge at the EIT rate of 25% | 15,611 | 11,710 | 22,017 | 14,755 | 11,043 |
| Tax at concessionary rates | (6,244) | (4,420) | (8,523) | (5,736) | (4,122) |
| Over provision in prior years | – | – | – | – | (411) |
| Tax effect of expenses not deductible for tax purpose | 133 | 5 | 22 | 14 | 14 |
| Effect of super deduction in research and development expenses | (2,783) | (4,179) | (4,216) | (3,096) | (3,663) |
| Effect of additional tax deduction for certain expenses | (521) | (239) | (246) | (183) | (187) |
| Tax effect of unused tax losses not recognized as deferred tax assets | 35 | 13 | 46 | 32 | 1 |
| Utilization of tax losses previously not recognized as deferred tax assets | (724) | (180) | (16) | (35) | (58) |
| Income tax expenses | 5,507 | 2,710 | 9,084 | 5,751 | 2,617 |

## 10. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS

Details of the emoluments paid or payable to the individuals who were appointed as the directors and chief executive of the Company (including emoluments for services as employees/directors of the group entities prior to becoming the directors of the Company), during the Track Record Period, disclosed pursuant to the applicable Listing Rules and Hong Kong Companies Ordinance, are as follows:

**For the year ended December 31, 2022**

| | Director's fee | Salaries, allowances and benefits | Retirement benefits scheme contributions | Total |
|---|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| *Executive directors:* | | | | |
| Yu Guang *(note i)* | – | 587 | 36 | 623 |
| He Yun | – | 435 | 36 | 471 |
| Luo Renxiang *(note ii)* | – | 258 | 12 | 270 |
| Duan Lanchun *(note v)* | – | – | – | – |
| Lin Xiangfeng *(note v)* | – | – | – | – |
| *Non-executive director:* | | | | |
| Xiao Feng | – | – | – | – |
| *Independent non-executive directors:* | | | | |
| Tu Bisheng | 60 | – | – | 60 |
| Lou Tianyang *(note viii)* | 60 | – | – | 60 |
| Hu Zhe *(note vi)* | 60 | – | – | 60 |
| | 180 | 1,280 | 32 | 1,544 |

**For the year ended December 31, 2023**

| | Director's fee | Salaries, allowances and benefits | Retirement benefits scheme contributions | Total |
|---|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| *Executive directors:* | | | | |
| Yu Guang *(note i)* | – | 587 | 34 | 621 |
| He Yun | – | 506 | 34 | 540 |
| Luo Renxiang *(note ii)* | – | 494 | 11 | 505 |
| Duan Lanchun *(note v)* | – | – | – | – |
| Lin Xiangfeng *(note v)* | – | – | – | – |
| *Non-executive director:* | | | | |
| Xiao Feng | – | – | – | – |
| *Independent non-executive directors:* | | | | |
| Tu Bisheng | 60 | – | – | 60 |
| Lou Tianyang *(note viii)* | 60 | – | – | 60 |
| Hu Zhe *(note vi)* | 60 | – | – | 60 |
| | 180 | 1,587 | 79 | 1,846 |

**For the year ended December 31, 2024**

| | Director's fee | Salaries, allowances and benefits | Retirement benefits scheme contributions | Total |
|---|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| *Executive directors:* | | | | |
| Yu Guang *(note i)* | – | 652 | 36 | 688 |
| He Yun | – | 559 | 36 | 595 |
| Luo Renxiang *(note ii)* | – | 533 | 12 | 545 |
| Duan Lanchun *(note v)* | – | – | – | – |
| Lin Xiangfeng *(note v)* | – | – | – | – |
| Chen Ruiguang *(note iii)* | – | 138 | 6 | 144 |
| Wang Xiaoxia *(note iii)* | – | 433 | 18 | 451 |
| *Non-executive director:* | | | | |
| Xiao Feng | – | – | – | – |
| *Independent non-executive directors:* | | | | |
| Tu Bisheng | 60 | – | – | 60 |
| Lou Tianyang *(note viii)* | 60 | – | – | 60 |
| Hu Zhe *(note vi)* | – | – | – | – |
| Huang Wenli *(note iv)* | 30 | – | – | 30 |
| | 150 | 2,315 | 108 | 2,573 |

**For the nine months ended September 30, 2024 (unaudited)**

| | Director's fee | Salaries, allowances and benefits | Retirement benefits scheme contributions | Total |
|---|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| *Executive directors:* | | | | |
| Yu Guang *(note i)* | – | 320 | 26 | 346 |
| He Yun | – | 274 | 25 | 299 |
| Luo Renxiang *(note ii)* | – | 265 | 8 | 273 |
| Chen Ruiguang *(note iii)* | – | 69 | 3 | 72 |
| Wang Xiaoxia *(note iii)* | – | 302 | 11 | 313 |
| Duan Lanchun *(note v)* | – | – | – | – |
| Lin Xiangfeng *(note v)* | – | – | – | – |
| *Non-executive director:* | | | | |
| Xiao Feng | – | – | – | – |
| *Independent non-executive directors:* | | | | |
| Tu Bisheng | 45 | – | – | 45 |
| Lou Tianyang *(note viii)* | 45 | – | – | 45 |
| Huang Wenli *(note iv)* | 15 | – | – | 15 |
| Hu Zhe *(note vi)* | – | – | – | – |
| | 105 | 1,230 | 73 | 1,408 |

**For the nine months ended September 30, 2025**

| | Director's fee | Salaries, allowances and benefits | Retirement benefits scheme contributions | Total |
|---|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| *Executive directors:* | | | | |
| Yu Guang *(note i)* | – | 298 | 28 | 326 |
| He Yun | – | 277 | 28 | 305 |
| Luo Renxiang *(note ii)* | – | 253 | 10 | 263 |
| Chen Ruiguang *(note iii)* | – | 223 | 9 | 232 |
| Wang Xiaoxia *(note iii)* | – | 291 | 28 | 319 |
| *Non-executive director:* | | | | |
| Xiao Feng | – | – | – | – |
| *Independent non-executive directors:* | | | | |
| Tu Bisheng | 45 | – | – | 45 |
| Lou Tianyang *(note viii)* | 30 | – | – | 30 |
| Huang Wenli *(note iv)* | 45 | – | – | 45 |
| Fong Chun Fai *(note vii)* | 25 | – | – | 25 |
| | 145 | 1,342 | 103 | 1,590 |

The executive directors' emoluments shown above were for their services in connection with the management of the affairs of the Company and the Group.

The non-executive directors' emoluments shown above were for their services as directors of the Company and its subsidiaries, if applicable.

The independent non-executive director's emolument shown above was for his services as director of the Company.

*Notes:*

i. Mr. Yu is the chairman and chief executive officer of the Company during the Track Record Period.

ii. Luo Renxiang is the chief financial officer of the Company during the Track Record Period.

iii. Appointed as executive director in July 2024.

iv. Appointed as independent non-executive director in July 2024.

v. Resigned as executive director in July 2024.

vi. Resigned as independent executive director in July 2024.

vii. Appointed as independent non-executive director in April 2025.

viii. Resigned as independent non-executive director in July 2025.

None of the directors of the Company have waived any emoluments during the Track Record Period.

**Five highest paid individuals' emoluments**

The five highest paid employees of the Group included 1, 2, 2, 1 and 1 directors of the Company whose emoluments are set out above for the years ended December 31, 2022, 2023 and 2024, and the nine months ended September 30, 2024 (unaudited) and 2025. The emoluments of the remaining 4, 3, 3, 4 and 4 highest paid individuals were as follows:

| | For the year ended December 31 | | | Nine months ended September 30 | |
|---|---|---|---|---|---|
| | 2022 | 2023 | 2024 | 2024 | 2025 |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000 (unaudited)* | *RMB'000* |
| Salaries, allowances and benefits | 2,163 | 1,654 | 1,667 | 1,540 | 1,384 |
| Retirement benefit scheme contributions | 102 | 78 | 40 | 47 | 66 |
| | 2,265 | 1,732 | 1,707 | 1,587 | 1,450 |

During the Track Record Period, no emoluments were paid by the Group to the directors of the Company or the five highest paid individuals (including directors and employees) as an inducement to join or upon joining the Group or as compensation for loss of office.

The emoluments of the five highest paid individuals were within the following bands:

| | Number of individuals For the year ended December 31 | | | Number of individuals Nine months ended September 30 | |
|---|---|---|---|---|---|
| | 2022 | 2023 | 2024 | 2024 | 2025 |
| | | | | *(unaudited)* | |
| Nil to HK$1,000,000 . . . | 5 | 5 | 5 | 5 | 5 |

## 11. EARNINGS PER SHARE

The calculation of the basic earnings per share attributable to owners of the Company is based on the following data:

| | For the year ended December 31 | | | Nine months ended September 30 | |
|---|---|---|---|---|---|
| | 2022 | 2023 | 2024 | 2024 | 2025 |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* *(unaudited)* | *RMB'000* |
| Earnings: | | | | | |
| Earnings for the purpose of calculating basic earnings per share . . . | 56,938 | 44,131 | 78,982 | 53,268 | 41,553 |

| | Number of shares | | | | |
|---|---|---|---|---|---|
| | 2022 | 2023 | 2024 | September 30, 2024 | September 30, 2025 |
| | | | | *(unaudited)* | |
| Number of shares: | | | | | |
| Weighted average number of ordinary shares for the purpose of calculating basic earnings per share . . . | 57,000,000 | 57,000,000 | 57,000,000 | 57,000,000 | 57,000,000 |

No diluted earnings per share for the years ended December 31, 2022, 2023 and 2024, and the nine months ended September 30, 2024 (unaudited) and 2025 were presented as there were no potential ordinary shares in issue.

## 12. DIVIDENDS

No dividends were proposed or paid to the Company's ordinary shareholders during the Track Record Period, nor have any dividends been proposed since the end of the reporting period.

## 13. PROPERTY, PLANT AND EQUIPMENT

**The Group**

| | Plant and buildings | Machineries | Leasehold improvements | Office equipment | Motor vehicles | Construction in progress ("CIP") | Total |
|---|---|---|---|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| **COST** | | | | | | | |
| As at January 1, 2022 | 168,718 | 31,729 | 1,860 | 5,087 | 1,941 | 183 | 209,518 |
| Additions | – | 5,252 | – | 3,436 | 1,500 | 10,143 | 20,331 |
| Disposals | – | (1,968) | – | (185) | – | – | (2,153) |
| Transfer | 1,422 | 8,904 | – | – | – | (10,326) | – |
| As at December 31, 2022 | 170,140 | 43,917 | 1,860 | 8,338 | 3,441 | – | 227,696 |
| Additions | – | 12,385 | – | 2,231 | 2,105 | 7,457 | 24,178 |
| Disposals | (494) | (496) | (1,860) | (186) | (1,213) | – | (4,249) |
| Transfer | 949 | 282 | 404 | – | – | (1,635) | – |
| As at December 31, 2023 | 170,595 | 56,088 | 404 | 10,383 | 4,333 | 5,822 | 247,625 |
| Additions | – | 3,515 | 1,993 | 1,265 | 6,120 | 933 | 13,826 |
| Disposals | – | (82) | – | (5) | (2,349) | – | (2,436) |
| Transfer | 246 | 6,509 | – | – | – | (6,755) | – |
| As at December 31, 2024 | 170,841 | 66,030 | 2,397 | 11,643 | 8,104 | – | 259,015 |
| Additions | – | 11,211 | 2,819 | 801 | 2,148 | 126 | 17,105 |
| Disposals | – | (263) | – | – | (677) | – | (940) |
| Transfer | – | 70 | – | – | – | (70) | – |
| As at September 30, 2025 | 170,841 | 77,048 | 5,216 | 12,444 | 9,575 | 56 | 275,180 |
| **DEPRECIATION** | | | | | | | |
| As at January 1, 2022 | 38,547 | 7,774 | 1,345 | 2,541 | 180 | – | 50,387 |
| Provided for the year | 5,378 | 3,730 | 482 | 1,633 | 802 | – | 12,025 |
| Eliminated on disposals | – | (1,441) | – | (120) | – | – | (1,561) |
| As at December 31, 2022 | 43,925 | 10,063 | 1,827 | 4,054 | 982 | – | 60,851 |
| Provided for the year | 5,518 | 4,443 | 49 | 2,598 | 872 | – | 13,480 |
| Eliminated on disposals | (240) | (67) | (1,860) | (186) | (553) | – | (2,906) |
| As at December 31, 2023 | 49,203 | 14,439 | 16 | 6,466 | 1,301 | – | 71,425 |
| Provided for the year | 5,548 | 5,799 | 974 | 2,410 | 1,600 | – | 16,331 |
| Eliminated on disposals | – | (76) | – | (4) | (47) | – | (127) |
| As at December 31, 2024 | 54,751 | 20,162 | 990 | 8,872 | 2,854 | – | 87,629 |
| Provided for the period | 4,120 | 4,644 | 1,156 | 1,242 | 1,501 | – | 12,663 |
| Eliminated on disposals | – | (123) | – | – | (90) | – | (213) |
| As at September 30, 2025 | 58,871 | 24,683 | 2,146 | 10,114 | 4,265 | – | 100,079 |
| **CARRYING VALUES** | | | | | | | |
| As at December 31, 2022 | 126,215 | 33,854 | 33 | 4,284 | 2,459 | – | 166,845 |
| As at December 31, 2023 | 121,392 | 41,649 | 388 | 3,917 | 3,032 | 5,822 | 176,200 |
| As at December 31, 2024 | 116,090 | 45,868 | 1,407 | 2,771 | 5,250 | – | 171,386 |
| As at September 30, 2025 | 111,970 | 52,365 | 3,070 | 2,330 | 5,310 | 56 | 175,101 |

**The Company**

| | Machineries | Leasehold improvements | Office equipment | Motor vehicles | CIP | Total |
|---|---|---|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| **COST** | | | | | | |
| As at January 1, 2022 | 27,910 | 9,923 | 5,074 | 1,941 | 183 | 45,031 |
| Additions | 5,204 | – | 3,436 | 1,500 | 10,143 | 20,283 |
| Disposals | (1,968) | – | (185) | – | – | (2,153) |
| Transfer | 8,904 | 1,422 | – | – | (10,326) | – |
| As at December 31, 2022 | 40,050 | 11,345 | 8,325 | 3,441 | – | 63,161 |
| Additions | 12,385 | – | 2,231 | 2,105 | 7,457 | 24,178 |
| Disposals | (453) | (1,860) | (186) | (1,213) | – | (3,712) |
| Transfer | 282 | 1,353 | – | – | (1,635) | – |
| As at December 31, 2023 | 52,264 | 10,838 | 10,370 | 4,333 | 5,822 | 83,627 |
| Additions | 3,515 | 1,963 | 1,265 | 6,120 | 933 | 13,796 |
| Disposals | (82) | – | (5) | (2,349) | – | (2,436) |
| Transfer | 6,509 | 246 | – | – | (6,755) | – |
| As at December 31, 2024 | 62,206 | 13,047 | 11,630 | 8,104 | – | 94,987 |
| Additions | 11,211 | 2,819 | 801 | 2,148 | 126 | 17,105 |
| Disposals | (263) | – | – | (677) | – | (940) |
| Transfer | 70 | – | – | – | (70) | – |
| As at September 30, 2025 | 73,224 | 15,866 | 12,431 | 9,575 | 56 | 111,152 |
| **DEPRECIATION** | | | | | | |
| As at January 1, 2022 | 5,918 | 5,048 | 2,529 | 180 | – | 13,675 |
| Provided for the year | 3,411 | 1,161 | 1,633 | 802 | – | 7,007 |
| Eliminated on disposals | (1,441) | – | (120) | – | – | (1,561) |
| As at December 31, 2022 | 7,888 | 6,209 | 4,042 | 982 | – | 19,121 |
| Provided for the year | 4,093 | 875 | 2,598 | 872 | – | 8,438 |
| Eliminated on disposals | (44) | (1,860) | (186) | (553) | – | (2,643) |
| As at December 31, 2023 | 11,937 | 5,224 | 6,454 | 1,301 | – | 24,916 |
| Provided for the year | 5,582 | 1,787 | 2,410 | 1,600 | – | 11,379 |
| Eliminated on disposals | (76) | – | (4) | (47) | – | (127) |
| As at December 31, 2024 | 17,443 | 7,011 | 8,860 | 2,854 | – | 36,168 |
| Provided for the period | 4,459 | 1,771 | 1,241 | 1,501 | – | 8,972 |
| Eliminated on disposals | (123) | – | – | (90) | – | (213) |
| As at September 30, 2025 | 21,779 | 8,782 | 10,101 | 4,265 | – | 44,927 |
| **CARRYING VALUES** | | | | | | |
| As at December 31, 2022 | 32,162 | 5,136 | 4,283 | 2,459 | – | 44,040 |
| As at December 31, 2023 | 40,327 | 5,614 | 3,916 | 3,032 | 5,822 | 58,711 |
| As at December 31, 2024 | 44,763 | 6,036 | 2,770 | 5,250 | – | 58,819 |
| As at September 30, 2025 | 51,445 | 7,084 | 2,330 | 5,310 | 56 | 66,225 |

Except for CIP, the above items of property, plant and equipment are depreciated on a straight-line basis, after taking into account of the residual value, as follows:

| | |
|---|---|
| Plant and buildings | 2-5% per annum |
| Machineries | 10% per annum |
| Leasehold improvements | 10-63% per annum |
| Office equipment | 19-48% per annum |
| Motor vehicles | 19-24% per annum |

As at December 31, 2022, 2023 and 2024, and September 30, 2025, plant and buildings with carrying amount of RMB103,544,000, RMB100,770,000 and nil, and nil, respectively, are pledged for banking facilities by the Group.

**The Group as lessor**

The Group leases out part of plant and buildings under operating leases. The leases typically run for an initial period of 1 year throughout the Track Record Period. None of the leases includes variable lease payments. The disaggregation of this part of plant under operating leases and the reconciliation of the carrying amount at the beginning and end of the period are set out as below:

| | *RMB'000* |
|---|---|
| **COST** | |
| As at January 1, 2022 | 94,459 |
| Termination | (20,890) |
| As at December 31, 2022 | 73,569 |
| Termination | (195) |
| As at December 31, 2023 | 73,374 |
| Termination | (19,228) |
| As at December 31, 2024 | 54,146 |
| Termination | (559) |
| As at September 30, 2025 | 53,587 |
| **DEPRECIATION** | |
| As at January 1, 2022 | 21,922 |
| Charge for the year | 2,197 |
| Eliminated on termination | (4,859) |
| As at December 31, 2022 | 19,260 |
| Charge for the year | 2,230 |
| Eliminated on termination | (64) |
| As at December 31, 2023 | 21,426 |
| Charge for the year | 1,606 |
| Eliminated on termination | (5,973) |
| As at December 31, 2024 | 17,059 |
| Charge for the period | 1,192 |
| Eliminated on termination | (176) |
| As at September 30, 2025 | 18,075 |
| **CARRYING VALUES** | |
| As at December 31, 2022 | 54,309 |
| As at December 31, 2023 | 51,948 |
| As at December 31, 2024 | 37,087 |
| As at September 30, 2025 | 35,512 |

## 14. RIGHT-OF-USE ASSETS

**The Group as lessee**

| | **Land use right** | **Leased properties** | **Total** |
|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* |
| **As at December 31, 2022** | | | |
| Carrying amount | 5,957 | – | 5,957 |
| **As at December 31, 2023** | | | |
| Carrying amount | 5,786 | 795 | 6,581 |
| **As at December 31, 2024** | | | |
| Carrying amount | 7,525 | 2,446 | 9,971 |
| **As at September 30, 2025** | | | |
| Carrying amount | 7,421 | 6,050 | 13,471 |
| **For the year ended December 31, 2022** | | | |
| Depreciation charge | 170 | 353 | 523 |

| | Land use right | Leased properties | Total |
|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* |
| **For the year ended December 31, 2023** | | | |
| Depreciation charge | 170 | 59 | 229 |
| **For the year ended December 31, 2024** | | | |
| Depreciation charge | 170 | 1,493 | 1,663 |
| **For the period ended September 30, 2025** | | | |
| Depreciation charge | 161 | 1,965 | 2,126 |

| | For the year ended December 31 | | | Nine months ended September 30 |
|---|---|---|---|---|
| | 2022 | 2023 | 2024 | 2025 |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Expense relating to short-term leases | 851 | 968 | 692 | 494 |
| Variable lease payments not included in the measurement of lease liabilities | 117 | – | 48 | 49 |
| Total cash outflow for leases | 968 | 1,452 | 4,984 | 3,970 |
| Additions to right-of-use assets | – | 854 | 5,053 | 5,624 |

For the years ended December 31, 2022, 2023 and 2024, and the nine months ended September 30, 2025, the Group leases various retail stores for operational purpose. Lease contracts were entered into with fixed terms, with no extension options, ranging from 39 months, 24 to 25 months, 23 to 25 months, and 23 to 38 months, respectively. The Group assessed that it is reasonably certain not to exercise the termination option.

Lease terms are individually negotiated and contain different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period during which the contract is enforceable.

In addition, leasehold land with a lease term of 50 years represents upfront payments for land use right in the Chinese Mainland, for which the Group has obtained the land use right certificates.

The Group regularly entered into short-term leases for dormitory and certain retail stores. As at December 31, 2022, 2023, 2024, and September 30, 2025, the portfolio of short-term leases is similar to the portfolio of short-term leases to which the short-term lease expenses are disclosed above.

**Variable lease payments**

Leases of retail stores contain variable lease payment that are based on 20%, 8% to 20%, 8% to 12%, and 8% to 12% of sales along with minimum annual lease payment that are fixed over the lease term during the years ended December 31, 2022, 2023 and 2024 and the nine months ended September 30, 2025. Certain variable payment terms include cap clauses. These types of lease terms are common in retail stores in the PRC where the Group operates. The fixed and variable lease payments paid/payable to relevant lessors during the Track Record Period:

| | Number of stores | Fixed payments | Variable payments | Total payments |
|---|---|---|---|---|
| | | *RMB'000* | *RMB'000* | *RMB'000* |
| **For the year ended December 31, 2022** | | | | |
| Retail stores with variable lease payments | 1 | – | 117 | 117 |
| **For the year ended December 31, 2023** | | | | |
| Retail stores with variable lease payments | 2 | 62 | – | 62 |
| **For the year ended December 31, 2024** | | | | |
| Retail stores with variable lease payments | 8 | 1,682 | 48 | 1,730 |
| **For the nine months ended September 30, 2025** | | | | |
| Retail stores with variable lease payments | 17 | 2,154 | 49 | 2,203 |

The overall financial effect of using variable payment terms is that higher rental costs are incurred by stores with higher sales. It is expected that variable rent expenses will continue to account for a similar proportion of store sales in future years.

**Restrictions or covenants on leases**

As at December 31, 2022, 2023 and 2024, and September 30, 2025, lease liabilities of nil, RMB797,000, RMB2,355,000 and RMB5,851,000 are recognized along with related right-of-use assets of nil, RMB795,000, RMB2,446,000 and RMB6,050,000, respectively. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Except for the land use right with carrying amount of RMB5,957,000, RMB5,786,000, nil and nil are pledged for banking facilities by the Group for the years ended December 31, 2022, 2023 and 2024, and the nine months ended September 30, 2025, respectively, leased assets are not permitted to be used as security for borrowing purposes.

**The Company as lessee**

| | Leased properties |
|---|---|
| | *RMB'000* |
| **As at December 31, 2022** | |
| Carrying amount | – |
| **As at December 31, 2023** | |
| Carrying amount | 795 |
| **As at December 31, 2024** | |
| Carrying amount | 2,446 |
| **As at September 30, 2025** | |
| Carrying amount | 6,050 |
| **For the year ended December 31, 2022** | |
| Depreciation charge | 353 |
| **For the year ended December 31, 2023** | |
| Depreciation charge | 59 |
| **For the year ended December 31, 2024** | |
| Depreciation charge | 1,493 |
| **For the period ended September 30, 2025** | |
| Depreciation charge | 1,965 |

Information pertaining to these leased properties are provided above.

**15. INTANGIBLE ASSETS**

**The Group and the Company**

| | Intellectual property right |
|---|---|
| | *RMB'000* |
| **COST** | |
| As at January 1, 2022 | 920 |
| Additions | 3,320 |
| Expiry | (637) |
| As at December 31, 2022 | 3,603 |
| Additions | 1,375 |
| Expiry | (1,368) |
| As at December 31, 2023 | 3,610 |
| Additions | 5,946 |
| Expiry | (3,216) |
| As at December 31, 2024 | 6,340 |
| Additions | 4,669 |
| As at September 30, 2025 | 11,009 |

| | Intellectual property right |
|---|---|
| | *RMB'000* |
| **AMORTIZATION** | |
| As at January 1, 2022 | 539 |
| Charge for the year | 931 |
| Eliminated on expiry | (637) |
| As at December 31, 2022 | 833 |
| Charge for the year | 2,476 |
| Eliminated on expiry | (1,368) |
| As at December 31, 2023 | 1,941 |
| Charge for the year | 2,327 |
| Eliminated on expiry | (3,216) |
| As at December 31, 2024 | 1,052 |
| Charge for the year | 3,232 |
| As at September 30, 2025 | 4,284 |
| **CARRYING VALUES** | |
| As at December 31, 2022 | 2,770 |
| As at December 31, 2023 | 1,669 |
| As at December 31, 2024 | 5,288 |
| As at September 30, 2025 | 6,725 |

Intellectual property right is amortized on a straight-line basis over the estimated useful life of 2 years to 10 years which represent the contract term.

## 16. INTEREST IN AN ASSOCIATE

**The Group and the Company**

| | As at December 31 | | | As at September 30 |
|---|---|---|---|---|
| | 2022 | 2023 | 2024 | 2025 |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Cost of investment in an associate | 3,000 | 3,000 | – | 300 |
| Share of post-acquisition results | (777) | (777) | – | – |
| | 2,223 | 2,223 | – | 300 |
| Less: Accumulated impairment loss recognized | (2,223) | (2,223) | – | – |
| | – | – | – | 300 |

On March 19, 2019, the Group acquired 30% equity interest in Yiyou Technology (Beijing) Co., Ltd. ("Yiyou Technology") for a total consideration of RMB3,000,000. According to the articles of association of Yiyou Technology, all significant decision regarding relevant activities require the approval of shareholders representing more than two-thirds of total votes, with voting rights allocated in proportion to each shareholder's equity interest. As a result, the Group accounted for this investment as an associate using the equity method.

As at December 31, 2022 and 2023, Yiyou Technology has been fully impaired due to its poor performance and the directors of the Company estimated the recoverable amount of Yiyou Technology to be less than its carrying amount.

During the year ended December 31, 2024, the Group disposed of its entire equity interest in Yiyou Technology to an independent third party for a total cash consideration of RMB5,000, resulting a recognition of a gain on disposal of interest in an associate amounting to RMB5,000.

On August 19, 2025, the Group acquired 30% equity interest in Xuyexu (Hangzhou) Culture Technology Co., Ltd*. (許也許(杭州)文化科技有限公司, "Xuyexu Hangzhou"), which is principally engaged in provision of digital content creation, advertisement and marketing activities, and internet-based media services, for a total consideration of RMB300,000. According to the articles of association of Xuyexu Hangzhou, any significant decisions concerning relevant activities require shareholders' approval with a majority vote exceeding 50%, with voting rights allocated in proportion to each shareholder's equity interest. As such, the Group accounted for this investment as an associate using the equity method.

Xuyexu Hangzhou was a newly setup entity with no active operation in business from date of establishment to September 30, 2025, the share of post-acquisition result and share of net assets of Xuyexu Hangzhou from date of establishment to September 30, 2025 were insignificant and not presented.

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* *English name is for identification purpose only.*

**17. DEFERRED TAXATION**

**The Group and the Company**

The following is a summary of the deferred tax balances for financial reporting purposes:

| | As at December 31 | | | As at September 30 |
|---|---|---|---|---|
| | 2022 | 2023 | 2024 | 2025 |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Deferred tax assets | 316 | 230 | 443 | 453 |

The following are the major deferred tax assets and liabilities recognized and movements thereon before offsetting during the reporting periods:

| | Allowance on inventories and credit losses | Lease liabilities | Right-of-use assets | Deferred income | Others | Total |
|---|---|---|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| As at January 1, 2022 | 371 | – | – | 169 | – | 540 |
| Credited (charged) to profit or loss | 134 | – | – | (26) | (332) | (224) |
| As at December 31, 2022 | 505 | – | – | 143 | (332) | 316 |
| (Charged) credited to profit or loss | (140) | 120 | (119) | (23) | 76 | (86) |
| As at December 31, 2023 | 365 | 120 | (119) | 120 | (256) | 230 |
| Credited (charged) to profit or loss | 152 | 234 | (248) | (22) | 97 | 213 |
| As at December 31, 2024 | 517 | 354 | (367) | 98 | (159) | 443 |
| Credited (charged) to profit or loss | 73 | 524 | (540) | (17) | (30) | 10 |
| As at September 30, 2025 | 590 | 878 | (907) | 81 | (189) | 453 |

As at December 31, 2022, 2023 and 2024, and September 30, 2025, the Group had unused tax losses of RMB1,972,000, RMB857,000, RMB1,057,000, and RMB828,000, respectively, available to offset against future profits. No deferred tax asset has been recognized in respect of these unused tax losses arising from the subsidiaries due to the unpredictability of future profit streams sufficient to utilize the losses.

The unrecognized tax losses will be carried forward and expire in years as follows:

| | As at December 31 | | | As at September 30 |
|---|---|---|---|---|
| | 2022 | 2023 | 2024 | 2025 |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| 2026 | 1,736 | 620 | 510 | 510 |
| 2027 | 236 | 151 | 151 | 57 |
| 2028 | – | 87 | 87 | – |
| 2029 | – | – | 309 | 258 |
| 2030 | – | – | – | 3 |
| | 1,972 | 857 | 1,057 | 828 |

## 18. INVENTORIES

**The Group and the Company**

| | As at December 31 | | | As at September 30 |
|---|---|---|---|---|
| | 2022 | 2023 | 2024 | 2025 |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Raw materials and consumables | 20,883 | 22,345 | 22,354 | 33,882 |
| Work in progress | 18,517 | 30,360 | 26,456 | 29,985 |
| Finished goods | 71,476 | 47,951 | 76,574 | 84,634 |
| Goods in transit | 4,805 | 6,505 | 6,921 | 4,776 |
| | 115,681 | 107,161 | 132,305 | 153,277 |

Inventories are stated at net of write-down of approximately RMB2,422,000, RMB2,237,000, RMB3,061,000 and RMB3,586,000 for the years ended December 31, 2022, 2023 and 2024, and the nine months ended September 30, 2025, respectively.

The aging of inventories (not including goods in transit), net of allowance for inventories, is presented as follows:

| | As at December 31 | | | As at September 30 |
|---|---|---|---|---|
| | 2022 | 2023 | 2024 | 2025 |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| 0 to 90 days | 63,870 | 61,786 | 71,157 | 84,146 |
| 91 to 180 days | 23,413 | 7,936 | 16,368 | 32,765 |
| 181 to 365 days | 18,197 | 14,433 | 13,377 | 4,146 |
| Above one year to two years | 4,037 | 14,011 | 13,231 | 11,092 |
| Above two years | 1,359 | 2,490 | 11,251 | 16,352 |
| | 110,876 | 100,656 | 125,384 | 148,501 |

## 19. TRADE AND OTHER RECEIVABLES

**The Group**

| | As at December 31 | | | As at September 30 |
|---|---|---|---|---|
| | 2022 | 2023 | 2024 | 2025 |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Trade receivables | 6,752 | 2,884 | 9,421 | 8,525 |
| Less: allowance for credit losses | (944) | (169) | (359) | (320) |
| | 5,808 | 2,715 | 9,062 | 8,205 |
| Other receivables | 1,965 | 1,579 | 2,394 | 5,185 |
| Less: allowance for credit losses | – | (28) | (28) | (28) |
| | 1,965 | 1,551 | 2,366 | 5,157 |
| Amount due from a related party | – | – | – | 1,115 |
| Advances to suppliers | 1,811 | 2,455 | 4,942 | 5,283 |
| Prepayments for purchase of property, plant and equipment | – | – | – | 1,799 |
| Prepaid expenses | 978 | 2,164 | 858 | 56 |
| Value added tax recoverable | 410 | 584 | 1,403 | 1,709 |
| Deferred issued costs | – | – | – | 4,444 |
| | 3,199 | 5,203 | 7,203 | 14,406 |
| Total trade and other receivables | 10,972 | 9,469 | 18,631 | 27,768 |

As at January 1, 2022, trade receivables from contracts with customers amounted to RMB6,609,000 (net of allowances for credit losses of RMB188,000).

The Group allows a credit period ranging from 30 to 60 days to its certain customers. An aged analysis of trade receivables (net of allowance for credit losses), based on invoice dates, is presented as follows:

| | As at December 31 | | | As at September 30 |
|---|---|---|---|---|
| | 2022 | 2023 | 2024 | 2025 |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| 0-30 days not past due | 4,766 | 2,715 | 8,465 | 7,791 |
| 31-60 days not past due | 1,042 | – | 597 | 414 |
| | 5,808 | 2,715 | 9,062 | 8,205 |

Details of the impairment assessment of trade receivables and other receivables are set out in Note 29b.

The amount due from a related party is trade related, unsecured, interest-free and repayable on demand.

Trade and other receivables denominated in currencies other than the functional currency of the respective group entities are set out below:

| | As at December 31 | | | As at September 30 |
|---|---|---|---|---|
| | 2022 | 2023 | 2024 | 2025 |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| United States dollar ("US$") | 1,719 | 678 | 1,197 | 963 |

**The Company**

| | As at December 31 | | | As at September 30 |
|---|---|---|---|---|
| | 2022 | 2023 | 2024 | 2025 |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Trade receivables | | | | |
| – Subsidiaries | 3,361 | 4,799 | 1,673 | 1,244 |
| – Third parties | 6,752 | 2,884 | 9,421 | 7,501 |
| | 10,113 | 7,683 | 11,094 | 8,745 |
| Less: allowance for credit losses | (944) | (169) | (359) | (320) |
| | 9,169 | 7,514 | 10,735 | 8,425 |
| Other receivables | | | | |
| – Subsidiaries | 123,613 | 116,330 | 106,997 | 102,027 |
| – Third parties | 1,737 | 1,023 | 2,049 | 4,869 |
| | 125,350 | 117,353 | 109,046 | 106,896 |
| Less: allowance for credit losses | – | (28) | (28) | (28) |
| | 125,350 | 117,325 | 109,018 | 106,868 |
| Amount due from a related party | – | – | – | 118 |
| Advances to suppliers | | | | |
| – Subsidiaries | – | 219 | – | – |
| – Third parties | 1,666 | 2,455 | 4,851 | 5,074 |
| | 1,666 | 2,674 | 4,851 | 5,074 |
| Prepayments for purchase of property, plant and equipment | – | – | – | 1,799 |
| Prepaid expenses | 978 | 2,164 | 775 | 56 |
| Value added tax recoverable | 100 | 285 | 1,077 | 1,405 |
| Deferred issued costs | – | – | – | 4,444 |
| | 2,744 | 5,123 | 6,703 | 12,896 |
| Total trade and other receivables | 137,263 | 129,962 | 126,456 | 128,189 |

## 20. FINANCIAL ASSET AT FVTPL

**The Group and the Company**

| | As at December 31 | | | As at September 30 |
|---|---|---|---|---|
| | 2022 | 2023 | 2024 | 2025 |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Structured deposits | – | – | 30,097 | 32,299 |

During the year ended December 31, 2024, the Group entered into structured deposits with banks, which have maturity terms of 90 days or less. The return on these deposits is linked to foreign currency market. For the year ended December 31, 2024, the expected annualised yield rate was 2.5% per annum.

During the nine months ended September 30, 2025, the Group entered into structured deposits with banks, of which certain structured deposits have no maturity date and other structured deposits have maturity terms of 97 days or less. The return on these deposits is linked to the yield of 10-year Chinabond Treasury bonds and foreign currency market, and performance of underlying investments with expected yield rate ranging from 1.59% to 2.1% per annum.

Further details regarding the fair value measurement of these financial assets at FVTPL are disclosed in Note 29.

## 21. BANK BALANCES AND CASH/RESTRICTED BANK DEPOSIT/TIME DEPOSITS

**The Group**

Bank balances and cash of the Group comprised of cash and short-term bank deposits with original maturities of three months or less. These short-term bank deposits bear interests at market rates, ranging from 0.05% to 0.9%, 0.05% to 0.7%, 0.1% to 1.3%, and 0.05% to 1.3% per annum as at December 31, 2022, 2023 and 2024, and September 30, 2025, respectively.

As at December 31, 2022, margin deposit held by the Group for derivative trading purpose were subject to restriction and, therefore, not classified as cash and cash equivalents.

As at December 31, 2024 and September 30, 2025, time deposits with original maturity of over three months were carried at fixed interest rates ranging from 1.7% to 2.6% per annum.

**The Company**

Bank balances and cash of the Company comprised of cash and short-term bank deposits with original maturities of three months or less. These short-term bank deposits bear interests at market rates, ranging from 0.05% to 0.9%, 0.05% to 0.7%, 0.1% to 1.3%, and 0.05% to 1.3% per annum as at December 31, 2022, 2023 and 2024, and September 30, 2025, respectively.

As at December 31, 2024 and September 30, 2025, time deposits with original maturity of over three months were carried at fixed interest rates ranging from 1.7% to 2.6% per annum.

Bank balances and cash denominated in currencies other than the functional currency of the respective group entities are presented below:

| | As at December 31 | | | As at September 30 |
|---|---|---|---|---|
| | 2022 | 2023 | 2024 | 2025 |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| US$ | 6,753 | 494 | – | 472 |
| EUR | * | * | * | * |

* Amount below RMB1,000.

## 22. TRADE AND OTHER PAYABLES

**The Group**

| | As at December 31 | | | As at September 30 |
|---|---|---|---|---|
| | 2022 | 2023 | 2024 | 2025 |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Trade payables | 31,077 | 34,525 | 32,554 | 32,266 |
| Amount due to a related party | – | – | – | 232 |
| Other payables and accruals | 7,779 | 6,825 | 7,222 | 7,943 |
| Payables for purchase of property, plant and equipment | 5,088 | 4,459 | 2,607 | 3,146 |
| Distributor guarantee deposits | 5,281 | 5,346 | 3,740 | 2,901 |
| Accrued [**REDACTED**] | – | – | – | 1,754 |
| Accrued issue cost | – | – | – | 608 |
| Salary and bonus payables | 12,353 | 17,380 | 15,513 | 17,467 |
| Other taxes payables | 5,089 | 4,500 | 6,948 | 5,217 |
| Total trade and other payables | 66,667 | 73,035 | 68,584 | 71,534 |

Payment terms with suppliers are mainly on credit within 60 days from the time when the goods are received. An aged analysis of trade payables, based on invoice date at the end of the reporting period, is presented as follows:

The amount due to a related party is trade related, unsecured, interest-free and repayable on demand.

| | As at December 31 | | | As at September 30 |
|---|---|---|---|---|
| | 2022 | 2023 | 2024 | 2025 |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| 0-30 days | 21,763 | 29,965 | 29,216 | 28,934 |
| 31-60 days | 9,314 | 4,560 | 3,338 | 3,332 |
| | 31,077 | 34,525 | 32,554 | 32,266 |

**The Company**

| | As at December 31 | | | As at September 30 |
|---|---|---|---|---|
| | 2022 | 2023 | 2024 | 2025 |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Trade payables | 31,058 | 34,525 | 32,554 | 32,266 |
| Amount due to a related party | – | – | – | 232 |
| Other payables and accruals | | | | |
| – Subsidiaries | 549 | 205 | – | 2,224 |
| – Third parties | 7,179 | 6,797 | 7,222 | 7,907 |
| | 7,728 | 7,002 | 7,222 | 10,131 |
| Payables for purchase of property, plant and equipment | 3,959 | 4,199 | 2,289 | 3,064 |
| Distributor guarantee deposits | 5,281 | 5,346 | 3,740 | 2,901 |
| Accrued [**REDACTED**] | – | – | – | 1,754 |
| Accrued issue cost | – | – | – | 608 |
| Salary and bonus payables | 12,353 | 17,380 | 15,513 | 17,467 |
| Other taxes payables | 3,113 | 1,797 | 4,216 | 3,093 |
| Total trade and other payables | 63,492 | 70,249 | 65,534 | 71,516 |

## 23. CONTRACT LIABILITIES

**The Group**

| | As at December 31 | | | As at September 30 |
|---|---|---|---|---|
| | 2022 | 2023 | 2024 | 2025 |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Current liabilities: | | | | |
| – Advance payments from distributors | 5,343 | 11,288 | 4,903 | 6,434 |
| – Points accumulation program | 319 | 350 | 381 | 515 |
| | 5,662 | 11,638 | 5,284 | 6,949 |

As at January 1, 2022, contract liabilities of the Group amounted to RMB14,053,000.

All contract liabilities outstanding at the end of each reporting period are expected to be recognized as revenue within the following year.

The typical payment terms that impact on the contract liabilities are as follows:

– **Advance payments from distributors**

The Group usually receives 100% advance payments from distributors prior to the delivery of goods. These advance receipts are recorded as contract liabilities and are recognized as revenue when the control of the goods is transferred to them.

– **Points accumulation program**

Customers earn points through purchases of goods made on online direct sales. These points can be redeemed for discounts on future purchases. As a result, the Group recognized a contract liability for the value of unredeemed points, which will be subsequently recognized as revenue upon redemption.

**The Company**

| | As at December 31 | | | As at September 30 |
|---|---|---|---|---|
| | 2022 | 2023 | 2024 | 2025 |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Current liabilities: | | | | |
| – Advance payments from distributors | 5,343 | 11,288 | 4,903 | 6,434 |
| – Advance payments from subsidiaries | 145 | 9 | 1,245 | 1,726 |
| – Points accumulation program | 319 | 350 | 381 | 515 |
| | 5,807 | 11,647 | 6,529 | 8,675 |

As at January 1, 2022, contract liabilities of the Company amounted to RMB13,053,000.

## 24. RIGHT TO RETURNED GOODS ASSET/REFUND LIABILITIES

The right to returned goods asset represents the Group's and the Company's contractual right to recover products from customers who exercise their right of return under the 7-day return policy. The Group estimates expected returns at the portfolio level using the expected value method, based on historical experience.

Refund liabilities arise from customers' right to return products within 7 days of purchase. At the time of sale, the Group recognizes a refund liability and a corresponding adjustment to revenue for products expected to be returned. These estimates are also determined on a portfolio level using the expected value method, reflecting the Group's historic return patterns.

## 25. LEASE LIABILITIES

**The Group and the Company**

| | As at December 31 | | | As at September 30 |
|---|---|---|---|---|
| | 2022 | 2023 | 2024 | 2025 |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| **Lease liabilities payable:** | | | | |
| Within one year | – | 403 | 2,016 | 3,638 |
| Within a period of more than one year but not exceeding two years | – | 394 | 339 | 2,213 |
| | – | 797 | 2,355 | 5,851 |
| Less: amounts due within one year shown under current liabilities | – | (403) | (2,016) | (3,638) |
| Amounts shown under non-current liabilities | – | 394 | 339 | 2,213 |

For the years ended December 31, 2023 and 2024, and the nine months ended September 30, 2025, the weighted average incremental borrowing rate applied to lease liabilities were 4.20%, 4.01% and 3.75%, respectively.

## 26. DEFERRED INCOME

**The Group and the Company**

| | Asset related government grant |
|---|---|
| | *RMB'000* |
| As at January 1, 2022 | 1,131 |
| Credited to profit or loss *(Note 5)* | (175) |
| As at December 31, 2022 | 956 |
| Credited to profit or loss *(Note 5)* | (153) |
| As at December 31, 2023 | 803 |
| Credited to profit or loss *(Note 5)* | (146) |
| As at December 31, 2024 | 657 |
| Credited to profit or loss *(Note 5)* | (109) |
| As at September 30, 2025 | 548 |

The government grants were recognized in profit or loss over the useful lives of the relevant assets.

## 27. SHARE CAPITAL OF THE COMPANY

**Authorized, issued and fully paid:**

| | Number of shares | Par value | Share capital |
|---|---|---|---|
| | | *RMB* | *RMB'000* |
| As at January 1, 2022, December 31, 2022, December 31, 2023, December 31, 2024 and September 30, 2025 | 57,000 | 1 | 57,000 |

## 28. CAPITAL RISK MANAGEMENT

The Group manages its capital with the objective of ensuring the Group entities will be able to continue as a going concern, while maximizing the return to shareholders through the efficient management of debt-to-equity ratio. The Group's overall capital management strategy remained consistent throughout the Track Record Period.

The Group's capital structure comprises net debt, which includes lease liabilities as disclosed in Note 25, net of cash and cash equivalents and equity attributable to owners of the Company, which includes share capital and reserves.

The Company's directors review the Group's capital structure regularly, taking into account the cost of capital and the risk associated with each class of capital. Based on these assessments and recommendation of the directors, the Group seeks to maintain an optimal capital structure through the combination of dividend distribution, share issuances, and share repurchases as well as the issue of new debt, as appropriate.

## 29. FINANCIAL INSTRUMENTS

### a. Categories of financial instruments

| | As at December 31 | | | As at September 30 |
|---|---|---|---|---|
| | 2022 | 2023 | 2024 | 2025 |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| **Financial assets** | | | | |
| Financial assets at amortized cost | 63,450 | 118,360 | 131,764 | 139,220 |
| Financial assets at FVTPL | – | – | 30,097 | 32,299 |
| **Financial liabilities** | | | | |
| Financial liabilities at amortized cost | 44,699 | 46,025 | 39,890 | 39,527 |

### b. Financial risk management objectives and policies

The Group's major financial assets and liabilities include trade and other receivables, financial assets at FVTPL, time deposits, bank balances and cash, trade and other payables and refund liabilities. Details of these financial instruments are disclosed in the respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management of the Group manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

***Market risk***

The Group's operations expose it primarily to currency risk and interest rate risk. There were no significant change in the Group's exposure to these risks, nor the manner in which it managed and measured these risks during the Track Record Period.

*(i) Currency risk*

Certain entities of the Group engage in foreign currency transactions, including sales, which give rise to foreign currency risk. In addition, some of the Group's bank balances and cash, as well as trade and other receivables, are denominated in currencies other than the respective entities' functional currencies, thereby exposing the Group to foreign currency risk. The carrying amounts of monetary assets and liabilities denominated in foreign currencies, other than the functional currency of the respective entities, are disclosed in the relevant notes.

The Group is mainly exposed to foreign currency of US$, the carrying amounts of the Group's foreign currency denominated monetary assets (trade and other receivables and bank balances and cash):

| | As at December 31 | | | As at September 30 |
|---|---|---|---|---|
| | 2022 | 2023 | 2024 | 2025 |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| **Assets** | | | | |
| US$ | 8,472 | 1,172 | 1,197 | 1,435 |

***Sensitivity analysis***

The following table presents the Group's sensitivity to a 5% increase and decrease in RMB against US$, a foreign currency to which the Group may have a material exposure. The analysis is based on the Group's foreign currency denominated monetary items outstanding at the end of the reporting period, with their translation adjusted to reflect a 5% change in foreign currency rate. A positive number below indicates an increase in post-tax profit where RMB weakens 5% against US$, there would otherwise be an equal and opposite impact on the profit and other comprehensive income and the amounts below would be negative.

| | For the year December 31 | | | Nine months ended September 30 | |
|---|---|---|---|---|---|
| | 2022 | 2023 | 2024 | 2024 | 2025 |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000 (unaudited)* | *RMB'000* |
| Impact on profit or loss US$ | 360 | 50 | 51 | 126 | 61 |

*(ii) Interest rate risk*

The Group is exposed to fair value interest rate risk primarily in relation to fixed-rates bank balances and lease liabilities. The Group is also exposed to cash flow interest rate risk in relation to variable-rate bank balances.

As the management considers that the exposure of fair value interest rate risk and cash flow interest rate risk are insignificant, therefore no sensitivity analysis on such risk has been prepared.

***Credit risk and impairment assessment***

Credit risk refers to the risk that a counterparty will default on its contractual obligations, resulting in financial loss to the Group. At the end of each reporting period, the Group's maximum exposure to credit risk, which cause a financial loss to the Group due to failure to discharge an obligation by the counterparties, is arising from the carrying amount of the respective recognized financial assets, as disclosed in the consolidated statements of the financial position.

In order to minimize credit risk, the Group continuously monitors its exposure to counterparties and reviews their historical repayment records for its major customers and other debtors at the end of the reporting period to ensure that adequate impairment losses, if any, are made for irrecoverable amount.

The table below details the credit risk exposures of the Group's financial assets which are subject to ECL assessment:

| | | | As at December 31 | | | As at September 30 |
|---|---|---|---|---|---|---|
| | Internal credit rating | 12-month or lifetime ECL | 2022 Gross carrying amount | 2023 Gross carrying amount | 2024 Gross carrying amount | 2025 Gross carrying amount |
| | | | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| **Financial assets at amortized cost** | | | | | | |
| Bank balances *(note i)* | Low risk | 12-month ECL | 55,677 | 114,094 | 88,044 | 91,940 |
| Time deposits *(note i)* | Low risk | 12-month ECL | – | – | 32,292 | 32,803 |
| Other receivables *(note ii)* | Low risk | 12-month ECL | 1,965 | 1,579 | 2,394 | 6,300 |
| Trade receivables *(note iii)* | Not applicable | Lifetime ECL (collective assessment) | 5,962 | 2,777 | 9,314 | 8,418 |
| | | Lifetime ECL (individual assessment) | 790 | 107 | 107 | 107 |

*Notes:*

(i) The Group performed impairment assessment on bank balances and time deposits and concluded that the associated credit risk is limited, as the counterparties are reputable banks with high credit ratings.

(ii) For other receivables, the directors of the Company consider that there have been no significant increase in credit risk since initial recognition. Accordingly, the Group provided impairment based on 12m ECL. For the years ended December 31, 2022, 2023 and 2024, and the nine months ended September 30, 2025, the Group assessed the ECL for other receivables, and recognized loss allowance of nil, RMB28,000, nil and nil, respectively.

(iii) Trade receivables are grouped based on the shared credit risk characteristics, in which the trade receivables are grouped into (i) Group A: trade receivables arising from online direct sales, and (ii) Group B: remaining trade receivables arising from other than online direct sales. The directors of the Company consider that the Group A receivables carried low credit risk and therefore no loss allowance is recognized for this group. On the other hand, trade receivables with credit impaired are assessed individually by the Group.

*Trade receivables*

As part of the Group's credit risk management, the Group uses debtors' aging to assess the impairment for its customers in relation to its operation because these customers consist of a large number of small customers with common risk characteristics that are representative of the customers' abilities to pay all amounts due in accordance with the contractual terms. The following table provides information about the exposure to credit risk for trade receivables which are assessed on a collective basis by using provision matrix within lifetime ECL (not credit-impaired).

Gross carrying amount

| | December 31, 2022 | | |
|---|---|---|---|
| | Average loss rate | Gross amount of trade receivables | ECL amount |
| | | *RMB'000* | *RMB'000* |
| Group A: Current (not past due) | – | 835 | – |
| Group B: Current (not past due) | 3% | 5,127 | 154 |
| | | 5,962 | 154 |

| | December 31, 2023 | | |
|---|---|---|---|
| | Average loss rate | Gross amount of trade receivables | ECL Amount |
| | | *RMB'000* | *RMB'000* |
| Group A: Current (not past due) | – | 700 | – |
| Group B: Current (not past due) | 3% | 2,077 | 62 |
| | | 2,777 | 62 |

| | December 31, 2024 | | |
|---|---|---|---|
| | Average loss rate | Gross amount of trade receivables | ECL amount |
| | | *RMB'000* | *RMB'000* |
| Group A: Current (not past due) | – | 693 | – |
| Group B: Current (not past due) | 3% | 8,621 | 252 |
| | | 9,314 | 252 |

| | September 30, 2025 | | |
|---|---|---|---|
| | Average loss rate | Gross amount of trade receivables | ECL amount |
| | | *RMB'000* | *RMB'000* |
| Group A: Current (not past due) | – | 1,316 | – |
| Group B: Current (not past due) | 3% | 7,102 | 213 |
| | | 8,418 | 213 |

The estimated loss rates are estimated based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information that is available without undue cost or effort.

During the years ended December 31, 2022, 2023 and 2024, and the nine months ended September 30, 2025 the Group provided impairment loss of RMB154,000, RMB62,000, RMB252,000, and RMB213,000 for trade receivables respectively, based on collective assessment. The Group provided impairment allowances of RMB790,000, RMB107,000, RMB107,000, and RMB107,000 on trade receivables with gross carrying amounts of RMB790,000, RMB107,000, RMB107,000, and RMB107,000, as of December 31, 2022, 2023 and 2024, and September 30, 2025 respectively for the Track Record Period was assessed individually.

The following table shows the movement in lifetime ECL that has been recognized for trade receivables under the simplified approach using provision matrix.

| | As at December 31, | | | As at September 30, |
|---|---|---|---|---|
| | 2022 | 2023 | 2024 | 2025 |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| **Beginning balance** | 139 | 154 | 62 | 252 |
| Loss allowances recognized (reversed), net | 15 | (92) | 190 | (39) |
| **Closing balance** | 154 | 62 | 252 | 213 |

For the purposes of impairment assessment, the Group considers its other financial assets to be of low credit risk. As such, the loss allowance is measured at an amount equal to 12-month ECL. In determining the ECL for these financial assets at amortized cost, the directors of the Company have taken into account the historical default experience and the future prospects of the industries and/or considering various external sources of actual and forecast economic information, as appropriate. The directors of the Company considered that the 12-month ECL allowance is insignificant at the end of each reporting period.

***Liquidity risk***

In the management of the liquidity risk, the Group monitors and maintains a level of bank balances and cash deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

The following table details the Group's remaining contractual maturity for its financial liabilities and lease liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities according to the earliest date on which the Group is required to pay. The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate at the end of the reporting period.

| | Weighted average interest rate | On demand or less than one year | One to five years | Total un-discounted cash flows | Total carrying amounts |
|---|---|---|---|---|---|
| | % | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| **As December 31, 2022** | | | | | |
| Trade and other payables | | 44,699 | – | 44,699 | 44,699 |
| **As December 31, 2023** | | | | | |
| Trade and other payables | | 46,025 | – | 46,025 | 46,025 |
| Lease liabilities | 4.20% | 429 | 401 | 830 | 797 |
| | | 46,454 | 401 | 46,855 | 46,822 |

| | Weighted average interest rate | On demand or less than one year | One to five years | Total un-discounted cash flows | Total carrying amounts |
|---|---|---|---|---|---|
| | % | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| **As December 31, 2024** | | | | | |
| Trade and other payables | | 39,890 | – | 39,890 | 39,890 |
| Lease liabilities | 4.01% | 2,073 | 342 | 2,415 | 2,355 |
| | | 41,963 | 342 | 42,305 | 42,245 |
| **As at September 30, 2025** | | | | | |
| Trade and other payables | | 39,527 | – | 39,527 | 39,527 |
| Lease liabilities | 3.75% | 4,032 | 2,250 | 6,282 | 5,851 |
| | | 43,559 | 2,250 | 45,809 | 45,378 |

**c. Fair value measurements of financial instruments**

Some of the Group's financial instruments are measured at fair value for financial reporting purposes. In estimating the fair value, the Group uses market-observable data to the extent it is available.

***(i) Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis***

Some of the Group's financial assets are measured at fair value at the end of the reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used).

| Financial assets | Fair value as at December 31, 2024 | Fair value hierarchy | Valuation technique and key inputs | Significant unobservable inputs |
|---|---|---|---|---|
| Financial assets at FVTPL | Structured deposits: RMB30,097,000 | Level 2 | Discounted cash flows method, estimated based on expected return and market foreign exchange rate | N/A |

| Financial assets | Fair value as at September 30, 2025 | Fair value hierarchy | Valuation technique and key inputs | Significant unobservable inputs |
|---|---|---|---|---|
| Financial assets at FVTPL | Structured deposits: RMB32,299,000 | Level 2 | Discounted cash flows method, estimated based on expected return and market foreign exchange rate | N/A |

***(ii) Fair value of financial assets and financial liabilities that are not measured at fair value on a recurring basis***

The management of the Group considers the carrying amounts of financial assets and financial liabilities recorded at amortized cost in the consolidated statements of financial position approximate their fair value.

The fair values of these financial assets and financial liabilities at amortized cost are determined in accordance with generally accepted pricing models based on discounted cash flow analysis with the most significant inputs being the discount rate that reflects the credit risk of counterparties.

## 30. CAPITAL COMMITMENT

The Group had capital commitments for purchase of equipment and building construction under non-cancellable contracts as follows:

| | As at December 31, | | | As at September 30, |
|---|---|---|---|---|
| | 2022 | 2023 | 2024 | 2025 |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Contracted but not provided for – Property, plant and equipment | 109 | 265 | 354 | 2,881 |

## 31. RETIREMENT BENEFIT PLANS

The employees of the Company's and the Group's subsidiaries are members of the state-managed retirement benefits schemes operated by government. The subsidiaries are required to contribute a certain percentage of payroll costs to the retirement benefits schemes to fund the benefits. The only obligation of the Group with respect to the retirement benefits schemes is to make the specified contributions.

The total cost charged to profit or loss in respect of the above-mentioned schemes amounted to approximately RMB9,625,000, RMB9,613,000, RMB11,410,000, RMB8,515,000 and RMB8,808,000 for the years ended December 31, 2022, 2023 and 2024, and the nine months ended September 30, 2024 (unaudited) and the nine months ended September 30, 2025.

## 32. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both the cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

| | Lease liabilities | Borrowing | Accrued issue cost | Total |
|---|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| As at January 1, 2022 | – | 67,581 | – | 67,581 |
| Financing cash flows | – | (68,477) | – | (68,477) |
| Interest expenses | – | 896 | – | 896 |
| As at December 31, 2022 | – | – | – | – |
| Financing cash flows | (62) | – | – | (62) |
| Interest expenses | 5 | – | – | 5 |
| New lease entered | 854 | – | – | 854 |
| As at December 31, 2023 | 797 | – | – | 797 |
| Financing cash flows | (1,682) | (1) | – | (1,683) |
| Interest expenses | 96 | 1 | – | 97 |
| New lease entered | 3,144 | – | – | 3,144 |
| As at December 31, 2024 | 2,355 | – | – | 2,355 |
| Financing cash flows | (2,154) | – | (3,836) | (5,990) |
| Interest expenses | 83 | – | – | 83 |
| New lease entered | 5,567 | – | – | 5,567 |
| Deferred issue cost | – | – | 4,444 | 4,444 |
| As at September 30, 2025 | 5,851 | – | 608 | 6,459 |
| As at January 1, 2024 | 797 | – | – | 797 |
| Financing cash flows | (1,172) | 1,000 | – | (172) |
| Interest expenses | 69 | – | – | 69 |
| New lease entered | 3,143 | – | – | 3,143 |
| As at September 30, 2024 (unaudited) | 2,837 | 1,000 | – | 3,837 |

## 33. RELATED PARTY TRANSACTIONS AND BALANCES

The related parties and the relationship with the Group are as follows:

| Name of related party | Relationship |
|---|---|
| Hangzhou Tongmu Zhuyi Furniture Co., Ltd.* (杭州銅木主義傢具股份有限公司) ("Tongmu Zhuyi") | Controlled by Mr. Yu, who is controlling shareholder and chief executive officer of the Company. |
| Hebei Zhe Yi Jian Construction Engineering Co., Ltd.* (河北浙一建建築工程有限公司) ("Hebei Zhe Yi Jian") | Xiao Feng, an executive director of the Company, serves as the legal representative of the entity. |
| Mr. Yu Guang | Single largest shareholder |

* English names are for identification purpose only.

The Group had the following significant transactions and balances with related parties:

### (a) Related party transactions

#### *(i) Revenue from sales of goods (included in revenue)*

| | Year ended December 31, | | | Nine months ended September 30, | |
|---|---|---|---|---|---|
| | 2022 | 2023 | 2024 | 2024 | 2025 |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000 (unaudited)* | *RMB'000* |
| Tongmu Zhuyi | 208 | 58 | 28 | 24 | 17 |
| Hebei Zhe Yi Jian | – | 46 | 39 | 39 | – |
| | 208 | 104 | 67 | 63 | 17 |

#### *(ii) Rental income (included in other income)*

| | Year ended December 31, | | | Nine months ended September 30, | |
|---|---|---|---|---|---|
| | 2022 | 2023 | 2024 | 2024 | 2025 |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000 (unaudited)* | *RMB'000* |
| Tongmu Zhuyi | 5,143 | 5,143 | 3,656 | 2,742 | 2,788 |

#### *(iii) Purchases of raw materials (included in cost of sales)*

| | Year ended December 31, | | | Nine months ended September 30, | |
|---|---|---|---|---|---|
| | 2022 | 2023 | 2024 | 2024 | 2025 |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000 (unaudited)* | *RMB'000* |
| Tongmu Zhuyi | 196 | 3 | 982 | 571 | 768 |

### (b) Related party balances

| | Year ended December 31, | | | As at September 30, |
|---|---|---|---|---|
| | 2022 | 2023 | 2024 | 2025 |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Trade and other receivables – Trade nature: | | | | |
| Tongmu Zhuyi | – | – | – | 1,115 |
| Trade and other payables – Trade nature: | | | | |
| Tongmu Zhuyi | – | – | – | 232 |

**(c) Guarantees provided by related party**

During the year ended December 31, 2022, guarantees of RMB128,500,000 for borrowings were provided by Mr. Yu, the controlling shareholder of the Group. The guarantees were fully released in the year ended December 31, 2022.

**(d) Compensation of key management personnel**

The remuneration of the directors of the Company and other members of key management of the Group during the Track Record Period was as follows:

| | Year ended December 31, | | | Nine months ended September 30, | |
|---|---|---|---|---|---|
| | 2022 | 2023 | 2024 | 2024 | 2025 |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000 (unaudited)* | *RMB'000* |
| Directors' fees | 180 | 90 | 150 | 105 | 145 |
| Salaries and other benefits | 2,338 | 2,769 | 3,731 | 1,711 | 1,840 |
| Retirement benefits scheme contribution | 101 | 169 | 120 | 103 | 122 |
| | 2,619 | 3,028 | 4,001 | 1,919 | 2,107 |

The remuneration of key management is determined with reference to the performance of the individuals and market trends.

**34. RESERVES MOVEMENT OF THE COMPANY**

| | Capital reserve | Statutory reserve | Retained earnings | Total |
|---|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| **As at January 1, 2022** | 128,640 | 4,450 | 40,049 | 173,139 |
| Capital contribution from shareholder | 162 | – | – | 162 |
| Profit and total comprehensive income for the year | – | – | 52,413 | 52,413 |
| Transfer to statutory reserve | – | 5,241 | (5,241) | – |
| **As at December 31, 2022** | 128,802 | 9,691 | 87,221 | 225,714 |
| Profit and total comprehensive income for the year | – | – | 40,976 | 40,976 |
| Transfer to statutory reserve | – | 4,098 | (4,098) | – |
| **As at December 31, 2023** | 128,802 | 13,789 | 124,099 | 266,690 |
| Profit and total comprehensive income for the year | – | – | 76,299 | 76,299 |
| Transfer to statutory reserve | – | 7,630 | (7,630) | – |
| **As at December 31, 2024** | 128,802 | 21,419 | 192,768 | 342,989 |
| Profit and total comprehensive income for the period | – | – | 39,268 | 39,268 |
| Transfer to statutory reserve | – | 3,927 | (3,927) | – |
| **As at September 30, 2025** | 128,802 | 25,346 | 228,109 | 382,257 |

**35. DETAILS OF SUBSIDIARIES**

**The Company**

| | As at December 31, | | | As at September 30, |
|---|---|---|---|---|
| | 2022 | 2023 | 2024 | 2025 |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Unlisted shares, at cost *(note)* | 3,974 | 3,974 | 5,774 | 7,774 |

*Note:* During the nine months ended September 30, 2025, the Company injected capital contribution in cash of RMB1,000,000 into each of the subsidiary, namely Tongshifu (Hangzhou) Cultural and Creative Co., Ltd. and Xijiang Gold Shop (Hangzhou) Culture Co., Ltd.

The direct and indirect interests in the following subsidiaries held by the Company during the years ended December 31, 2022, 2023 and 2024, and the nine months ended September 30, 2025 are as follows:

| Name of subsidiaries | Place of establishment | Date of incorporation/ establishment | Registered capital/issued and fully paid capital (RMB'000) | Attributable equity interests held by the Company as at | | | | | Principal activities | Notes |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | | December 31, | | | September 30, | the date of this report | | |
| | | | | 2022 | 2023 | 2024 | 2025 | | | |
| Hangzhou Zhibo SanitaryWare Co., Ltd.. | PRC | June 1, 2012 | 2,000 | 100% | 100% | 100% | 100% | [100%] | House leasing | Note |
| Hangzhou Weitan Artwork Co., Ltd. . . | PRC | March 29, 2021 | 1,000 | 100% | 100% | 100% | 100% | [100%] | Operating store(s) on e-commerce platforms to sell wooden cultural and creative products | Note |
| Hangzhou Xijiang Art Painting Co., Ltd. . . | PRC | October 11, 2021 | 1,000 | 100% | 100% | 100% | 100% | [100%] | Operating store(s) on the e-commerce platform to sell bronze sculptures | Note |
| Huanxi Xiaojiang (Hangzhou) Cultural and Creative Co., Ltd. . | PRC | November 2, 2021 | 1,000 | 100% | 100% | 100% | 100% | [100%] | Operating store(s) on e-commerce platforms to sell plastic trendy products | Note |
| Yue Yin (Hangzhou) Cultural and Creative Co., Ltd. . . . . | PRC | June 27, 2022 | 1,000 | 100% | 100% | 100% | 100% | [100%] | Operating store(s) on an e-commerce platform to sell silver cultural and creative products | Note |
| Tongshifu (Hangzhou) Cultural and Creative Co., Ltd. . . . . | PRC | April 17, 2023 | 1,000 | – | 100% | 100% | 100% | [100%] | Retails of literary and artistic creation, arts and crafts, and figures | Note |
| Xijiang Gold Shop (Hangzhou) Culture Co., Ltd. . . . . | PRC | July 17, 2024 | 1,000 | – | – | 100% | 100% | [100%] | Operating store(s) on an e-commerce platforms to sell gold cultural and creative products | Note |

None of the subsidiaries had issued any debt securities at the end of the years ended December 31, 2022, 2023 and 2024, and the nine months ended September 30, 2025.

*Note:* No audited financial statements of these entities for the years ended December 31, 2022, 2023, 2024 and 2025, if applicable, have been prepared as of the date of this report.

## 36. SUBSEQUENT FINANCIAL STATEMENTS

[No audited financial statements of the Group, the Company or any of its subsidiaries have been prepared in respect of any period subsequent to September 30, 2025, and up to date of this report.]

## 37. EVENTS AFTER THE REPORTING PERIOD

[There were no significant events after September 30, 2025 and up to the date of this report.]

*The information set forth in this Appendix does not form part of the accountants' report on the historical financial information of the Group for the three years ended December 31, 2024, and nine months ended September 30, 2025 (the "Accountants' Report") prepared by [Deloitte Touche Tohmatsu], Certified Public Accountants, Hong Kong, the reporting accountants of the Company, as set forth in Appendix I to this document, and is included herein for information only.*

*The unaudited* [**REDACTED**] *financial information should be read in conjunction with the section headed "Financial Information" in this document and the Accountants' Report set forth in Appendix I to this document.*

## A. UNAUDITED [REDACTED] STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS OF THE GROUP ATTRIBUTABLE TO OWNERS OF THE COMPANY

The following unaudited [**REDACTED**] statement of adjusted consolidated net tangible assets of the Group attributable to owners of the Company which has been prepared in accordance with paragraph 4.29 of the Listing Rules is for illustration only, and is set out to illustrate the effect of the proposed [**REDACTED**] (as defined in this document) on the consolidated net tangible assets of the Group attributable to owners of the Company as at September 30, 2025, as if the [**REDACTED**] had taken place on that date.

The unaudited [**REDACTED**] statement of adjusted consolidated net tangible assets of the Group attributable to owners of the Company has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not give a true picture of the consolidated net tangible assets of the Group attributable to owners of the Company as at September 30, 2025 or as at any subsequent dates following the [**REDACTED**].

The following unaudited [**REDACTED**] statement of adjusted consolidated net tangible assets of the Group attributable to owners of the Company is prepared based on the audited consolidated net tangible assets of the Group attributable to owners of the Company as at September 30, 2025 as derived from the Accountants' Report set out in Appendix I to this document, and adjusted as described below.

| | **Audited consolidated net tangible assets of the Group attributable to owners of the Company as at September 30, 2025** | **Estimated [REDACTED] from the [REDACTED]** | **Unaudited [REDACTED] adjusted consolidated net tangible assets of the Group attributable to owners of the Company as at September 30, 2025** | **Unaudited [REDACTED] adjusted consolidated net tangible assets of the Group attributable to owners of the Company per Share as at September 30, 2025** | |
|---|---|---|---|---|---|
| | *Renminbi ("RMB") '000* *(Note 1)* | *RMB'000* *(Note 2)* | *RMB'000* | *RMB* *(Note 3)* | *Hong Kong dollars ("HK$")* *(Note 4)* |
| Based on the [**REDACTED**] of HK$[**REDACTED**] per [**REDACTED**] . . . . . | 443,969 | [REDACTED] | [REDACTED] | [REDACTED] | [REDACTED] |
| Based on the [**REDACTED**] of HK$[**REDACTED**] per [**REDACTED**] . . . . . | 443,969 | [REDACTED] | [REDACTED] | [REDACTED] | [REDACTED] |

*Notes:*

1. The audited consolidated net tangible assets of the Group attributable to owners of the Company as at September 30, 2025 is arrived at after deducting intangible assets attributable to owners of the Company of RMB6,725,000 from the audited consolidated net assets attributable to owners of the Company of RMB[450,694,000] as at September 30, 2025 as extracted from the Accountants' Report set out in Appendix I to this document.

2. The estimated [**REDACTED**] from the issue of [**REDACTED**] pursuant to the [**REDACTED**] are based on [**REDACTED**] Shares at the [**REDACTED**] of HK$[**REDACTED**] (equivalent to RMB[**REDACTED**]) and HK$[**REDACTED**] (equivalent to RMB[**REDACTED**]) per [**REDACTED**], being the high-end and low-end of the stated [**REDACTED**], after deduction of the estimated [**REDACTED**] fees and commissions and other [**REDACTED**] related expenses not yet recognized in profit or loss up to September 30, 2025. It does not take into account of any shares which may be allotted and issued upon the exercise of the [**REDACTED**].

   For the purpose of this unaudited [**REDACTED**] financial information, the estimated [**REDACTED**] from the [**REDACTED**] are converted from Hong Kong dollars into Renminbi at an exchange rate of HK$1.00 to RMB[0.8825], which was the exchange rate prevailing on March 6, 2026 with reference to the rate published by The People's Bank of China. No representation is made that Hong Kong dollar amounts have been, could have been or may be converted to Renminbi, or vice versa, at that rate or at all.

3. The unaudited [**REDACTED**] adjusted consolidated net tangible assets of the Group attributable to owners of the Company per Share as at September 30, 2025 is arrived on the basis that [**REDACTED**] shares including [**REDACTED**] existing ordinary shares in issue and [**REDACTED**] [**REDACTED**] were in issue assuming that the [**REDACTED**] had been completed on September 30, 2025 and it does not take into account of any shares which may be allotted and issued upon the exercise of the [**REDACTED**].

4. The unaudited [**REDACTED**] adjusted consolidated net tangible assets of the Group attributable to owners of the Company per Share as at September 30, 2025 is converted from Renminbi to Hong Kong dollars at an exchange rate of RMB1.00 to HK$[1.1331], which was the exchange rate prevailing on March 6, 2026 with reference to the rate published by The People's Bank of China. No representation is made that Renminbi amounts have been, could have been or may be converted to Hong Kong dollars, or vice versa, at that rate or at all.

5. No adjustment has been made to the unaudited [**REDACTED**] adjusted consolidated net tangible assets of the Group attributable to owners of the Company as at September 30, 2025 to reflect any trading result or other transaction of the Group entered into subsequent to September 30, 2025.

6. Based on the property valuation report as at February 28, 2026 set forth in "Appendix [III] — Property Valuation Report", the property interests of the Group attributable to owners of the Company had a revaluation surplus up to September 30, 2025 of approximately RMB121,703,000 representing the excess of the revalued amounts of these properties (including leasehold lands and buildings) over their carrying amounts to the extent attributable to owners of the Company. The unaudited [**REDACTED**] adjusted consolidated net tangible assets of the Group attributable to owners of the Company has not taken into account the revaluation surplus of properties held for own use (including leasehold lands and buildings) held by the Group, nor will the Group incorporate the revaluation surplus in its future financial statements. If the revaluation surplus up to September 30, 2025 is to be incorporated in the Group's future financial statements, additional annual depreciation of approximately RMB3,926,000 (excluding tax impact) would be charged.

[**REDACTED**]

[**REDACTED**]

[**REDACTED**]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

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[REDACTED]

[REDACTED]

[REDACTED]

*The following is the text of a letter and valuation report prepared for the purpose of incorporation in this document received from Cushman & Wakefield Limited, an independent property valuer, in connection with its opinion of value of the property interest held by the Group in the PRC as at February 28, 2026.*

27/F
One Island East
Taikoo Place
18 Westlands Road
Quarry Bay
Hong Kong

[●], 2026

The Directors
Hangzhou Tongshifu Cultural and Creative (Group) Co., Ltd
No. 777 Yading Road,
Yang Xi Street,
Jiande City,
Zhejiang Province,
The PRC

Dear Sirs/Madams,

**INSTRUCTIONS, PURPOSE & VALUATION DATE**

We refer to the instruction of Hangzhou Tongshifu Cultural and Creative (Group) Co., Ltd (the "Company") for Cushman & Wakefield Limited ("C&W") to prepare market valuation of the property in which the Company and/or its subsidiaries (together referred to as the "Group") have interests in the People's Republic of China (the "PRC"). We confirm that we have carried out inspection, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing the Company with our opinion of the value of the property as at February 28, 2026 (the "valuation date").

**VALUATION BASIS**

Our valuation of the property represents its market value which in accordance with The HKIS Valuation Standards 2024 Edition issued by The Hong Kong Institute of Surveyors is defined as "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion."

We confirm that the valuation is undertaken in accordance with The HKIS Valuation Standards, the RICS Global Valuation Standards and the International Valuation Standards.

In valuing the property, we have complied with the requirements set out in Chapter 5 and Practice Note 12 of the Rules governing the Listing of Securities published by the Stock Exchange of the Hong Kong Limited.

Our valuation of the property is on an entirety interest basis.

## VALUATION ASSUMPTIONS

Our valuation of the property excludes an estimated price inflated or deflated by special terms or circumstances such as atypical financing, sale and leaseback arrangement, special considerations or concessions granted by anyone associated with the sale, or any element of value available only to a specific owner or purchaser.

In the course of our valuation of the property, we have relied on the information and advice given by the Company's legal adviser, JunHe LLP (the "Company's PRC Legal Adviser"), regarding the title to the property and the interests of the Company in the property in the PRC. Unless otherwise stated in the respective legal opinion, in valuing the property, we have assumed that the Group has an enforceable title to the property and has free and uninterrupted rights to use, occupy or assign the property for the whole of the respective unexpired land use term as granted and that any premium payable has already been fully paid.

The status of titles and grant of major certificates, approvals and licences, in accordance with the information provided by the Company are set out in the notes of the valuation report. We have assumed that all consents, approvals and licences from relevant government authorities for the developments have been obtained without onerous conditions or delays. We have also assumed that the design and construction of the property is in compliance with the local planning regulations and have been approved by the relevant authorities.

No allowances have been made in our valuation for any charges, mortgages or amounts owing on the property nor any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the property is free from encumbrances, restrictions and outgoings of any onerous nature which could affect its value.

## METHOD OF VALUATION

In valuing property, we have used Market Comparison Method by making reference to comparable sales evidence as available in the relevant market subject to appropriate adjustments including but not limited to floor level, size, time, view and other relevant factors. Given that the property is industrial development, comparable sales transactions are frequent and information about such sales is readily available. We have therefore used Market Comparison Method which is in line with the market practice.

## SOURCE OF INFORMATION

In the course of our valuation, we have relied to a very considerable extent on the information given to us by the Group and its legal adviser, JunHe LLP, regarding the title to the property and the interests of the Group in the property. We have accepted advice given by the Group on such matters as planning approvals or statutory notices, easements, tenure, identification of land and buildings, particulars of occupancy, site and floor areas, interest attributable to the Group and all other relevant matters.

Dimensions, measurements and areas are based on the copies of documents or other information provided to us by the Company and are therefore only approximations. No on-site measurement has been carried out. We have had no reason to doubt the truth and accuracy of the information provided by the Company which is material to the valuation. We were also advised that no material facts have been omitted from the information provided to us.

**TITLE INVESTIGATION**

We have been provided with copies of the title documents relating to the property but have not carried out any land title searches. Moreover, we have not inspected the original documents to verify ownership or to ascertain any amendments which may not appear on the copies handed to us. We are also unable to ascertain the title of the property in the PRC and we have therefore relied on the advice given by the Company regarding its interests in the property.

In the course of our valuation, we have relied to a considerable extent on the information given by the Group and its legal adviser, JunHe LLP, in respect of the title to the property in the PRC.

**SITE INSPECTION**

Ms. Sammie Tse of our Hangzhou Office who is a Registered China Real Estate Appraiser, inspected the exterior and, where possible, the interior of the property on February 27, 2026. However, no structural survey has been made, but in the course of our inspection, we did not note any serious defects. Moreover, we have not carried out investigation on site to determine the suitability of the soil conditions and the services etc. for any future development. Our valuation is prepared on the assumption that these aspects are satisfactory and that no extraordinary expenses or delays will be incurred during the construction period. We are, however, not able to report that the property is free of rot, infestation or other structural defects. No test was carried out on any of the services. Our valuation is prepared on the assumption that these aspects are satisfactory.

Unless otherwise stated, we have not carried out detailed on-site measurements to verify the site and floor areas of the property and we have assumed that the areas shown on the documents handed to us are correct.

**CONFIRMATION OF INDEPENDENCE**

We hereby confirm that C&W and the undersigned have no pecuniary or other interests that could conflict with the proper valuation of the property or could reasonably be regarded as being capable of affecting our ability to give an unbiased opinion.

We also confirm that we are an independent qualified valuer, as referred to Rule 5.08 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited.

This valuation report is issued only for the use of the Company for incorporation into its document.

**CURRENCY**

Unless otherwise stated, all monetary amounts stated in our valuation report are in Renminbi ("RMB"), the official currency of the PRC.

We enclose herewith our valuation report for your attention.

Yours faithfully,
For and on behalf of
**Cushman & Wakefield Limited**
**Grace Lam**
MRICS, MHKIS, R.P.S. (GP)
*Senior Director*
**Valuation & Advisory Services, Greater China**

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*Note:* Grace Lam is a member of the Royal Institution of Chartered Surveyors, a Member of the Hong Kong Institute of Surveyors and a Registered Professional Surveyor (General Practice). Ms. Lam has over 30 years of experience in the professional property valuation and advisory services in the Greater China region and various overseas countries. Ms. Lam has sufficient current national knowledge of the market, and the skills and understanding to undertake the valuation competently.

## VALUATION REPORT

### Property held by the Group for owner occupation in the PRC

| Property | Description and tenure | Particulars of occupancy | Market value in existing state as at February 28, 2026 |
|---|---|---|---|
| An industrial development, No. 777 Yading Road, Yang Xi Street, Jiande City, Zhejiang Province, the PRC. | The property comprises an industrial development erected upon two parcels of land with a total site area of approximately 117,987.00 sq.m.<br><br>The property comprises 15 buildings and was completed in between 2008 and 2019.<br><br>The property has a total gross floor area of approximately 155,625.66 sq.m.<br><br>The property is located in Yang Xi Street. Developments nearby are mainly industrial in nature. According to the information provided by the Group, the property is for industrial uses.<br><br>The land use rights of the property have been granted for terms due to expire on October 7, 2056 and January 18, 2075 respectively for industrial use. | As at the valuation date, the property was owner occupied. | RMB238,000,000<br><br>(RENMINBI TWO HUNDRED AND THIRTY EIGHT MILLION) |

*Notes:–*

(1) According to Certificate of Real Estate Ownership No. (2023) 0467801, the land use rights of the property comprising a site area of 113,961.00 sq.m. and a gross floor area of 155,625.66 sq.m. have been vested in Hangzhou Zhibo Sanitary Ware Co., Ltd. for a term due to expire on October 7, 2056 for industrial use.

According to Certificate of Real Estate Ownership No. (2025) 0190388, the land use rights of the property comprising a site area of 4,026.00 sq.m. have been vested in Hangzhou Zhibo Sanitary Ware Co., Ltd. for a term due to expire on January 18, 2075 for industrial use.

(2) As advised by the Company, two self-owned buildings are currently used for paint storage and cleaning workshops. In November 2022, the Company applied to the relevant authorities for permission to retain these buildings in their current condition and continue their use. The competent local authorities have confirmed that such use does not constitute a material violation and does not pose any major safety risks. Accordingly, they have been permitted to retain and continue using these properties. Based on current regulatory communications and the surrounding factual circumstances, the Company's PRC Legal Adviser is of the view that the likelihood of them being required to vacate or demolish these buildings is remote. However, as per instructions of the Company, in the course of valuation, we have disregarded these two buildings.

(3) We have been provided with a legal opinion on the property prepared by the Company's PRC Legal Adviser, which contains, inter alia, the following information:

(a) Hangzhou Zhibo Sanitary Ware Co., Ltd. is the sole legal land user of the property and has obtained the relevant rights certificates and entity approval from the government (except those two buildings in note 2); and

(b) Hangzhou Zhibo Sanitary Ware Co., Ltd. has the right to freely transfer, lease or dispose of the property.

(4) In valuing the property, we have used Market Comparison Method. An average unit rate of RMB1,530/sqm has been adopted.

## TAXATION OF SECURITY HOLDERS

The taxation of income and capital gains of holders of H Shares is subject to the laws and practices of the PRC and of jurisdictions in which holders of H Shares are residents or otherwise subject to tax. The following summary of certain relevant taxation provisions is based on current effective laws and practices, and all of which are subject to change (possibly with retroactive effect) and do not constitute legal or tax advice. The discussion has no intention to cover all possible tax consequences resulting from the investment in H Shares, nor does it take the specific circumstances of any particular investor into account, some of which may be subject to special regulations. Accordingly, you should consult your own tax adviser regarding the tax consequences of an investment in H Shares. No issues on PRC or Hong Kong taxation other than income tax, capital appreciation and profit tax, business tax/appreciation tax, stamp duty and estate duty were referred in the discussion. Prospective [**REDACTED**] are urged to consult their financial advisers regarding the PRC, Hong Kong and other tax consequences of owning and disposing of H Shares.

### The PRC Taxation

#### *Taxation on Dividends*

Pursuant to the PRC Individual Income Tax Law (《中華人民共和國個人所得税法》), which was most recently amended on August 31, 2018 and the Implementation Provisions of the PRC Individual Income Tax Law (《中華人民共和國個人所得税法實施條例》), which was most recently amended on December 18, 2018 (hereinafter collectively referred to as the "**IIT Laws**"), dividends distributed by PRC enterprises are subject to an individual income tax levied at a flat rate of 20%. For a foreign individual who is not a resident of the PRC, the receipt of dividends from an enterprise in the PRC is normally subject to individual income tax of 20% unless specifically exempted by the tax authority of the State Council or reduced by a relevant tax treaty.

Pursuant to the Circular on Issues Concerning Taxation and Administration of Individual Income Tax After the Repeal of the Document Guo Shui Fa [1993] No. 045 (《關於國税發[1993]045號文件廢止後有關個人所得税徵管問題的通知》) issued by the SAT on June 28, 2011, for a domestic non-foreign invested enterprise who has been issuing shares in Hong Kong, its foreign individual shareholders may enjoy the relevant preferential tax treatment according to the taxation agreement between the PRC and the country where they reside and the taxation arrangement between the PRC and Hong Kong (or Macau). Domestic non-foreign-invested enterprises that issue shares in Hong Kong generally may withhold individual income tax at the preferential rate of 10% when paying dividends to overseas resident individual shareholders. Where the individuals who receive the dividends are residents of countries where the agreed tax rate is lower than 10%, the withholding agent shall, according to regulations provisions, handle the applications for relevant preferential treatments and refund the extra tax upon the approval of competent tax authorities. Where the individuals are residents of countries where the agreed tax rate is higher than 10% but lower than 20%, the withholding agent shall withhold the individual income tax according to the agreed actual tax rate when paying the dividends and bonuses and no applications are needed in such cases. Where the dividend receiving individuals are residents of countries which have not established tax treaties with the PRC or other circumstances exist, the withholding agent shall withhold the individual income tax based on the rate of 20% when paying dividends and bonuses.

In accordance with the EIT Laws, a non-resident enterprise is generally subject to a 10% enterprise income tax on PRC-sourced income (including dividends received from a PRC resident enterprise), if it does not have an establishment or premise in the PRC or has an establishment or premise in the PRC but its PRC-sourced income has no real connection with such establishment or premise. The aforesaid income tax payable for non-resident enterprises are deducted at source, where the payer of the income is required to withhold the income tax from the amount to be paid to the non-resident enterprise.

The Circular on Issues Relating to the Withholding and Remitting of Enterprise Income Tax on Dividends Distributed by PRC Resident Enterprises to Overseas Non-Resident Enterprise Shareholders of H Shares (《國家税務總局關於中國居民企業向境外H股非居民企業股東派發股息代扣代繳企業所得税有關問題的通知》), which was issued and implemented by the SAT on November 6, 2008, further clarified that, when PRC-resident enterprises pay dividends of 2008 and thereafter, such PRC-resident enterprise must withhold enterprise income tax at a rate of 10% in respect of dividends paid to overseas non-resident enterprise shareholders which hold H Shares.

Pursuant to the Arrangement between Chinese Mainland and the Hong Kong Special Administrative Region on the Avoidance of Double Taxation and the Prevention of Fiscal Evasion (《內地和香港特別行政區關於對所得避免雙重徵税和防止偷漏税的安排》) (the "**Tax Arrangement**"), which was signed on August 21, 2006, the PRC government may levy taxes on the dividends paid by a PRC-resident enterprise to Hong Kong residents (including natural persons and legal entities) in an amount not exceeding 10% of the total dividends payable by the PRC-resident enterprise unless a Hong Kong resident directly holds 25% or more of the equity interest in a PRC-resident enterprise, then such tax shall not exceed 5% of the total dividends payable by such PRC-resident enterprise.

The Fifth Protocol of the Arrangement between Chinese Mainland and the Hong Kong Special Administrative Region on the Avoidance of Double Taxation and the Prevention of Fiscal Evasion (《<內地和香港特別行政區關於對所得避免雙重徵税和防止偷漏税的安排>第五議定書》), which came into effect on December 6, 2019, adds a criterion for the qualification of entitlement to enjoy treaty benefits. Although there may be other provisions under the Tax Arrangement, the treaty benefits under the criterion shall not be granted in the circumstance where relevant gains, after taking into account all relevant facts and conditions, are reasonably deemed to be one of the main purposes for the arrangement or transactions which will bring any direct or indirect benefits under the Tax Arrangement, except when the grant of benefits under such a circumstance is consistent with relevant objective and goal under the Tax Arrangement. The application of the dividend clause of tax agreements is subject to the requirements of PRC tax laws and regulations, such as the Circular on the Issues Concerning the Application of the Dividend Clauses of Tax Agreements (《國家税務總局關於執行税收協定股息條款有關問題的通知》).

***Tax Treaties***

Non-resident investors residing in jurisdictions which have entered into treaties or adjustments for the avoidance of double taxation with the PRC might be entitled to a reduction of the PRC enterprise income tax imposed on the dividends received from PRC resident companies. The PRC currently has entered into avoidance of double taxation treaties or arrangements with a number of countries and regions including Hong Kong Special Administrative Region, Macau Special Administrative Region, Australia, Canada, France, Germany, Japan, Malaysia, the

Netherlands, Singapore, the United Kingdom, the United States and etc. Non-PRC resident enterprises entitled to preferential tax rates in accordance with the relevant taxation treaties or arrangements are required to apply to the relevant PRC tax authorities for a refund of the enterprise income tax in excess of the agreed tax rate, and the refund application is subject to approval by the relevant PRC tax authorities.

***Taxation on Share Transfer***

According to the IIT Laws, the gains realized from the disposal of equity interests in PRC resident enterprise is subject to individual income tax rate of 20%.

Pursuant to the Circular on Fully Implementing the Pilot Reform for the Transition from Business Tax to Value-added Tax (《關於全面推開營業税改徵增值税試點的通知》) (the "**Circular 36**"), which was implemented on May 1, 2016, entities and individuals engaged in the services sale in the PRC are subject to value-added tax ("**VAT**") and "engaged in the services sale in the PRC" means that the seller or buyer of the taxable services is located in the PRC. Circular 36 also provides that transfer of financial products, including transfer of the ownership of marketable securities, shall be subject to VAT at 6% on the taxable revenue (which is the balance of sales price upon deduction of purchase price), for a general or a foreign VAT taxpayer. However, individuals who transfer financial products are exempt from VAT, which is also provided in the Circular on Several Tax Exemption Policies for Business Tax on Sale and Purchase of Financial Commodities by Individuals (《財政部、國家税務總局關於個人金融商品買賣等營業税若干免税政策的通知》) issued by the Ministry of Finance of the PRC and the SAT and effective on January 1, 2009. According to these regulations, if the holder is a non-resident individual, the PRC VAT is exempted from the sale or disposal of H shares; if the holder is a non-resident enterprise and the H-share buyer is an individual or entity located outside of the PRC, the holder is not necessarily required to pay the PRC VAT, but if the H-share buyer is an individual or entity located in the PRC, the holder may be required to pay the PRC VAT. However, it is still uncertain whether the non-PRC resident enterprises are required to pay the PRC VAT for the disposal of H shares in practice.

At the same time, VAT payers are also required to pay urban maintenance and construction tax, education surtax and local education surcharge (hereinafter collectively referred to as "**Local Additional Tax**"), which shall be usually subject to 12% of the VAT, business tax and consumption tax actually paid (if any).

***Enterprise Income Tax***

In accordance with the PRC Enterprise Income Tax Law (《中華人民共和國企業所得税法》) promulgated by the NPC on March 16, 2007 and most recently amended on December 29, 2018 and the Implementation Regulations for the PRC Enterprise Income Tax Law (《中華人民共和國企業所得税法實施條例》) promulgated by the State Council on December 6, 2007, and most recently amended on December 6, 2024 and became effective on January 20, 2025 (hereinafter collectively referred to as the "**EIT Laws**"), resident enterprise which is established inside the PRC, or which is established under the law of a foreign country (region) but whose actual management organization is inside the PRC shall pay enterprise income tax for their income derived from both inside and outside the PRC, calculated at enterprise income tax rate of 25%.

***Value-added Tax***

According to Circular on Adjusting Value-added Tax Rates (Cai Shui [2018] No. 32) (《財政部、國家税務總局關於調整增值税税率的通知》(財税[2018]32號)), which was jointly issued by the Ministry of Finance of the PRC and the SAT on April 4, 2018 and effective since May 1, 2018, the VAT rates, deduction rate, export rebate rate were adjusted as follows:

(1) Where a taxpayer engages in a taxable sales activity for the VAT purpose or imports goods, the previous applicable tax rates of 17% and 11% are adjusted to 16% and 10% respectively;

(2) Where a taxpayer purchases agricultural products, the previous applicable deduction rate of 11% is adjusted to 10%;

(3) Where a taxpayer purchases agricultural products for production, sales, or consignment processing, to which the tax rate of 16% is applicable, the input tax amount shall be calculated at the deduction rate of 12%;

(4) For the export goods to which a tax rate of 17% was originally applicable and the export rebate rate was 17%, the export rebate rate is adjusted to 16%. For the export goods and cross-border taxable activities to which a tax rate of 11% was originally applicable and the export rebate rate was 11%, the export rebate rate is adjusted to 10%;

(5) For the goods or cross-border taxable activities specified in item (4) hereof that are exported or sold by foreign trade enterprises before July 31, 2018, if VAT has been levied at the rate not adjusted at the time of purchase, the export rebate rate not adjusted shall be applicable; if the VAT has been levied at the adjusted tax rate at the time of purchase, the adjusted export tax rebate rate shall be applicable. For the goods or cross-border taxable activities specified in item (4) hereof that are exported or sold by production enterprises before July 31, 2018, the export rebate rate not adjusted shall be applicable. The execution time to adjust the tax rebates rate of export goods and the time to export goods is made based on the date specified on export goods custom declaration, the execution time to adjust the tax rebates rate of cross-border taxable activities and the time to sell cross-border taxable activities is made based on the date specified on the export invoice.

According to the Announcement on Relevant Policies for Deepening the Value-Added Tax Reform (Cai Shui Bu Shui Wu Zong Ju Hai Guan Zong Shu [2019] No. 39) (《關於深化增值税改革有關政策的公告》(財政部、税務總局、海關總署公告2019年第39號)) issued by the Ministry of Finance of the PRC, the STA and General Administration of Customs of the PRC on March 20, 2019 and became effective on April 1, 2019, the VAT rates of 16% and 10% applicable to the taxpayers who have VAT taxable sales activities or imported goods are adjusted to 13% and 9%, respectively.

The SCNPC promulgated PRC Value-added Tax Law (《中華人民共和國增值税法》) on December 25, 2024, which will came into effect on January 1, 2026. According to the PRC Value-added Tax Law, the VAT rate for general VAT taxpayers engaging in sale of goods, provision of processing, repair and replacement services, lease of tangible and movable goods or importation of goods was adjusted to 13%, the VAT rate for general VAT taxpayers engaging in, among others,

the sale of transportation services, postal services, basic telecommunications services, construction services, the lease and sale of real properties, the transfer of land use rights, and the sale or importation of certain goods as specified in the PRC Value-added Tax Law, was adjusted to 9%.

***Income tax***

According to the IIT Laws, gains on the transfer of equity interests in the PRC resident enterprises are subject to individual income tax at a rate of 20%. Pursuant to the Circular on Declaring that Individual Income Tax Continues to be Exempted over Income of Individuals from the Transfer of Shares (《關於個人轉讓股票所得繼續暫免徵收個人所得稅的通知》) issued by the SAT on March 20, 1998, from January 1, 1997, income of individuals from transfer of the shares of listed enterprises continues to be exempted from individual income tax. The SAT has not expressly stated whether it will continue to exempt tax on income of individuals from transfer of the shares of listed enterprises in the most recently amended PRC Individual Income Tax Law.

On December 31, 2009, the Ministry of Finance of the PRC, the SAT and CSRC jointly issued the Circular on Related Issues on Levying Individual Income Tax over the Income Received by Individuals from the Transfer of Listed Shares Subject to Sales Limitation (《關於個人轉讓上市公司限售股所得徵收個人所得稅有關問題的通知》), which came into effect on December 31, 2009, which states that individuals' income from the transfer of listed shares obtained from the public offering of listed companies and transfer market on the Shanghai Stock Exchange and the Shenzhen Stock Exchange shall continue to be exempted from individual income tax, except for the relevant shares which are subject to sales restriction (as defined in the Supplementary Circular on Issues Concerning the Levy of Individual Income Tax on Individuals' Income from the Transfer of Restricted Stocks of Listed Companies (《關於個人轉讓上市公司限售股所得徵收個人所得稅有關問題的補充通知》) jointly issued and implemented by such departments on November 10, 2010). As of the Latest Practicable Date, no aforesaid provisions have expressly provided that individual income tax shall be levied from non-PRC resident individuals on the transfer of shares in PRC resident enterprises listed on overseas stock exchanges.

In accordance with the EIT Laws, a non-PRC resident enterprise is generally subject to enterprise income tax at the rate of a 10% on PRC-sourced income, including gains derived from the disposal of equity interests in a PRC resident enterprise, if it does not have an establishment or premise in the PRC or has an establishment or premise in the PRC but its PRC-sourced income has no real connection with such establishment or premise. Such income tax payable for non-resident enterprises are deducted at source, where the payer of the income is required to withhold the income tax from the amount to be paid to the non-PRC resident enterprise. Such tax may be reduced or exempted pursuant to relevant tax treaties or agreements on avoidance of double taxation.

***Stamp Duty***

Pursuant to the PRC Stamp Duty Law (《中華人民共和國印花稅法》), which was promulgated by the SCNPC on June 10, 2021 and came into effect on July 1, 2022, PRC stamp duty is applicable to the entities and individuals that conclude taxable vouchers or conduct securities trading within the territory of the PRC, and the entities and individuals outside the territory of the PRC that conclude taxable vouchers that are used inside the PRC. Therefore, the requirements of the stamp duty imposed on the transfer of shares of PRC listed companies shall not apply to the acquisition and disposal of H Shares by non-PRC investors outside of the PRC.

***Estate Duty***

As of the date of this document, no estate duty has been levied in the PRC under the PRC laws.

***Shanghai-Hong Kong Stock Connect Taxation Policy and Shenzhen-Hong Kong Stock Connect Taxation Policy***

On October 31, 2014 and November 5, 2016, the Ministry of Finance of the PRC, the SAT and the CSRC jointly issued the Circular on the Relevant Taxation Policy regarding the Pilot Inter-connected Mechanism for Trading on the Shanghai Stock Market and the Hong Kong Stock Market (《關於滬港股票市場交易互聯互通機制試點有關稅收政策的通知》) and the Circular on the Relevant Taxation Policy regarding the Pilot Inter-connected Mechanism for Trading on the Shenzhen Stock Market and the Hong Kong Stock Market (《關於深港股票市場交易互聯互通機制試點有關稅收政策的通知》), pursuant to which, the income from transfer differences and dividend and bonus income derived by PRC enterprise investors from investing in stocks listed on the Hong Kong Stock Exchange through Shanghai-Hong Kong stock connect mechanism or Shenzhen-Hong Kong stock connect mechanism shall be included in their total income and subject to enterprise income tax in accordance with the law. In particular, the dividend and bonus income derived by PRC resident enterprises which hold H shares for at least 12 consecutive months shall be exempted from enterprise income tax according to law. The H-share companies do not need to withhold tax on the income from dividends and bonus obtained by PRC enterprise investors. The tax payable shall be declared and paid by the enterprises themselves.

For dividends and bonuses received by PRC individual investors investing in H shares listed on the Hong Kong Stock Exchange through Shanghai-Hong Kong stock connect mechanism and Shenzhen-Hong Kong stock connect mechanism, H-share companies shall submit an application to CSDCC, which shall provide H-share companies with a register of PRC individual investors. H-share companies shall withhold individual income tax at a rate of 20%. Individual investors who have paid withholding tax outside the PRC may apply for tax credits at the competent tax authorities of the CSDCC with valid tax deduction certificates. Individual income taxis levied on dividend and bonus income derived by PRC security investment funds from investing in stocks listed on the Hong Kong Stock Exchange through Shanghai-Hong Kong stock connect mechanism or Shenzhen-Hong Kong stock connect mechanism in accordance with the above provisions.

## PRINCIPAL TAXATION OF OUR COMPANY IN THE PRC

Please see the section headed "Regulatory Overview" in this document.

## FOREIGN EXCHANGE

The lawful currency of the PRC is Renminbi, which is currently subject to foreign exchange control and cannot be freely converted into foreign currency. The SAFE, with the authorization of the PBOC, is empowered with the functions of administering all matters relating to foreign exchange, including the enforcement of foreign exchange control regulations.

The Regulations on Foreign Exchange Control of the PRC (《中華人民共和國外匯管理條例》) (the "Foreign Exchange Control Regulations"), which was implemented on April 1, 1996 and most recently amended on August 5, 2008, classifies all international payments and transfers into current items and capital items. Most of the current items are not subject to the approval of foreign exchange administration agencies, while capital items are subject to the approval of foreign exchange administration agencies, and pursuant to the latest amendment to the Foreign Exchange Control Regulations, the PRC will not impose any restriction on international current payments and transfers.

The Regulations for the Administration of Settlement, Sale and Payment of Foreign Exchange (《結匯、售匯及付匯管理規定》), which was implemented on July 1, 1996, abolished all other restrictions on convertibility of foreign exchange under current account items, while retaining the existing restrictions on foreign exchange transactions under capital account items.

According to the Announcement on Improving the Reform of the Renminbi Exchange Rate Formation Mechanism (《關於完善人民幣匯率形成機制改革的公告》), which was issued by the PBOC and implemented on July 21, 2005, the PRC has started to implement a managed floating exchange rate system in which the exchange rate would be determined based on market supply and demand and adjusted with reference to a basket of currencies since July 21, 2005. Therefore, the Renminbi exchange rate was no longer pegged to the U.S. dollar. PBOC would publish the closing price of the exchange rate of the Renminbi against trading currencies such as the U.S. dollar in the interbank foreign exchange market after the closing of the market on each working day, as the central parity of the currency against Renminbi transactions on the following working day.

According to relevant PRC laws, PRC enterprises (including foreign-invested enterprises) which need foreign exchange for transactions relating to current account items may, without the approval of SAFE, effect payment for their foreign exchange accounts at the designated foreign exchange banks with the support of valid receipts and proof. Foreign-invested enterprises which need foreign exchange for the distribution of profits to their shareholders and PRC enterprises which, in accordance with regulations, are required to pay dividends to their shareholders in foreign exchange (such as the Company) may, on the strength of resolutions of the board of directors or the shareholders' meeting approving the distribution of profits, effect payment from their foreign exchange accounts or convert and pay dividends at the designated foreign exchange banks.

According to the Decisions on Matters including Canceling and Adjusting a Batch of Administrative Approval Items (《國務院關於取消和調整一批行政審批項目等事項的決定》) which was promulgated by the State Council on October 23, 2014, it canceled the approval requirement by the SAFE and its branches for the repatriation and settlement of foreign exchange of overseas-raised funds through overseas listing.

According to the Circular on Issues Concerning the Foreign Exchange Administration of Overseas Listing (《國家外匯管理局關於境外上市外匯管理有關問題的通知》) issued by the SAFE and implemented on December 26, 2014, a domestic company shall, within 15 business days from the date of the end of its overseas listing issuance, register the overseas listing with the local branch office of state administration of foreign exchange at the place of its establishment; the proceeds from an overseas listing of a domestic company may be remitted to the domestic account or deposited in an overseas account, but the use of the proceeds shall be consistent with the content of the prospectus and other disclosure documents. A domestic company (except for bank financial institutions) shall present its certificate of overseas listing to open a special account at a local bank for its initial public offering (or follow-on offering) and repurchase business to handle the exchange, remittance and transfer of funds for the business concerned.

According to the Circular on Further Simplifying and Improving Policies for the Foreign Exchange Administration of Direct Investment (《國家外匯管理局關於進一步簡化和改進直接投資外匯管理政策的通知》), which was issued by the SAFE and came into effect on June 1, 2015 and partially repealed on December 30, 2019, the confirmation of foreign exchange registration under domestic direct investment and the confirmation of foreign exchange registration under overseas direct investment shall be directly examined and handled by banks. SAFE and its branch offices shall indirectly regulate the foreign exchange registration of direct investment via the banks.

The Administrative Provisions on Foreign Exchange in Domestic Direct Investment by Foreign Investors (《外國投資者境內直接投資外匯管理規定》) (the "SAFE Circular No. 21"), which took effect from May 13, 2013, amended on October 10, 2018 and partially abolished on December 30, 2019, specifies that the confirmation of foreign exchange registration under domestic direct investment and the confirmation of foreign exchange registration under overseas direct investment shall be directly examined and handled by banks. SAFE and its branch offices shall indirectly regulate the foreign exchange registration of direct investment through banks.

According to the Circular of the State Administration of Foreign Exchange of the PRC on Revolutionizing and Regulating Capital Account Settlement Management Policies (《國家外匯管理局關於改革和規範資本項目結匯管理政策的通知》) which was issued by the SAFE and implemented on June 9, 2016, foreign currency earnings in capital account that relevant policies of willingness exchange settlement have been clearly implemented on (including the recalling of raised capital by overseas listing) may undertake foreign exchange settlement in the banks according to actual business needs of the domestic institutions. The tentative percentage of foreign exchange settlement for foreign currency earnings in capital account of domestic institutions is 100%, subject to adjust of the SAFE in due time in accordance with international revenue and expenditure situations.

According to the Circular on Further Promoting Cross-border Trade and Investment Facilitation (《國家外匯管理局關於進一步促進跨境貿易投資便利化的通知》) which was issued by SAFE on October 23, 2019, foreign-invested enterprises engaged in non-investment business are permitted to settle foreign exchange capital in RMB and make domestic equity investments with such RMB funds according to law on the condition that the then effective Special Administrative Measures (Negative List) for Access of Foreign Investment are not violated and the relevant domestic investment projects are genuine and in compliance with laws.

This Appendix contains a summary of laws and regulations on companies and securities in the PRC, certain major differences between the PRC Company Law and Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Companies Ordinance. The principal objective of this summary is to provide potential [**REDACTED**] with an overview of the principal laws and regulations applicable to the Company. This summary is with no intention to include all the information which may be important to the potential [**REDACTED**]. For discussion of laws and regulations specifically governing the business of the Company, please see the section headed "Regulatory Overview" in this document.

## PRC LEGAL SYSTEM

The PRC legal system is based on the PRC Constitution (《中華人民共和國憲法》) and is made up of laws, administrative regulations, local regulations, separate regulations, autonomous regulations, departmental regulations, local government regulations, international treaties of which the PRC government is a signatory, and other regulatory documents. Court judgments and verdicts do not constitute binding precedents. However, they may be used as judicial reference and guidance.

According to the Constitution and the PRC Legislation Law (《中華人民共和國立法法》), the NPC and the SCNPC are empowered to exercise the legislative power of the state. The NPC has the power to formulate and amend basic laws governing civil and criminal matters, state organs and other matters. The SCNPC is empowered to formulate and amend laws other than those required to be enacted by the NPC and to supplement and amend any parts of laws enacted by the NPC during the adjournment of the NPC, provided that such supplements and amendments are not in conflict with the basic principles of such laws.

The State Council is the highest organ of the PRC administration and has the power to formulate administrative regulations based on the Constitution and laws.

The people's congresses of provinces, autonomous regions and municipalities and their respective standing committees may formulate local regulations based on the specific circumstances and actual requirements of their own respective administrative areas, provided that such local regulations do not contravene any provision of the Constitution, laws or administrative regulations.

The ministries and commissions of the State Council, PBOC, the State Audit Administration as well as the other organs endowed with administrative functions directly under the State Council may, in accordance with the laws as well as the administrative regulations, decisions and orders of the State Council and within the limits of their power, formulate rules.

The people's congresses of cities divided into districts and their respective standing committees may formulate local regulations in terms of urban and rural development and management, environmental protection, and historical and cultural protection based on the specific circumstances and actual requirements of such cities, which will become enforceable after being reported to and approved by the standing committees of the people's congresses of the relevant provinces or autonomous regions but such local regulations shall conform with the Constitution, laws, administrative regulations, and the relevant local regulations of the relevant provinces or autonomous regions. People's congresses of national autonomous areas have the power to enact autonomous regulations and separate regulations in light of the political, economic and cultural characteristics of the nationality (nationalities) in the areas concerned.

The people's governments of the provinces, autonomous regions, and municipalities directly under the central government and the cities divided into districts or autonomous prefectures may enact rules, in accordance with laws, administrative regulations and the local regulations of their respective provinces, autonomous regions or municipalities.

The Constitution has supreme legal authority and no laws, administrative regulations, local regulations, autonomous regulations or separate regulations may contravene the Constitution. The authority of laws is greater than that of administrative regulations, local regulations and rules. The authority of administrative regulations is greater than that of local regulations and rules. The authority of local regulations is greater than that of the rules of the local governments at or below the corresponding level. The authority of the rules enacted by the people's governments of the provinces or autonomous regions is greater than that of the rules enacted by the people's governments of the city divided into districts or autonomous prefecture within the administrative areas of the provinces and the autonomous regions.

The NPC has the power to alter or annul any inappropriate laws enacted by its Standing Committee, and to annul any autonomous regulations or separate regulations which have been approved by its Standing Committee but which contravene the Constitution or the Legislation Law. The SCNPC has the power to annul any administrative regulations that contravene the Constitution and laws, to annul any local regulations that contravene the Constitution, laws or administrative regulations, and to annul any autonomous regulations or local regulations which have been approved by the standing committees of the people's congresses of the relevant provinces, autonomous regions or municipalities directly under the central government, but which contravene the Constitution and the Legislation Law. The State Council has the power to alter or annul any inappropriate ministerial rules and rules of local governments. The people's congresses of provinces, autonomous regions or municipalities directly under the central government have the power to alter or annul any inappropriate local regulations enacted or approved by their respective standing committees. The people's governments of provinces and autonomous regions have the power to alter or annul any inappropriate rules enacted by the people's governments at a lower level.

According to the Constitution and the Legislation Law, the power to interpret laws is vested in the SCNPC. According to the Decision of the Standing Committee of the National People's Congress Regarding the Strengthening of Interpretation of Laws (《全國人民代表大會常務委員會關於加強法律解釋工作的決議》) passed on June 10, 1981, the Supreme People's Court of the PRC (the "**Supreme People's Court**") has the power to give general interpretation on questions involving the specific application of laws and decrees in court trials. The State Council and its ministries and commissions are also vested with the power to give interpretation of the administrative regulations and department rules which they have promulgated. At the regional level, the power to give interpretations of the local laws and regulations as well as administrative rules is vested in the regional legislative and administrative organs which promulgate such laws, regulations and rules.

## PRC JUDICIAL SYSTEM

Under the Constitution and the PRC Court Organization Law (2018 revision) (《中華人民共和國人民法院組織法(2018年修訂)》), the PRC judicial system is made up of the Supreme People's Court, the local people's courts and special people's courts.

The local people's courts are comprised of the primary people's courts, the intermediate people's courts and the higher people's courts. The higher level people's courts supervise the primary and intermediate people's courts. The people's procuratorates also have the right to exercise legal supervision over the civil proceedings of people's courts of the same level and lower levels. The Supreme People's Court is the highest judicial body in the PRC. It supervises the judicial administration of the people's courts at all levels and special people's courts.

The people's courts apply a two-tier appellate system. A party may appeal against a judgment or order of a local people's court to the people's court at the next higher level. Second judgments or orders given at the next higher level are final. First judgments or orders of the Supreme People's Court are also final. However, if the Supreme People's Court or a people's court at a higher level finds an error in a judgment or an order which has been given in any people's court at a lower level, or the presiding judge of a people's court finds an error in a judgment which has been given in the court over which he presides, the case may then be retried according to the judicial supervision procedures.

The PRC Civil Procedure Law (2023 revision) (《中華人民共和國民事訴訟法(2023年修訂)》), which was promulgated in 1991 and amended in 2007, 2012, 2017 and 2023, sets forth the criteria for instituting a civil action, the jurisdiction of the people's courts, the procedures to be followed for conducting a civil action and the procedures for enforcement of a civil judgment or order. All parties to a civil action conducted within the PRC must comply with the Civil Procedure Law. Generally, a civil case is initially heard by a local court of the municipality or province in which the defendant resides. The parties to a contract may, by express agreement, select a judicial court where civil actions may be brought, provided that the judicial court is either the plaintiff's or the defendant's domicile, the place of execution or implementation of the contract or the place of the object of the action, provided that the provisions of this law regarding the level of jurisdiction and exclusive jurisdiction shall not be violated.

A foreign national or enterprise generally has the same litigation rights and obligations as a citizen or legal person of the PRC. If a foreign country's judicial system limits the litigation rights of PRC citizens and enterprises, the PRC courts may apply the same limitations to the citizens and enterprises of that foreign country within the PRC. If any party to a civil action refuses to comply with a judgment or ruling made by a people's court or an award made by an arbitration panel in the PRC, the other party may apply to the people's court for the enforcement of the same. There are time limits of two years imposed on the right to apply for such enforcement. If a person fails to satisfy a judgment made by the court within the stipulated time, the court will, upon application by either party, enforce the judgment in accordance with the law.

Where a party applies for enforcement of judgment or ruling of a people's court against a party who is not personally or whose property is not within the PRC may apply to a foreign court with jurisdiction over the case for recognition and enforcement of the judgment or ruling. A foreign judgment or ruling may also be recognized and enforced by the people's court according to PRC enforcement procedures if the PRC has entered into or acceded to an international treaty with the relevant foreign country, which provides for such recognition and enforcement, or if the judgment or ruling satisfies the court's examination according to the principle of reciprocity, unless the people's court finds that the recognition or enforcement of such judgment or ruling will result in a violation of the basic legal principles of the PRC, its sovereignty or security or against social and public interest.

## THE COMPANY LAW AND ADMINISTRATIVE MEASURES

A joint stock limited company which was incorporated in the PRC and seeking a [**REDACTED**] on the Hong Kong Stock Exchange is mainly subject to the following three laws and regulations in the PRC:

- The PRC Company Law, which was promulgated by the SCNPC on December 29, 1993, came into effect on July 1, 1994, amended on December 25, 1999, August 28, 2004, October 27, 2005, December 28, 2013, October 26, 2018 and December 29, 2023 respectively and the latest amendment of which was implemented on July 1, 2024;

- Overseas Listing Trial Measures, which were promulgated by the CSRC on February 17, 2023, came into effect on March 31, 2023, and its supporting guidelines promulgated by the CSRC from time to time;

- The Guidelines on Articles of Association of Listed Companies (《上市公司章程指引》) (the "Guidelines on Articles of Association") which was latest amended and came into effect on March 28, 2025 by the CSRC.

Set out below is a summary of the major provisions of the Company Law and the Trial Measures applicable to the Company.

### General

A joint stock limited company refers to an enterprise legal person incorporated under the Company Law with its registered capital divided into shares of equal par value. The liability of its shareholders is limited to the amount of shares held by them and the company is liable to its creditors for an amount equal to the total value of its assets.

A joint stock limited company shall conduct its business in accordance with laws and administrative regulations. It may invest in other limited liability companies and joint stock limited companies and its liabilities with respect to such invested companies are limited to the amount invested. Where any laws stipulate that a joint stock limited company may not be a contributor that undertakes joint and several liabilities for the debts of the invested companies, such requirements shall prevail.

### Incorporation

A joint stock limited company may be incorporated by promotion or public subscription.

A joint stock limited company may be incorporated by a minimum of one but not more than 200 promoters, and at least half of the promoters must have residence within the PRC. The promoters shall pay the subscription monies in full for the shares they have subscribed for before the company is incorporated.

The promoters must convene an inaugural meeting within 30 days after the issued shares have been fully paid up and must give notice to all subscribers or make an announcement of the date of the inaugural meeting 15 days before the meeting. The inaugural meeting may be convened only with the presence of promoters or subscribers representing at least half of the shares in the company. At the inaugural meeting, matters including the adoption of articles of association and the election of members of the board of directors and members of the board of supervisors of the company will be dealt with. All resolutions of the meeting require the approval of subscribers with more than half of the voting rights present at the meeting.

Within 30 days after the conclusion of the inaugural meeting, the board of directors must authorize a representative to apply to the registration authority for registration of the establishment of the joint stock limited company. A company is formally established, and has the status of a legal person, after the business license has been issued by the relevant registration authority.

**Share Capital**

The promoters of a company can make capital contributions in cash or in kind, which can be valued in currency and transferable according to law such as intellectual property rights or land use rights based on their appraised value.

If capital contribution is made other than in cash, valuation and verification of the property contributed must be carried out and converted into shares.

A company shall issue registered share.

Under the Trial Measures, if a domestic enterprise issues shares overseas, it may raise funds and dividend distributions in foreign currency or Renminbi.

The transfer of shares by shareholders should be conducted via the legally established stock exchange or in accordance with other methods as stipulated by the State Council. Transfer of shares by a shareholder must be made by means of an endorsement or by other means stipulated by laws or administrative regulations.

Shares issued by a company prior to the [**REDACTED**] of its shares shall not be transferred within one year from the date of [**REDACTED**] of the shares of the company on a stock exchange. Where laws, administrative regulations or the securities regulatory authority of the State Council have other provisions on the transfer of shares held by shareholders or de facto controllers of listed companies, such provisions shall prevail. Directors, supervisors and senior management of a company shall not transfer over 25% of the shares held by each of them in the company each year during their term of office and shall not transfer any share of the company held by each of them within one year after the [**REDACTED**]. There is no restriction under the Company Law as to the percentage of shareholding a single shareholder may hold in a company.

Transfers of shares may not be entered in the register of shareholders within 20 days before the date of a shareholders' meeting or within five days before the record date set for the purpose of distribution of dividends.

**Allotment and Issue of Shares**

All issuing of shares of a joint stock limited company shall be based on the principles of equality and fairness. The same class of shares must carry equal rights. Shares issued at the same time and within the same class must be issued on the same conditions and at the same price. It may issue shares at par value or at a premium, but it may not issue shares below the par value.

A company may, according to the articles of association, issue classified shares, which have different rights from those of the common shares.

To issue shares overseas, the domestic enterprise shall report the application documents for issuance and listing to the CSRC for record-filing within three working days after submission of the application documents for issuance and listing overseas.

**Registered Shares**

Under the Company Law, the shareholders may make capital contributions in cash, or alternatively may make capital contributions with such valuated non-monetary property as physical items, intellectual property rights, and land-use rights that may be valued in monetary terms and may be transferred in accordance with the law.

Under the Company Law, a company may, according to the articles of association, issue the classified shares, which have different rights from those of the common shares stating the following matters:

- the name and domicile of each shareholder;
- the class and number of shares held by each shareholder;
- the serial numbers of shares held by each shareholder if the shares are issued in paper form; and
- the date on which each shareholder acquired the shares.

**Increase of Share Capital**

According to the Company Law, when the joint stock limited company issues new shares, resolutions shall be passed by a shareholders' meeting, approving the class and number of the new shares, the issue price of the new shares, the commencement and end of the new share issuance and the class and amount of new shares to be issued to existing shareholders. Where a company raises shares from the public, it shall register with the security regulatory organization under the State Council and announce the prospectus. After the new share issuance has been paid up, an announcement shall be made.

**Reduction of Share Capital**

A company may reduce its registered capital in accordance with the following procedures prescribed by the Company Law:

- it shall prepare a balance sheet and a property list;
- the reduction of registered capital shall be approved by a shareholders' meeting;
- it shall inform its creditors of the reduction in capital within 10 days and publish an announcement of the reduction in the newspaper or on the National Enterprise Credit Information Publicity System within 30 days after the resolution approving the reduction has been passed;
- creditors may within 30 days after receiving the notice, or within 45 days of the public announcement if no notice has been received, require the company to pay its debts or provide guarantees covering the debts;
- it shall apply to the relevant administration of registration for the registration of the reduction in registered capital.

**Repurchase of Shares**

According to the Company Law, a joint stock limited company may not purchase its shares other than for one of the following purposes: (i) to reduce its registered capital; (ii) to merge with another company that holds its shares; (iii) to grant its shares for carrying out an employee stock ownership plan or equity incentive plan; (iv) to purchase its shares from shareholders who are against the resolution regarding the merger or division with other companies at a shareholders' meeting; (v) use of shares for conversion of convertible corporate bonds issued by a listed company; and (vi) the share buyback is necessary for a listed company to maintain its company value and protect its shareholders' equity.

The purchase of shares on the grounds set out in (i) and (ii) above shall require the approval by way of a resolution passed by the shareholders' meeting. For a company's share buyback under any of the circumstances stipulated in (iii), (v) or (vi) above, a resolution of the company's board of directors shall be made by a two-third majority of directors attending the meeting according to the provisions of the company's articles of association or as authorized by the shareholders' meeting.

Following the purchase of shares in accordance with (i), such shares shall be canceled within 10 days from the date of purchase. The shares shall be assigned or deregistered within six months if the share buyback is made under the circumstances stipulated in either (ii) or (iv). The shares held in total by a company after a share buyback under any of the circumstances stipulated in (iii), (v) or (vi) shall not exceed 10% of the company's total outstanding shares, and shall be assigned or deregistered within three years.

Listed companies making a share buyback shall perform their obligation of information disclosure according to the provisions of the Securities Law. If the share buyback is made under any of the circumstances stipulated in (iii), (v) or (vi) hereof, centralized trading shall be adopted publicly.

**Transfer of Shares**

Shares held by shareholders may be transferred in accordance with the relevant laws and regulations. Pursuant to the Company Law, transfer of shares by shareholders shall be carried out at a legally established securities exchange or in other ways stipulated by the State Council. No modifications of registration in the share register caused by transfer of registered shares shall be carried out within 20 days prior to the convening of shareholder's general meeting or five days prior to the base date for determination of dividend distributions. However, where there are separate provisions by law on alternation of registration in the share register of listed companies, those provisions shall prevail.

Under the Company law, shares issued prior to the public issuance of shares shall not be transferred within one year from the date of the joint stock limited company's listing on a stock exchange. Where laws, administrative regulations or the securities regulatory authority of the State Council have other provisions on the transfer of shares held by shareholders or de facto controllers of listed companies, such provisions shall prevail. Directors, supervisors and the senior management shall declare to the company their shareholdings in the company and any changes of such shareholdings. They shall not transfer more than 25% of all the shares they hold in the company annually during their tenure. They shall not transfer the shares they hold within one year from the date on which the company's shares are listed and commenced trading on a stock exchange, nor within six months after their resignation from their positions with the company.

**Shareholders**

Under the Company Law, the rights of holders of ordinary shares of a joint stock limited company include:

- the right to attend or appoint a proxy to attend shareholders' meetings and to vote thereat;
- the right to transfer shares in accordance with laws, administrative regulations and provisions of the articles of association;
- the right to inspect and copy the company's articles of association, share register, minutes of shareholder's general meetings, resolutions of meetings of the board of directors, resolutions of meetings of the board of supervisors and financial and accounting reports and to make proposals or enquiries on the company's operations;
- the right to bring an action in the people's court to rescind resolutions passed by shareholder's general meetings and board of directors where the articles of association is violated by the above resolutions;

- the right to receive dividends and other types of interest distributed in proportion to the number of shares held;
- in the event of the termination or liquidation of the company, the right to participate in the distribution of residual properties of the company in proportion to the number of shares held; and
- other rights granted bylaws, administrative regulations, other regulatory documents and the company's articles of association.

The obligations of a shareholder include the obligation to abide by the company's articles of association, to pay the subscription moneys in respect of the shares subscribed for and in accordance with the form of making capital contributions, to be liable for the company's debts and liabilities to the extent of the amount of his or her subscribed shares and any other shareholders' obligation specified in the company's articles of association.

**Shareholders' Meetings**

The shareholders' meeting is the organ of authority of the company, which exercises its powers in accordance with the Company Law.

Under the Company Law, the shareholders' meeting exercises the following principal powers:

- to elect or remove the directors and supervisors and to decide on matters relating to the remuneration of directors and supervisors;
- to examine and approve reports of the board of directors;
- to examine and approve reports of the board of supervisors;
- to examine and approve the company's proposals for profit distribution plans and loss recovery plans;
- to decide on any increase or reduction of the company's registered capital;
- to decide on the issue of bonds by the company;
- to decide on issues such as merger, division, dissolution and liquidation of the company and other matters;
- to amend the company's articles of association; and
- other powers as provided for in the articles of association.

Shareholders' annual general meetings are required to be held once every year. Under the Company Law, an extraordinary shareholders' meeting is required to be held within two months after the occurrence of any of the following:

- the number of directors is less than the number stipulated by the law or less than two thirds of the number specified in the articles of association;
- the aggregate losses of the company which are not recovered reach one-third of the company's total paid-in share capital;
- when shareholders alone or in aggregate holding 10% or more of the company's shares request the convening of an extraordinary general meeting;
- whenever the board of directors deems necessary;
- when the board of supervisors so requests; or
- other circumstances as provided for in the articles of associations.

Under the Company Law, shareholders' meetings shall be convened by the board of directors, and presided over by the chairman of the board of directors. In the event that the chairman is incapable of performing or does not perform his duties, the meeting shall be presided over by the vice chairman. In the event that the vice chairman is incapable of performing or not performing his duties, a director nominated by more than half of directors shall preside over the meeting.

Where the board of directors is incapable of performing or not performing its duties of convening the shareholders' meeting, the board of supervisors shall convene and preside over such meeting in a timely manner. In case the board of supervisors fails to convene and preside over such meeting, shareholders alone or in aggregate holding more than 10% of the company's shares for more than 90 days consecutively may unilaterally convene and preside over such meeting.

Under the Company Law, notice of shareholders' meeting shall state the time and venue of and matters to be considered at the meeting and shall be given to all shareholders 20 days before the meeting. Notice of extraordinary shareholders' meetings shall be given to all shareholders 15 days prior to the meeting.

There is no specific provision in the Company Law regarding the number of shareholders constituting a quorum in a shareholders' meeting. Under the Company Law, shareholders present at shareholders' meeting have one vote for each share they hold, except for class shareholders. Shares held by the company are not entitled to any voting rights.

Pursuant to the provisions of the articles of association or a resolution of the shareholders' meeting, the accumulative voting system may be adopted for the election of directors and supervisors at the shareholders' meeting. Under the accumulative voting system, each share shall be entitled to vote equivalent to the number of directors or supervisors to be elected at the shareholders' meeting and shareholders may consolidate their voting rights when casting a vote.

Pursuant to the Company Law, resolutions of the shareholders' meeting shall be adopted by more than half of the voting rights held by the shareholders present at the meeting. However, resolutions of the shareholders' meeting regarding the following matters shall be adopted by more than two-thirds of the voting rights held by the shareholders present at the meeting: (i) amendments to the articles of association; (ii) the increase or decrease of registered capital; (iii) the merger, division, dissolution, liquidation or change in the form of the company; and (iv) other matters considered by the shareholders' meeting, by way of an ordinary resolution, to be of a nature which may have a material impact on the company and should be adopted by a special resolution.

Under the Company Law, meeting minutes shall be prepared in respect of decisions on matters discussed at the shareholders' meeting. The chairman of the meeting and directors attending the meeting shall sign to endorse such minutes. The minutes shall be kept together with the shareholders' attendance register and the proxy forms.

**Board of Directors**

Under the Company Law, a joint stock limited company shall have a board of directors. If the board of directors has more than three members, it may include an employees' representative of the company. Where a company has 300 or more employees, the board of directors shall include the employees' representatives of the company unless the board of supervisors has been established and includes employees' representatives of the company according to law. The employees' representatives in the board of directors shall be democratically elected by the employees through the employees' representative congress, employees' congress or by other means. The term of a director shall be stipulated in the articles of association, but no term of office shall last for more than three years. Directors may serve consecutive terms if re-elected. A director shall continue to perform his duties in accordance with the laws, administrative regulations and articles of association until a duly re-elected director takes office, if re-election is not conducted in a timely manner upon the expiry of his term of office, or if the resignation of a director during his term of office results in the number of directors being less than the quorum. If a director resigns, he shall notify the company in writing and the resignation shall take effect on the date of receipt of the notification by the company; however, if the circumstances stipulated in the preceding paragraph exist, the director shall continue to perform his duties.

Under the Company Law, the board of directors mainly exercises the following powers:

- to convene the shareholders' meetings and report on its work to the shareholders' meetings;
- to implement the resolutions passed in shareholders' meetings;
- to decide on the company's business plans and investment proposals;
- to formulate the company's proposed annual financial budget and final accounts;
- to formulate the company's profit distribution proposals and loss recovery proposals;
- to formulate proposals for the increase or reduction of the company's registered capital and the issuance of corporate bonds;

- to prepare plans for the merger, division, dissolution and change in the form of the company;
- to formulate the company's basic management system; and
- to exercise any other power under the articles of association or authorized by the shareholders' meeting.

**Board Meetings**

Under the Company Law, meetings of the board of directors of a joint stock limited company shall be convened at least twice a year. Notice of the meeting shall be given to all directors and supervisors 10 days before the meeting. Interim board meetings may be proposed to be convened by shareholders representing more than 10% of voting rights, more than one-third of the directors or the board of supervisors. The chairman of the board of directors shall convene and preside over such meeting within 10 days after receiving such proposal. Meetings of the board of directors shall be held only if half or more of the directors are present. Resolutions of the board of directors shall be passed by more than half of all directors. Each director shall have one vote for resolutions to be approved by the board of directors. Directors shall attend board meetings in person. If a director is unable to attend a board meeting, he may appoint another director by a written power of attorney specifying the scope of the authorization to attend the meeting on his behalf.

If a resolution of the board of directors violates the laws, administrative regulations or the articles of association, and as a result of which the company sustains serious losses, the directors participating in the resolution are liable to compensate the company. However, if it can be proved that a director expressly objected to the resolution when the resolution was voted on, and that such objection was recorded in the minutes of the meeting, such director may be released from that liability.

**Chairman of the Board**

Under the Company Law, the board of directors shall appoint a chairman and may appoint the vice chairman. The chairman and the vice chairman are elected with the approval of more than half of all the directors. The chairman shall convene and preside over board meetings and examine the implementation of board resolutions. The vice chairman shall assist the work of the chairman. In the event that the chairman is incapable of performing or not performing his duties, the duties shall be performed by the vice chairman. In the event that the vice chairman is incapable of performing or not performing his duties, a director nominated by more than half of the directors shall perform his duties.

**Qualification of Directors**

The PRC Company Law provides that the following persons may not serve as a director:

- a person who is unable or has limited ability to undertake any civil liabilities;

- a person who has been convicted of an offense of bribery, corruption, embezzlement or misappropriation of property, or the destruction of socialist market economy order; or who has been deprived of his political rights due to his crimes, in each case where less than five years have elapsed since the date of completion of the sentence, and in case of a suspended sentence, not more than two years have elapsed since the date of expiry of the probationary period;

- a person who has been a former director, factory manager or manager of a company or an enterprise that has entered into insolvent liquidation and who was personally liable for the insolvency of such company or enterprise, where less than three years have elapsed since the date of the completion of the bankruptcy and liquidation of the company or enterprise;

- a person who has been a legal representative of a company or an enterprise that has had its business license revoked due to violations of the law and has been ordered to close down by law and the person was personally responsible, where less than three years have elapsed since the date of such revocation or the order for closure; or

- a person who is liable for a relatively large amount of debts that are overdue and is listed as a dishonest person subject to enforcement by the people's court.

**Board of Supervisors**

A joint stock limited company has a board of supervisors composed of not less than three members. The board of supervisors is made up of representatives of the shareholders and an appropriate proportion of representatives of the employees of the company. The actual proportion shall be stipulated in the articles of association, provided that the proportion of representatives of the employees shall not be less than one third of the supervisors. Representatives of the employees of the company in the board of supervisors shall be democratically elected by the employees at the employees' representative assembly, employees' general meeting or otherwise.

The directors and senior management may not act concurrently as supervisors.

The board of supervisors shall appoint a chairman and may appoint a vice chairman. The chairman and the vice chairman of the board of supervisors are elected with the approval of more than half of all the supervisors. The chairman of the board of supervisors shall convene and preside over the meetings of the board of supervisors. In the event that the chairman of the board of supervisors is incapable of performing or not performing his duties, the vice chairman of the board of supervisors shall convene and preside over the meetings of the board of supervisors. In the event that the vice chairman of the board of supervisors is incapable of performing or not performing his duties, a supervisor nominated by more than half of the supervisors shall convene and preside over the meetings of the board of supervisors.

Each term of office of a supervisor is three years and he or she may serve consecutive terms if re-elected. A supervisor shall continue to perform his duties in accordance with the laws, administrative regulations and articles of association until a duly re-elected supervisor takes office, if re-election is not conducted in a timely manner upon the expiry of his term of office, or if the resignation of a supervisor during his term of office results in the number of supervisors being less than the quorum.

The board of supervisors of a company shall hold at least one meeting every six months. According to the Company Law, a resolution of the board of supervisors shall be passed by more than half of all the supervisors.

The board of supervisors exercises the following powers:

- to review the company's financial position;
- to supervise the directors and senior management in their performance of their duties and to propose the removal of directors and senior management who have violated laws, regulations, the articles of association or the resolutions of shareholders' meeting;
- when the acts of directors and senior management are harmful to the company's interests, to require correction of those acts;
- to propose the convening of extraordinary shareholders' meetings and to convene and preside over shareholders' meetings when the board of directors fails to perform the duty of convening and presiding over shareholders' meeting under this law;
- to initiate proposals for resolutions to shareholders' meeting;
- to initiate proceedings against directors and senior management;
- other powers specified in the articles of association; and
- Supervisors may attend board meetings and make enquiries or proposals in respect of board resolutions. The board of supervisors may initiate investigations into any irregularities identified in the operation of the company and, where necessary, may engage an accounting firm to assist their work at the company's expense.

A joint stock limited company may, under the articles of association, set up an audit committee composed of directors in the board of directors, which shall exercise the functions and powers of the board of supervisors as provided for in this Law. It may not have a board of supervisors or supervisors. The audit committee shall be composed of at least 3 members, and more than half of the members shall not assume any position other than the director in the company and shall not have any relationship with the company that may affect their independent and objective judgments. Among the members of the board of directors of the company, an employees' representative may become a member of the audit committee. A resolution made by the audit committee shall be adopted by more than half of the members thereof. For voting on a resolution of the audit committee, each member shall have one vote. The discussion methods and voting procedures of the audit committee shall be prescribed in the articles of association, unless it is otherwise provided for by this Law.

**Manager and Senior Management**

Under the Company Law, a company shall have a manager who shall be appointed or dismissed by the board of directors.

The manager shall be responsible to the board of directors and shall exercise his duties and powers in accordance with the provisions of the company's articles of association or the authorization of the board of directors. The manager shall attend board meetings.

According to the PRC Company Law, senior management shall mean the manager, deputy manager(s), person-in-charge of finance, board secretary (in case of a listed company) of a company and other personnel as stipulated in the articles of association.

**Duties of Directors, Supervisors and Senior Management**

Directors, supervisors and senior management of the company are required under the PRC Company Law to comply with the relevant laws, regulations and the articles of association, and have fiduciary and diligent duties to the company. Directors, supervisors and senior management are prohibited from abusing their powers to accept bribes or other unlawful income and from misappropriating of the company's properties. Directors and senior management are prohibited from:

- embezzlement of company properties and misappropriation of the company's capital;
- depositing the company's capital into accounts under his own name or the name of other individuals;
- utilizing power to accept bribes or other illegal income;
- accept and possess commissions paid by a third party for transactions conducted with the company;
- unauthorized divulgence of confidential business information of the company; or
- other acts in violation of their duty of loyalty to the company.

A director, supervisor or senior management who contravenes any law, regulation or the company's articles of association in the performance of his duties resulting in any loss to the company shall be personally liable to the company.

Where a director, supervisor or senior management is required to attend a shareholders' meeting, such director, supervisor or senior management shall attend the meeting and answer the inquiries from shareholders. Directors and senior management shall furnish all true information and data to the supervisory board, without impeding the discharge of duties by the supervisory board or supervisors.

**Finance and Accounting**

Under the PRC Company Law, a company shall establish financial and accounting systems according to laws, administrative regulations and the regulations of the financial department of the State Council and shall at the end of each financial year prepare a financial and accounting report which shall be audited by an accounting firm as required by law. The company's financial and accounting report shall be prepared in accordance with provisions of the laws, administrative regulations and the regulations of the financial department of the State Council.

Pursuant to the PRC Company Law, the company shall deliver its financial and accounting reports to all shareholders within the time limit stipulated in the articles of association and make its financial and accounting reports available at the company for inspection by the shareholders at least 20 days before the convening of an annual general meeting of shareholders. It must also publish its financial and accounting reports.

When distributing each year's after-tax profits, it shall set aside 10% of its after-tax profits into a statutory common reserve fund (except where the fund has reached 50% of its registered capital).

If its statutory common reserve fund is not sufficient to make up losses of the previous year, profits of the current year shall be applied to make up losses before allocation is made to the statutory common reserve fund pursuant to the above provisions.

After allocation of the statutory common reserve fund from after-tax profits, it may, upon a resolution passed at the shareholders' meeting, allocate discretionary common reserve fund from after-tax profits.

The remaining after-tax profits after making up losses and allocation of common reserve fund shall be distributed in proportion to the number of shares held by the shareholders, unless otherwise stipulated in the articles of association.

Shares held by the Company shall not be entitled to any distribution of profit.

The premium received through the issuance of shares at prices above par value and other incomes required by the financial department of the State Council to be allocated to the capital reserve fund shall be allocated to the company's capital reserve fund.

The Company's reserve fund shall be applied to make up losses of the company, expand its business operations or be converted to increase the registered capital of the company. When utilizing reserve funds to make up for a company's losses, the discretionary reserve fund and statutory reserve fund should be used first; if the losses still cannot be made up, the capital reserve fund may be used in accordance with regulations. Upon the conversion of the statutory common reserve fund into increasing the registered capital, the balance of the statutory common reserve fund shall not be less than 25% of the registered capital of the company before such conversion.

The Company shall have no other accounting books except the statutory accounting books. Its assets shall not be deposited in any accounts opened in the name of any individual.

**Appointment and Dismissal of Accounting Firms**

Pursuant to the PRC Company Law, the appointment or dismissal of accounting firms responsible for the auditing of the company shall be determined by shareholders' meeting, board of directors or board of supervisors in accordance with provisions of articles of association. The accounting firm should be allowed to make representations when the shareholders' meeting, board of directors or board of supervisors conducts a vote on the dismissal of the accounting firm. The company should provide true and complete accounting evidence, books, financial and accounting reports and other accounting data to the accounting firm it employs without any refusal, withholding and misrepresentation.

The Guidelines on Articles of Association provide that the company guarantees to provide true and complete accounting vouchers, accounting books, financial accounting reports and other accounting materials to the employed accounting firm, and shall not refuse, conceal or falsely report. And the audit fee of the accounting firm shall be decided by the general meeting of shareholders.

**Distribution of Profits**

According to the PRC Company Law, a company shall not distribute profits before losses are covered and the statutory common reserve is drawn.

**Amendments to Articles of Association**

Any amendments to the company's articles of association must be made in accordance with the procedures set out in the company's articles of association. In relation to matters involving the company's registration, its registration with the authority must also be changed.

**Dissolution and Liquidation**

According to the PRC Company Law, a company shall be dissolved by reason of the following: (i) the term of its operations set down in the articles of association has expired or other events of dissolution specified in the articles of association have occurred; (ii) the shareholders' meeting has resolved to dissolve the company; (iii) the company is dissolved by reason of merger or division; (iv) the business license is revoked; the company is ordered to close down or be revoked; or (v) the company is dissolved by the people's court in response to the request of shareholders holding shares that represent more than 10% of the voting rights of all its shareholders, on the grounds that the company suffers significant hardship in its operation and management and the ongoing existence of the company would bring significant losses for shareholders that cannot be resolved through other means.

In the event of (i) or (ii) above and in case that no assets have been distributed to shareholders, it may carry on its existence by amending its articles of association or by a resolution of shareholders' meeting. The amendment of the articles of association or by a resolution of shareholders' meeting in accordance with provisions set out above shall require the approval of more than two thirds of voting rights of shareholders attending a shareholders' meeting.

Where the company is dissolved in the circumstances described in items (i), (ii), (iv), or (v) above, a liquidation group shall be established and the liquidation process shall commence within 15 days after the occurrence of an event of dissolution.

The liquidation committee shall be composed of directors, unless the company's articles of association provide otherwise or the shareholders' meeting resolves to elect someone else. If the liquidation obligator fails to fulfill its liquidation obligations in a timely manner and causes losses to the company or creditors, it shall be liable for compensation. If a liquidation committee is not established within the stipulated period or if the liquidation is not carried out after the establishment of the liquidation committee, the interested parties may apply with the people's court for setting up a liquidation committee with designated relevant personnel to conduct the liquidation. The people's court should accept such application and form a liquidation committee to conduct liquidation in a timely manner.

The liquidation group shall exercise the following powers during the liquidation period:

- to handle the company's assets and to prepare a balance sheet and an inventory of the assets;
- to notify creditors through notice or public announcement;
- to deal with the company's outstanding businesses related to liquidation;
- to pay any tax overdue as well as tax amounts arising from the process of liquidation;
- to claim credits and pay off debts;
- to distribute the company's remaining assets after its debts have been paid off; and
- to represent the company in civil lawsuits.

The liquidation group shall notify the company's creditors within 10 days after its establishment and issue public notices in newspapers or on the National Enterprise Credit Information Publicity System within 60 days. A creditor shall lodge his claim with the liquidation group within 30 days after receiving notification, or within 45 days of the public notice if he did not receive any notification. A creditor shall state all matters relevant to his creditor rights in making his claim and furnish evidence. The liquidation group shall register such creditor rights. The liquidation group shall not make any debt settlement to creditors during the period of claim.

Upon liquidation of properties and the preparation of the balance sheet and inventory of assets, the liquidation group shall draw up a liquidation plan to be submitted to the shareholders' meeting or people's court for confirmation.

The company's remaining assets after payment of liquidation expenses, wages, social insurance expenses and statutory compensation, outstanding taxes and debts shall be distributed to shareholders according to their shareholding proportion. It shall continue to exist during the liquidation period, although it can only engage in any operating activities that are related to the liquidation. The company's properties shall not be distributed to the shareholders before repayments are made in accordance with the foregoing provisions.

Upon liquidation of the company's properties and the preparation of the balance sheet and inventory of assets, if the liquidation group becomes aware that the company does not have sufficient assets to meet its liabilities, it must apply to the people's court for a declaration for bankruptcy liquidation.

Following the acceptance of application for bankruptcy by the People's Court, the liquidation committee shall hand over the liquidation affairs to the bankruptcy administrator appointed by the people's court.

Upon completion of the liquidation, the liquidation group shall submit a liquidation report to the shareholders' meeting or the people's court for verification and the report shall be submitted to the registration authority of the company in order to cancel the company's registration. When performing the duties in relation to the liquidation, members of the liquidation committee shall bear the duties of loyalty and diligence.

If members of the liquidation committee are reluctant to perform their liquidation duties and cause losses to the company, they shall be liable for compensation. A member of the liquidation group is liable to indemnify the company and its creditors in respect of any loss arising from his intentional or gross negligence.

**Overseas Listing**

According to the Trial Measures, the domestic enterprise shall report the application documents for issuance and listing to the CSRC for record-filing within three working days after submission of the application documents for issuance and listing overseas.

**Suspension and Termination of [REDACTED]**

The PRC Company Law has deleted provisions governing suspension and termination of listing. The PRC Securities Law revised in 2019 has also deleted provisions regarding suspension of listing. Where listed securities fall under the delisting circumstances stipulated by the stock exchange, the stock exchange shall terminate its listing and trading in accordance with the business rules.

Where the stock exchange decides on the delisting of securities, it shall promptly announce and file records with the securities regulatory authority of the State Council.

**Merger and Demerger**

Companies may merge through merger by absorption or through the establishment of a newly merged entity. If it merges by absorption, the company which is absorbed shall be dissolved. If it merges by forming a new corporation, both companies will be dissolved.

## SECURITIES LAW AND REGULATIONS

The PRC has promulgated a number of regulations that relate to the issue and trading of shares and disclosure of information. In October 1992, the State Council established the Securities Committee and the CSRC. The Securities Committee is responsible for coordinating the drafting of securities regulations, formulating securities-related policies, planning the development of securities markets, directing, coordinating and supervising all securities- related institutions in the PRC and administering the CSRC. The CSRC is the regulatory arm of the Securities Committee and is responsible for the drafting of regulatory provisions of securities markets, supervising securities companies, regulating public offers of securities by PRC companies in the PRC or overseas, regulating the trading of securities, compiling securities related statistics and undertaking relevant research and analysis. In April 1998, the State Council consolidated the two departments and reformed the CSRC.

The Interim Provisional Regulations on the Administration of Share Issuance and Trading (《股票發行與交易管理暫行條例》) deals with the application and approval procedures for public offerings of equity securities, trading in equity securities, the acquisition of listed companies, deposit, clearing and transfer of listed equity securities, the disclosure of information with respect to a listed company, investigation, penalties and dispute settlement.

On December 25, 1995, the State Council promulgated and implemented the Regulations of the State Council Concerning Domestic Listed Foreign Shares of Joint Stock Limited Companies (《國務院關於股份有限公司境內上市外資股的規定》). These regulations deal mainly with the issue, subscription, trading and declaration of dividends and other distributions of domestic listed and foreign invested shares and disclosure of information of joint stock limited companies having domestic listed and foreign invested shares.

The PRC Securities Law took effect on July 1, 1999 and was revised on August 28, 2004, October 27, 2005, June 29, 2013, August 31, 2014 and December 28, 2019, respectively. This is the first national securities law in the PRC, which is divided into 14 chapters and 226 articles regulating, among other things, the issue and trading of securities, takeovers by listed companies, securities exchanges, securities companies and the duties and responsibilities of the State Council's securities regulatory authorities. The PRC Securities Law comprehensively regulates activities in the PRC securities market. Article 224 of the PRC Securities Law provides that domestic enterprises shall comply with the relevant provisions of the State Council for listing their shares outside the PRC. Currently, the issue and trading of foreign issued shares (including H shares) are mainly governed by the rules and regulations promulgated by the State Council and the CSRC.

## ARBITRATION AND ENFORCEMENT OF ARBITRAL AWARDS

The PRC Arbitration Law (《中華人民共和國仲裁法》) was promulgated by the SCNPC on August 31, 1994, became effective on September 1, 1995, and was most recently amended on September 1, 2017. Under the PRC Arbitration Law, an arbitration committee may, before the promulgation by the PRC Arbitration Association of arbitration regulations, formulate interim arbitration rules in accordance with the PRC Arbitration Law and the PRC Civil Procedure Law. Where the parties have by agreement provided arbitration as the method for dispute resolution and one party filed a lawsuit with the people's court, the people's court will refuse to handle the case except when the arbitration agreement is declared invalid.

Under the PRC Arbitration Law and the PRC Civil Procedure Law, an arbitral award is final and binding on the parties. If a party fails to comply with an award, the other party to the award may apply to the people's court for enforcement. A people's court may refuse to enforce an arbitral award made by an arbitration commission if there is any irregularity in the procedures or composition of arbitrators specified by law or the award exceeds the scope of the arbitration agreement or is outside the jurisdiction of the arbitration commission.

A party seeking to enforce an arbitral award made by the PRC arbitration panel against a party who, or whose property, is not within the PRC, may apply to a foreign court with jurisdiction over the case for enforcement. Similarly, an arbitral award made by a foreign arbitration body may be recognized and enforced by the PRC courts in accordance with the principles of reciprocity or any international treaty concluded or acceded to by the PRC. The PRC acceded to the Convention on the Recognition and Enforcement of Foreign Arbitral Awards (the "**New York Convention**") adopted on June 10, 1958 pursuant to a resolution of the SCNPC passed on December 2, 1986. The New York Convention provides that all arbitral awards made in a state which is a party to the New York Convention shall be recognized and enforced by all other parties to the New York Convention, subject to their right to refuse enforcement under certain circumstances, including where the enforcement of the arbitral award is against the public policy of the state to which the application for enforcement is made. It was declared by the SCNPC simultaneously with the accession of the PRC that (i) the PRC will only recognize and enforce foreign arbitral awards on the principle of reciprocity and (ii) the PRC will only apply the New York Convention in disputes considered under PRC laws to arise from contractual and non-contractual mercantile legal relations.

An arrangement was reached between Hong Kong and the Supreme People's Court for the mutual enforcement of arbitral awards. On June 18, 1999, the Supreme People's Court adopted the Arrangement on Mutual Enforcement of Arbitral Awards between Chinese Mainland and Hong Kong (《關於內地與香港特別行政區相互執行仲裁裁決的安排》), which became effective on February 1, 2000 and was amended by the Supplemental Arrangement of the Supreme People's Court for the Mutual Enforcement of Arbitral Awards between the Mainland and the Hong Kong Special Administrative Region (2021) (《最高人民法院關於內地與香港特別行政區相互執行仲裁裁決的補充安排(2021)》). In accordance with this arrangement, awards made by PRC arbitral authorities under the Arbitration Law can be enforced in Hong Kong, and Hong Kong arbitration awards are also enforceable in the PRC.

**Judicial judgment and its enforcement**

The Arrangement on Mutual Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Chinese Mainland and of the Hong Kong Special Administrative Region Pursuant to Agreed Jurisdiction by Parties Concerned (《最高人民法院關於內地與香港特別行政區法院相互認可和執行當事人協議管轄的民商事案件判決的安排》) (the "**Old Arrangement**") came into effect on August 1, 2008, and ceased to have effect on January 29, 2024. On the same date, the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region (《關於內地與香港特別行政區法院相互認可和執行民商事案件判決的安排》) (the "**New Arrangement**") signed by the Supreme People's Court and the government of Hong Kong replaced the Old Arrangement. Under the Old Arrangement, in the case of final judgment, defined with payment amount and enforcement power, made between the

court of China and the court of the Hong Kong Special Administrative Region in a civil and commercial case with written jurisdiction agreement, any party concerned may apply to the People's Court of China or the court of the Hong Kong Special Administrative Region for recognition and enforcement based on this arrangement. "Choice of court agreement in written" refers to a written agreement defining the exclusive jurisdiction of either the People's Court of China or the court of the Hong Kong Special Administrative Region in order to resolve disputes with a particular legal relation that occurred or is likely to occur by the party concerned. The New Arrangement removes the requirement for a written choice of court agreement and establishes a mechanism with greater clarity and certainty for recognition and enforcement of judgments in a wider range of civil and commercial matters between Hong Kong and the PRC. Nevertheless, where parties entered into a written jurisdiction agreement as defined under the Old Arrangement prior to January 29, 2024, the Old Arrangement shall still apply.

## SUMMARY OF MATERIAL DIFFERENCES BETWEEN HONG KONG AND PRC COMPANY LAW

Hong Kong company law is primarily set out in the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Companies Ordinance and is supplemented by common law and the rules of equity that are applicable to Hong Kong. As a joint stock limited company established in the PRC that is seeking a [**REDACTED**] of shares on the Hong Kong Stock Exchange, we are governed by the Company Law and all other rules and regulations promulgated pursuant to the Company Law.

Set out below is a summary of certain material differences between Hong Kong company law and the Company Law applicable to a joint stock limited company incorporated and existing under the Company Law. This summary is, however, not intended to be an exhaustive comparison.

### Corporate Existence

Under Hong Kong company law, a company with share capital, is incorporated by the Registrar of Companies in Hong Kong which issues a certificate of incorporation to the Company upon its incorporation and the company will acquire an independent corporate existence. A company may be incorporated as a public company or a private company. Pursuant to the Companies Ordinance, the articles of association of a private company incorporated in Hong Kong shall contain certain pre-emptive provisions. A public company's articles of association do not contain such pre-emptive provisions.

Under the Company Law, a joint stock limited company may be incorporated by promotion or public subscription.

### Share Capital

The Hong Kong company law does not provide for authorized share capital. The share capital of a Hong Kong company would be its issued share capital. The full proceeds of a share issue will be credited to share capital and become a company's share capital. The directors of a Hong Kong company may, with the prior approval of the shareholders if required, issue new shares of the

company. The Company Law does not provide for authorized share capital, either. Our registered capital is the amount of our issued share capital. Any increase in our registered capital must be approved by our shareholders' meeting and file with the relevant PRC governmental and regulatory authorities.

Under the Company Law, the shares may be subscribed for in the form of money or non-monetary assets (other than assets not entitled to be used as capital contributions under relevant laws and administrative regulations). For non-monetary assets to be used as capital contributions, appraisals and verification must be carried out to ensure no overvaluation or undervaluation of the assets. There is no such restriction on a Hong Kong company under Hong Kong Law.

**Restrictions on Shareholding and Transfer of Shares**

Generally, overseas listed shares, which are denominated in Renminbi and subscribed for in a currency other than Renminbi, may only be subscribed for, and traded by, investors from Hong Kong, Macau and Taiwan or any country and territory outside the PRC, or qualified domestic institutional investors as allowed under Tentative Regulatory Measures for Qualified Domestic Institutional Investors Investing in Overseas Securities (《合格境內機構投資者境外證券投資管理試行辦法》). If the H shares are eligible securities under the Southbound Trading Link, they may also be subscribed for and traded by PRC investors in accordance with the rules and limits of Shanghai-Hong Kong Stock Connect or Shenzhen-Hong Kong Stock Connect.

Under the Company Law, a promoter of a joint stock limited company is not allowed to transfer the shares it holds for a period of one year after the date of establishment of the company. Shares in issue prior to our [**REDACTED**] cannot be transferred within one year from the [**REDACTED**] of the shares on a stock exchange. Shares in a joint stock limited liability company held by its directors, supervisors and managers and transferred each year during their term of office shall not exceed 25% of the total shares they held in the company, and the shares they held in the company cannot be transferred within one year from the [**REDACTED**] of the shares, and also cannot be transferred within half a year after the said personnel has left office. The articles of association may set other restrictive requirements on the transfer of the company's shares held by its directors, supervisors and officers. There are no such restrictions on shareholdings and transfers of shares under Hong Kong law apart from the restriction on the Company to issue additional Shares within six months and the 12-month lockup on controlling shareholders' disposal of shares, as illustrated by the undertakings given by the Company and our controlling shareholder to the Hong Kong Stock Exchange.

**Financial Assistance for Acquisition of Shares**

The Company Law does not prohibit or restrict a joint stock limited company or its subsidiaries from providing financial assistance for the purpose of an acquisition of its own or its holding company's shares.

**Directors, Senior Management and Supervisors**

The Company Law, unlike Hong Kong company law, does not contain any requirements relating to the declaration of directors' interests in material contracts, restrictions on directors' authority in making major dispositions, restrictions on companies providing certain benefits to directors and guarantees in respect of directors' liability and prohibitions against compensation for loss of office without shareholders' approval.

**Board of Supervisors**

Under the Company Law, a joint stock limited company's directors and managers are subject to the supervision of a supervisors committee. There is no mandatory requirement for the establishment of a board of supervisors for a company incorporated in Hong Kong.

**Derivative Action by Minority Shareholders**

Hong Kong law permits minority shareholders to initiate a derivative action on behalf of all shareholders against directors who have committed a breach of their fiduciary duties to the company if the directors control a majority of votes at a general meeting, thereby effectively preventing a company from suing the directors in breach of their duties in its own name.

The Company Law provides shareholders of a joint stock limited company with the right so that in the event where the directors and senior management violate their fiduciary obligations to a company, the shareholders individually or jointly holding over 1% of the shares in the company for more than 180 consecutive days may request in writing the board of supervisors to initiate proceedings in the people's court. In the event that the board of supervisors violates their fiduciary obligations to a company, the above said shareholders may send a written request to the board of directors to initiate proceedings in the people's court. Upon receipt of such written request from the shareholders, if the board of supervisors or the board of directors refuses to initiate such proceedings, or has not initiated proceedings within 30 days upon receipt of the request, or if under urgent situations, failure to initiate immediate proceeding may cause irremediable damages to the company, the above said shareholders shall, for the benefit of the company's interests, have the right to initiate proceedings directly to the court in their own name.

**Minority Shareholder Protection**

Under Hong Kong law, a shareholder who complains that the affairs of a company incorporated in Hong Kong are conducted in a manner unfairly prejudicial to his interests may petition the court to make an appropriate order regulating the affairs of the company. Furthermore, under certain circumstances, the Financial Secretary of Hong Kong may appoint inspectors who are given extensive statutory powers to investigate the affairs of a company incorporated in Hong Kong. The PRC law does not contain similar safeguards.

**Notice of Shareholders' Meetings**

Under the Company Law, notice of a shareholder's annual general meeting must be given not less than 20 days before the meeting. According to the Official Reply of the State Council on Adjusting the Provisions Governing Matters Including the Application of the Notice Period for the Convening of Shareholders' Meetings by Companies Listed Overseas (《國務院關於調整適用在境外上市公司召開股東大會通知期限等事項規定的批覆》) promulgated by the State Council on October 17, 2019, the notice period for a shareholders' meeting, the shareholder proposal right, and the procedures for convening a shareholders' meeting, for those joint stock companies established within the territory of China but listed outside the territory of China, should be governed by the PRC Company Law.

For a company incorporated in Hong Kong, the notice period for an annual general meeting is at least 21 days and in any other case, at least 14 days for a limited company and at least 7 days for an unlimited company. Further, where a meeting involves consideration of a resolution requiring special notice, the company must also give its shareholders notice of the resolution at least 14 days before the meeting.

**Quorum for Shareholders' Meetings**

Under Hong Kong law, the quorum for a general meeting must be at least two members unless the articles of association of the company otherwise provide. For companies with only one member, the quorum must be one member. The Company Law does not specify any quorum requirement for a shareholders' meeting.

**Voting**

Under Hong Kong law, an ordinary resolution is passed by a simple majority of votes cast by members present in person or by proxy at a general meeting and a special resolution is passed by a majority of not less than three-fourths of votes cast by members present in person or by proxy at a general meeting. Under the Company Law, the passing of any resolution requires affirmative votes of shareholders representing more than half of the voting rights represented by the shareholders who attend the general meeting except in cases of proposed amendments to a company's articles of association, increase or decrease of registered capital, merger, division or dissolution, or change of corporation form, which require affirmative votes of shareholders representing more than two-thirds of the voting rights represented by the shareholders who attend the general meeting.

**Financial Disclosure**

Under the Company Law, a joint stock limited company is required to make available at the company for inspection by shareholders its financial report 20 days before its shareholders' annual general meeting. In addition, a joint stock limited company of which the shares are publicly offered must publish its financial report. The Companies Ordinance requires a company incorporated in Hong Kong to send to every shareholder a copy of its financial statements, auditors' report and directors' report, which are to be presented before the company in its annual general meeting, not less than 21 days before such meeting. A joint stock limited liability company is required under the PRC law to prepare its financial statements in accordance with the PRC GAAP.

**Information on Directors and Shareholders**

The Company Law gives shareholders the right to inspect the company's articles of association, minutes of the shareholders' meetings and financial and accounting reports. Under the Articles of Association, shareholders have the right to inspect and copy (at reasonable charges) certain information on shareholders and directors which is similar to the shareholders' rights of Hong Kong companies under Hong Kong law.

**Receiving Agent**

Under the Company Law and Hong Kong law, dividends once declared are debts payable to shareholders. The limitation period for debt recovery action under Hong Kong law is six years, while under the PRC law this limitation period is three years.

**Corporate Reorganization**

Corporate reorganization involving a company incorporated in Hong Kong may be effected in a number of ways, such as a transfer of the whole or part of the business or property of the company in the course of voluntary winding up to another company pursuant to Section 237 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance or a compromise or arrangement between the company and its creditors or between the company and its members pursuant to Section 673 and Division 2 of Part 13 of the Companies Ordinance, which requires the sanction of the court. Under PRC law, merger, division, dissolution or change to the status of a joint stock limited liability company has to be approved by shareholders in general meeting.

**Mandatory Deductions**

Under the Company Law, a joint stock limited liability company is required to make transfers equivalent to certain prescribed percentages of its after-tax profit to the statutory common reserve fund. There are no corresponding provisions under Hong Kong law.

**Remedies of the Company**

Under the Company Law, if a director, supervisor or manager in carrying out his duties infringes any law, administrative regulation or the articles of association of a company, which results in damage to the company, that director, supervisor or manager should be responsible to the company for such damages. In addition, the Listing Rules require listed companies' articles of association to provide for remedies of the company similar to those available under Hong Kong law (including rescission of the relevant contract and recovery of profits from a director, supervisor or senior management).

**Dividends**

The company has the power in certain circumstances to withhold, and pay to the relevant tax authorities, any tax payable under PRC law on any dividends or other distributions payable to a shareholder. Under Hong Kong law, the limitation period for an action to recover a debt (including the recovery of declared dividends) is six years, whereas under PRC laws, the relevant limitation period is three years. The company must not exercise its powers to forfeit any unclaimed dividend in respect of shares until after the expiry of the applicable limitation period.

**Fiduciary Duties**

In Hong Kong, there is the common law concept of the fiduciary duty of directors.

**Closure of Register of Shareholders**

The Companies Ordinance requires that the register of shareholders of a company must not generally be closed for the registration of transfers of shares for more than 30 days (extendable to 60 days in certain circumstances) in a year, whereas, as required by the Company Law, share transfers shall not be registered within 30 days before the date of a shareholders' meeting or within five days before the base date set for the purpose of distribution of dividends.

Any person wishing to have detailed advice on PRC law or the laws of any jurisdiction is recommended to seek independent legal advice.

This appendix mainly provides [**REDACTED**] with an overview of the Articles of Association. The following information is only a summary and are not exhaustive of information that may be important to [**REDACTED**].

## SHARES AND REGISTERED CAPITAL

The issuance of the Company's shares shall follow the principles of openness, fairness and justice, and each share of each class shall have the same rights. Shares of the same class issued at the same time shall be issued on the same terms and at the same price. Any unit or individual subscribed for the shares shall pay the same amount for each share.

The Domestic Unlisted Shares issued by the Company shall be deposited at China Securities Depository and Clearing Corporation Limited in accordance with the relevant regulations in a centralized manner. The registration and settlement arrangements for the oversea-listed shares issued by the Company shall be governed by the regulations of the overseas listing jurisdiction.

Shares issued by the Company, denominated in Renminbi, with a par value of one Renminbi (RMB1.0) per share.

## SHARES ADDITIONS, REPURCHASES AND TRANSFERS

### Share Increase or Decrease

The Company may, in accordance with the needs of its business operation and development, and in accordance with the provisions of laws and regulations, increase its registered capital in the following methods, upon the resolutions adopted by the shareholders' meeting:

(1) issuance of shares to non-specific investors;

(2) issuance of shares to specific investors;

(3) distribution of bonus shares to existing investors;

(4) conversion of capital reserve into share capital;

(5) other methods stipulated by laws, administrative regulations, and the provisions approved by the CSRC.

The Company may reduce its registered capital. The Company shall reduce its registered capital in accordance with the procedures stipulated in the PRC Company Law and other relevant regulations as well as the Articles of Association.

### Share Repurchase

The Company may repurchase its own shares in accordance with laws, administrative regulations, departmental rules, and the Articles of Association under any of the following circumstances:

(1) to reduce the registered capital of the Company;

(2) to merge with another company holding shares of the Company;

(3) to use the shares for employee stock ownership plans or shares incentives;

(4) where shareholders request the Company to repurchase their shares due to their dissent against resolutions of the shareholders' meeting on the Company's merger or division;

(5) to use the shares for the conversion of corporate bonds convertible into shares issued by the Company;

(6) where necessary for safeguarding the Company's value and shareholders' rights.

The Company may repurchase its own shares through a public centralized transaction or other methods permitted by laws, administrative regulations, the CSRC, or the securities regulatory authority of the stock exchange where the Company's shares are [**REDACTED**].

If the Company repurchases its own shares under items (3), (5), or (6) above, it shall be conducted so through a public centralized transaction.

Where the Company repurchases its own shares under items (1) or (2) above, a resolution of the shareholders' meeting shall be required. Where the Company repurchases its own shares under items (3), (5), or (6) above, a resolution of the directors meeting attended by at least two-thirds of the directors in accordance with the Articles of Association shall suffice.

Where the Company repurchases its own shares under the circumstances set out in item (1) above, the shares shall be canceled within ten (10) days from the repurchase date; where the Company repurchases its own shares under the circumstances set out in item (2) or (4) above, the shares shall be transferred or canceled within six (6) months; where the Company repurchases its own shares under the circumstances set out in item (3), (5), or (6) above, the total number of the Company's repurchased shares shall not exceed ten percent (10%) of the total issued shares of the Company, and such shares shall be transferred or canceled within three (3) years.

**Transfer of Shares**

The shares of the Company shall be transferred in accordance with applicable laws.

The Company shall not accept its own shares as the subject matter of a pledge.

The shares issued prior to the [**REDACTED**] of the Company's shares shall not be transferable within one (1) year from the date of [**REDACTED**] and [**REDACTED**] of the Company's shares at Hong Kong Stock Exchange. Directors and senior management of the Company shall declare to the Company their shareholdings in the Company and any changes thereto. During their term of office as determined at the time of appointment, they shall not transfer more than twenty-five percent (25%) of the total number of shares of the same class held by them in the Company each year. Such above personnel shall not transfer their shares in the Company within one (1) year from the date of [**REDACTED**] and [**REDACTED**] of the Company's shares. For a period of six (6) months after their resignation, they shall not transfer their shares in the Company.

Where shares are pledged during the restricted transfer period stipulated by laws or administrative regulations, the pledgee shall not exercise its pledge rights during such restricted transfer period.

Where a shareholder (excluding a recognized clearing institution or its nominee under the limited provisions of Hong Kong law in effect from time to time), director, or senior management holding more than five percent (5%) of the Company's shares sells the Company's domestic shares or other equity-type securities within six (6) months after purchase, or repurchases them within six (6) months after sale, any profits derived therefrom shall belong to the Company, and the Company's board of directors shall recover such profits. This provision shall not apply where a securities firm holds more than five percent (5%) of the shares as a result of [**REDACTED**] residual shares, or under other circumstances stipulated by the CSRC.

The shares or other equity-type securities held by directors, senior management, or natural person shareholders as mentioned in the preceding paragraph includes shares or other equity-type securities held by their spouses, parents, children, or through nominee accounts.

Where the Company's board of directors fails to enforce the provisions mentioned above, shareholders shall have the right to request the board of directors to enforce such provisions within thirty (30) days. If the board of directors fails to do so within the said period, shareholders shall have the right to directly initiate legal proceedings in the People's Court in their own names for the benefit of the Company.

Where the Company's board of directors fails to enforce the provisions mentioned above, the responsible directors shall be jointly and severally liable in accordance with the law.

## SHAREHOLDERS AND SHAREHOLDERS' MEETINGS

### Shareholders

The shareholders of the Company shall enjoy the following rights:

(1) to receive dividends and other forms of distribution of profits in proportion to their respective shareholdings;

(2) to request, convene, preside over, attend, or appoint a shareholder proxy to attend shareholders' meetings in accordance with the law, and to exercise corresponding voting rights;

(3) to supervise the Company's operations and to make suggestions or raise inquiries;

(4) to transfer, gift, or pledge their shares in accordance with laws, administrative regulations, and the Articles of Association;

(5) to inspect and copy the Company's Articles of Association, register of members, minutes of shareholders' meetings, board resolutions, and financial reports. Shareholders who meet the prescribed requirements may inspect the Company's accounting books and vouchers;

(6) to participate in the distribution of the Company's residual assets in proportion to their respective shareholdings upon the Company's termination or liquidation;

(7) to require the Company to repurchase their shares if they dissent from resolutions of the shareholders' meeting on the Company's merger or division;

(8) other rights granted under laws, administrative regulations, departmental rules, the Listing Rules, or the Articles of Association.

Where the content of any resolution of the shareholders' meeting or the board of directors violates laws or administrative regulations, shareholders shall have the right to petition the People's Court to declare such resolution.

Where the convening procedures or voting methods of a shareholders' meeting or board meeting violate laws, administrative regulations, or the Articles of Association, or where the content of a resolution violates the Articles of Association, shareholders may petition the People's Court to rescind such resolution within sixty (60) days from the date the resolution was approved, except for those minor defects in convening or voting procedures without material effect on the resolution. Any shareholder who was not notified to attend a shareholders' meeting may petition the People's Court for rescission within sixty (60) days from the date such shareholder knew or ought to have known of the resolution. The right to rescind shall be extinguished if not exercised within one (1) year from the date the resolution was approved.

Where the validity of a shareholders' meeting resolution is disputed by the board of directors, shareholders, or other relevant parties, such parties shall promptly institute legal proceedings in the People's Court. Pending a court judgment or ruling to rescind the resolution, all parties shall implement such resolution. The Company, its directors, and senior management shall duly perform their duties to ensure the Company's normal operations.

The shareholders of the Company shall assume the following obligations:

(1) to comply with laws, administrative regulations, and the Articles of Association;

(2) to pay the subscription monies in accordance with their subscribed shares and the method of capital contribution;

(3) not to withdraw their capital contributions except as permitted by laws and regulations;

(4) not to abuse shareholder rights to the detriment of the Company or other shareholders; and not to abuse the Company's independent legal personality or their limited liability as shareholders to harm the interests of the Company's creditors;

(5) where a shareholder abuses its rights and causes losses to the Company or other shareholders, it shall be liable for compensation in accordance with the law; where a shareholder abuses the Company's independent legal personality or its limited liability to evade debts, thereby seriously harming the interests of the Company's creditors, such shareholder shall be jointly and severally liable for the debts of the Company; and

(6) other obligations as stipulated by laws, normative documents, and the Articles of Association.

**Controlling Shareholder and De Facto Controller**

The controlling shareholder and de facto controller of the Company shall comply with the following provisions:

(1) to exercise shareholder rights in accordance with the law, and shall not abuse controlling rights or utilize connected relationships to impair the lawful rights and interests of the Company or other shareholders;

(2) to strictly fulfill all public statements and commitments made, and shall not arbitrarily modify or seek exemption therefrom;

(3) to strictly perform information disclosure obligations in accordance with relevant requirements, actively cooperate with the Company in information disclosure work, and promptly inform the Company of material events that have occurred or are proposed to occur;

(4) not to misappropriate Company's funds in any manner;

(5) not to compel, instruct, or demand that the Company or its relevant personnel provide guarantees in violation of laws or regulations;

(6) not to utilize undisclosed material information of the Company for benefits, disclose any undisclosed material information relating to the Company in any manner, or engage in illegal activities such as insider trading, short-swing trading, or market manipulation;

(7) not to impair the lawful rights and interests of the Company and other shareholders through non-arm's length connected transactions, profit distributions, asset reorganizations, external investments, or any other means;

(8) to ensure the Company's asset integrity, personnel independence, financial independence, organizational independence, and business independence, and shall not affect the Company's independence in any manner;

(9) other requirements under laws, administrative regulations, CSRC provisions, stock exchange business rules, and the Articles of Association.

Where the Company's controlling shareholder or de facto controller does not serve as directors but de facto manage the Company's affairs, the provisions of the Articles of Association regarding directors' fiduciary duties and duty of care shall apply.

Where the controlling shareholder or de facto controller instructs directors or senior management to engage in conduct detrimental to the Company or shareholders' interests, they shall be jointly and severally liable with such directors or senior management.

**General Requirements of Shareholders' Meetings**

The shareholders' meeting comprises all shareholders, as the Company's organ of authority and shall exercise the following powers in accordance with the law:

(1) to elect and replace directors, and determine matters relating to their remuneration;

(2) to review and approve reports of the board of directors;

(3) to review and approve the Company's profit distribution plans and loss recovery plans;

(4) to adopt resolutions on increases or decreases to the Company's registered capital;

(5) to adopt resolutions on the issuance of corporate bonds;

(6) to adopt resolutions on the Company's merger, division, dissolution, liquidation, or change of corporate form;

(7) to amend the Articles of Association;

(8) to adopt resolutions on the appointment or dismissal of accounting firms conducting the Company's audit;

(9) to review and approve guarantee matters specified in Article 46 of the Articles of Association;

(10) to review matters where the Company's purchase or sale of material assets within one year exceeds thirty percent (30%) of the Company's most recently audited total assets;

(11) to review and approve changes to the use of the proceeds;

(12) to review equity incentive plans and employee stock ownership plans; and

(13) to review other matters required by laws, administrative regulations, departmental rules, Listing Rules, or the Articles of Association to be decided by the shareholders' meeting.

The following external guarantees provided by the Company shall require approval by the shareholders' meeting:

(1) any single guarantee exceeding ten percent (10%) of the Company's most recently audited net assets;

(2) any guarantee provided after the aggregate external guarantees of the Company and its controlled subsidiaries exceed fifty percent (50%) of the Company's most recently audited net assets;

(3) guarantees provided to entities with a debt-to-asset ratio exceeding seventy percent (70%);

(4) guarantees where the Company's aggregate guarantees to others within one year exceed thirty percent (30%) of its most recently audited total assets;

(5) guarantees provided to shareholders, de facto controllers, or their connected parties; and

(6) other external guarantees required by laws, administrative regulations, the Listing Rules, or the Articles of Association to be submitted to the shareholders' meeting.

Where the Company provides guarantees to controlling shareholders, de facto controllers, or their connected parties, such parties shall provide counter-guarantees.

Resolutions on guarantee matters under item (4) mentioned above shall require approval by shareholders representing at least two-thirds of the voting rights present at the shareholders' meeting.

The requirements under items (1) to (3) mentioned above shall not apply where:

(1) the Company provides guarantees to wholly-owned subsidiaries; or

(2) the Company provides guarantees to controlled subsidiaries and other shareholders of such subsidiaries provide guarantees proportionate to their equity interests, provided the Company's interests are not prejudiced.

Shareholders' meetings shall comprise annual shareholders' meetings and extraordinary shareholders' meetings. An annual shareholders' meeting shall be convened once every year within six months following the end of the preceding fiscal year.

An extraordinary shareholders' meeting shall be convened within two months upon the occurrence of any of the following events:

(1) where the number of directors falls below the quorum required by the PRC Company Law or two-thirds of the number prescribed by the Articles of Association;

(2) where the Company's uncovered losses reach one-third of its total share capital;

(3) upon written request by shareholder(s) individually or collectively holding ten percent (10%) or more of the voting rights (one vote per share, excluding treasury shares) of the Company;

(4) where the board of directors deems it necessary;

(5) upon proposal by the audit committee;

(6) other circumstances specified by laws, administrative regulations, departmental rules, the Listing Rules, or the Articles of Association.

**Convening of Shareholders' Meeting**

The board of directors shall convene a shareholders' meeting within the prescribed time limit.

A shareholders' meeting shall be convened by the board of directors and presided over by the chairman of the board. Where the chairman is unable or fails to perform such duties, a director nominated by a majority of the directors shall preside.

Independent non-executive directors may propose to the board of directors to convene an extraordinary shareholders' meeting upon obtaining the consent of a majority of all independent non-executive directors. For the proposal of independent non-executive directors of convening an extraordinary shareholders' meeting, the board of directors shall, in accordance with laws, administrative regulations, the Listing Rules and the Articles of Association, provide a written response within ten (10) days upon receipt of such proposal, stating whether it agrees or disagrees to convene the meeting.

Where the board of directors agrees to convene the meeting, it shall issue a notice of meeting within five (5) days after adopting the relevant board resolutions. Where the board of directors disagrees, it shall state the reasons and make an announcement.

The audit committee may propose to the board of directors to convene an extraordinary shareholders' meeting by submitting a written request. The board of directors shall provide a written response within ten (10) days upon receipt of the proposal in accordance with applicable laws and the Articles of Association.

Where the board of directors agrees to convene the meeting, it shall issue a notice of meeting within five (5) days after adopting the relevant resolution. Any amendments to the original proposal in the notice shall require the audit committee's consent.

Where the board of directors disagrees to convene the meeting or fails to respond within ten (10) days upon receipt of the proposal, the audit committee may convene and preside over the meeting if the board of directors is deemed unable or unwilling to perform its convening duties.

Shareholder(s) individually or collectively holding ten percent (10%) or more of the total voting rights (on a one-vote-per-share basis, excluding treasury shares) may request the board of directors to convene an extraordinary shareholders' meeting and add proposed resolutions to the agenda by submitting a written request. The board of directors shall provide a written response on whether to agree or disagree to convene the extraordinary shareholders' meeting within ten (10) days upon receipt in accordance with applicable laws and the Articles of Association.

Where the board of directors agrees, it shall issue a notice of meeting within five (5) days after adopting the relevant board resolution. Any amendments to the original request in the notice shall require the consent of the relevant shareholder(s).

Where the board of directors disagrees or fails to respond within ten (10) days, the shareholder(s) may submit a written request to the audit committee to convene the meeting.

Where the audit committee agrees, it shall issue a notice of meeting within five (5) days upon receipt. Any amendments to the original proposal in the notice shall require the consent of the relevant shareholder(s).

Where the audit committee fails to issue the notice within the specified period, shareholder(s) individually or collectively holding ten percent (10%) or more of the voting rights of the Company continuously for ninety (90) days or more may convene and preside over the meeting.

Where the audit committee or shareholder(s) decide to convene a meeting independently, they shall notify the board of directors in writing. The shareholding percentage of the convening party shall not fall below ten percent (10%) prior to the announcement of the meeting resolutions.

The audit committee or convening shareholder(s) shall submit supporting documents (if required) to the relevant authorities and the stock exchange in accordance with applicable laws when issuing the meeting notice and resolution announcements.

**Proposals and Notice of Shareholders' Meeting**

Proposals submitted to a shareholders' meeting shall fall within the scope of powers of the shareholders' meeting; contain clearly defined topics and specific resolution matters; and comply with applicable laws, administrative regulations, the Listing Rules, and the Articles of Association.

When the Company convenes a shareholders' meeting, the board of directors, the audit committee, or shareholder(s) holding one percent (1%) or more of the Company's shares (individually or collectively) may submit proposals to the Company.

Shareholder(s) individually or collectively holding one percent (1%) or more of the Company's shares may submit provisional proposal in writing to the convenor no later than ten (10) days prior to the shareholders' meeting. The convenor shall issue a supplementary notice within two (2) days upon receipt, disclosing the provisional proposal, and shall submit such proposal to the shareholders' meeting for consideration, unless the proposal violates laws, regulations or the Articles of Association; or the matter falls outside the shareholders' meeting's authority.

Where the securities regulations of the Company's [**REDACTED**] jurisdiction prescribe special requirements for supplementary notices, such requirements shall prevail provided they do not contravene PRC laws including the PRC Company Law. If the regulations require meeting postponement due to supplementary notices, the meeting shall be deferred accordingly.

Except as provided above, the convenor shall not modify published proposals or add new items after issuing the initial meeting notice.

No voting or resolutions shall be conducted on matters: (a) not included in the meeting notice; or (b) failing to meet the requirements under Article 61 of the Articles of Association.

Notices for annual shareholders' meetings shall be issued at least twenty-one (21) days prior, and for extraordinary shareholders' meetings at least fifteen (15) days prior, excluding the meeting date but including the notice date.

Shorter notice periods may apply if permitted by laws, regulations, or the Listing Rules.

Shareholders' meeting notices shall contain:

(1) meeting date, venue and duration;

(2) agenda items and proposed resolutions;

(3) prominent disclosure that: (a) All shareholders may attend; (b) Proxy attendance is permitted (the proxy need not be a shareholder);

(4) record date for voting eligibility;

(5) name and telephone number of standing contact person for meeting services;

(6) voting time and procedures for electronic/other channels (if applicable);

(7) other information required by laws, regulations, departmental rules, the Listing Rules and the Articles of Association.

Notices of shareholders' meeting and supplementary notice shall contain full and complete disclosure of all specific details of all proposals and all information or explanations necessary to enable shareholders to make a reasonable judgment on the matters to be discussed. If the matters to be discussed require the opinions of the independent non-executive directors, the opinions of the independent non-executive directors and the reasons thereof will be attached to the notice of shareholders' meeting or supplementary notice at the same time.

**Delegations of Shareholders' Meeting**

All shareholders or their proxies registered in the register of members as of the record date shall have the right to attend shareholders' meetings and exercise voting rights in accordance with applicable laws, regulations, the Listing Rules, and the Articles of Association.

Shareholders may attend meetings in person or appoint one or more proxies (who need not be shareholders) to attend and vote on their behalf. Attendees (including proxies) shall enjoy the right to information, the right to address the meetings, the right to raise inquiries, the voting right and other rights stipulated by applicable laws. Shareholders shall retain the right to address the meetings and voting right unless the individual shareholder is required to waive its voting right in respect of a specific matter under the Listing Rules, for example, that the shareholder holds substantial interest in a specific transaction or arrangement being voted on.

Any individual shareholder attending a shareholders' meeting in person shall present his/her valid identification document or other valid certificate evidencing his/her identity. Where a shareholder appoints a proxy to attend the meeting, such proxy shall present his/her own valid identification document and a power of attorney executed by the shareholder.

A corporate shareholder shall attend the meeting through its legal representative or authorized representative, or through a proxy appointed by such legal representative or authorized representative. The legal representative or authorized representative attending the meeting shall present his/her valid identification document and valid proof evidencing his/her status as the legal

representative or authorized representative. Where a proxy is appointed to attend the meeting, such proxy shall present his/her valid identification document and a written power of attorney duly executed by the legal representative or authorized representative of such corporate shareholder in accordance with the law (except for recognized clearing houses or their nominees as defined under relevant ordinances of Hong Kong from time to time), or a proxy form signed by a duly authorized person. Where a corporate shareholder has appointed a representative to attend any meeting, it shall be deemed to have attended the meeting in person.

A shareholder may appoint a proxy to attend a shareholders' meeting on his/her behalf. The proxy shall submit to the Company a power of attorney executed by the shareholder and shall exercise voting rights strictly within the scope of authorization. The power of attorney for appointing a proxy to attend a shareholders' meeting shall specify the following contents:

(1) the name of the shareholder and the class and quantity of shares held;

(2) the name of the proxy;

(3) specific voting instructions from the shareholder, including directions to vote for, against or abstain on each proposed resolution listed in the meeting agenda;

(4) the date of issuance and validity period of the power of attorney; and

(5) the signature (or seal) of the shareholder, provided that where the shareholder is a domestic corporate entity, the power of attorney shall bear the official seal of such corporate entity.

The power of attorney shall specify whether the proxy may vote at his/her discretion if the shareholder fails to provide specific voting instructions.

Where the appointing party is a corporate entity, its legal representative or a person authorized by board resolutions or other governing body shall attend the Company's shareholders' meeting as its representative.

**Voting on the Shareholders' Meeting**

Resolutions of shareholders' meetings shall include ordinary resolutions and special resolutions.

An ordinary resolution shall be adopted by a simple majority of the voting rights held by shareholders present at the meeting (excluding voting rights attached to treasury shares). A special resolution shall be adopted by at least two-thirds of the voting rights held by shareholders present at the meeting.

For the purposes of the Article of Associations, the term "shareholders" includes shareholders represented by proxies at the meeting.

The following matters shall be subject to adoption by ordinary resolution:

(1) the election and replacement of directors, and matters relating to their remuneration;

(2) the work report of the board of directors;

(3) the profit distribution plan and loss recovery plan proposed by the board of directors;

(4) the Company's annual report;

(5) the appointment, dismissal and determination of audit fees of the Company's accounting firm; and

(6) other matters not required by laws, administrative regulations, the Listing Rules or the Articles of Association to be adopted by special resolution.

The following matters shall be subject to adoption by special resolution:

(1) increase or decrease of the Company's registered capital;

(2) merger, division, dissolution, change of corporate form or liquidation (including voluntary winding-up) of the Company;

(3) amendments to the Articles of Association;

(4) the Company's purchase or sale of material assets or provision of guarantees to others within one year exceeding thirty percent (30%) of the Company's most recently audited total assets;

(5) equity incentive plans; and

(6) other matters required by laws, administrative regulations, the Listing Rules or the Articles of Association, or which the shareholders' meeting determines by ordinary resolution will have a material impact on the Company and therefore require adoption by special resolution.

Any variation of rights attached to any class of shares (excluding treasury shares) shall be approved by at least two-thirds of the votes cast by the holders of the affected class of shares present and voting at a separate class meeting.

Unless otherwise provided in the Articles of Association, each shareholder (including proxies) shall have one vote for each share held.

When considering material matters affecting the interests of minority investors, the votes of minority investors shall be counted separately. The results of such separate counting shall be disclosed promptly.

The Company's own shares held by the Company shall carry no voting rights and shall not be counted in the total voting shares present at the meeting.

Subject to applicable laws, regulations and the requirements of the securities regulatory authority in the Company's [**REDACTED**] jurisdiction, the board of directors, independent non-executive directors and shareholders' meeting relevant requirements may publicly solicit voting rights from shareholders. Such solicitation shall fully disclose specific voting intentions and other relevant information to the solicited parties. Any form of paid or disguised paid solicitation of voting rights is prohibited. Except as required by law, the Company shall not impose any minimum shareholding requirements for the solicitation of voting rights.

Where any shareholder is required under the Listing Rules to abstain from voting on a resolution or is restricted to voting only for or against a resolution, any votes cast by such shareholder or its proxy in violation of such requirement or restriction shall be disregarded.

When voting, shareholders (including proxies) holding two or more votes need not cast all votes uniformly for or against a resolution.

## DIRECTORS AND THE BOARD

### Directors

Directors of the Company may include executive directors, non-executive directors and independent non-executive directors. Non-executive directors refer to directors who do not hold operational management positions in the Company. Independent non-executive directors refer to persons who meet the qualifications for office, nomination and election procedures, powers and other relevant matters that must be comply with the relevant regulations of the law, the China Securities Regulatory Commission and the stock exchange where the Company is [**REDACTED**]. Directors should hold the qualifications required by laws, administrative regulations and rules.

Directors are elected or replaced by the shareholders' meeting and may be removed by the shareholders' meeting before the expiry of their terms of office. The term of office of a director shall be three years, and he or she may be re-elected upon expiry of the term of office. Unless there are special provisions in the Articles of Association regarding the nomination of independent non-executive directors.

If not otherwise provided by law, the shareholders shall have the right to remove any director (including the managing director or other executive director) before the expiry of his term of office by an ordinary resolution of the shareholders at a shareholders' meeting, with such removal to take effect on the date of the resolution.

Directors shall have the duty of loyalty to the Company. Directors shall comply with the laws, administrative regulations and the provisions of the Articles of Association, shall take measures to avoid conflicts between their own interests and the interests of the Company, and shall not make use of their powers to gain undue benefits.

Directors shall have the duty of diligence to the Company. Directors shall comply with the laws, administrative regulations and the provisions of the Articles of Association and shall exercise the reasonable care normally required of a manager in the best interests of the Company in the performance of his duties.

The duties of an independent non-executive director shall include, but not be limited to:

(1) attending board meetings and providing independent judgment on matters concerning strategy, policy, corporate performance, accountability, resources, key appointments, and codes of conduct;

(2) taking a leading role in addressing potential conflicts of interest;

(3) serving as a member of the audit committee, Remuneration and Assessment Committee, and Nomination Committee upon invitation; and

(4) scrutinizing whether the company's performance meets the established corporate objectives and goals, and overseeing matters related to the reporting of corporate performance.

Independent non-executive directors shall regularly attend meetings of the board of directors and the committees of which they are members, actively participating in the proceedings and contributing through their skills, professional expertise, and diverse backgrounds and qualifications. They shall also attend shareholders' meetings to develop a comprehensive and impartial understanding of shareholders' views.

Independent non-executive directors shall make active contributions to the formulation of the company's strategies and policies by providing independent, constructive, and well-founded advice.

**Board of Directors**

The Company shall establish the board of directors, which shall be accountable to the shareholders' meeting.

The board of directors shall be composed of nine (9) directors, classified into executive directors, non-executive directors, and independent non-executive directors. The number of independent non-executive directors shall constitute at least one-third (1/3) of the total number of board members and in no event be fewer than three (3). The Company shall have one (1) director elected by the employees as their representative through democratic election at an employees' congress, employees' meeting, or by other lawful means.

The board of directors shall exercise the following powers and duties:

(1) convening the shareholders' meeting and reporting its work thereto;

(2) implementing the resolutions of the shareholders' meeting;

(3) determining the Company's business plans and investment schemes;

(4) formulating the Company's profit distribution plans and loss recovery plans;

(5) drafting proposals for the increase or decrease of the Company's registered capital, issuance of bonds or other securities, and [**REDACTED**];

(6) preparing proposals for major acquisitions, repurchase of the Company's shares, mergers, divisions, dissolution, or changes to the Company's corporate form;

(7) deciding on matters such as the Company's external investments, asset acquisitions or disposals, asset mortgages, external guarantees, entrusted wealth management, and connected transactions, within the scope authorized by the shareholders' meeting;

(8) determining the establishment of the Company's internal management structure;

(9) appointing or dismissing the general manager and the Board secretary; based on the nomination of the general manager, appointing or dismissing deputy general managers, the chief financial officer, and other senior management, and determining their remuneration, rewards, and penalties;

(10) formulating the Company's fundamental management systems;

(11) drafting proposals for amendments to the Articles of Association;

(12) proposing to the shareholders' meeting the appointment or replacement of the audit firm engaged by the Company;

(13) reviewing the work reports of the general manager of the Company and overseeing their performance;

(14) exercising other powers granted by laws, administrative regulations, departmental rules, the Listing Rules, the Articles of Association, or the shareholders' meeting.

For matters exceeding the scope of authorization by the shareholders' meeting, the board of directors shall submit them to the shareholders' meeting for deliberation.

Board meetings shall be classified as regular meetings and interim meetings. The board shall hold at least four regular meetings each year, approximately quarterly, convened by the chairman. The chairman shall hold at least one meeting annually with independent non-executive directors without the presence of other directors. Notices and documents for regular board meetings shall be delivered to all directors at least fourteen days (excluding the meeting date) prior to the meeting to ensure all directors have adequate opportunity to attend.

The board of directors shall convene interim meetings under any of the following circumstances:

(1) when proposed by shareholders representing more than one-tenth of the voting rights;

(2) when jointly proposed by more than one-third of directors;

(3) when proposed by the audit committee;

(4) when deemed necessary by the chairman;

(5) when proposed by a majority of independent non-executive directors;

(6) in emergency situations, when proposed by the general manager;

(7) when the company's accumulated losses reach one-third of its total share capital; or

(8) other circumstances stipulated in the Articles of Association.

For interim board meetings, written notices shall be delivered to all directors at least five days prior to the meeting. For urgent matters, notification may be made orally by telephone or other means to all directors and relevant personnel, with written confirmation to be provided during the board meeting.

Board meeting notices shall include:

(1) date and venue;

(2) duration;

(3) reasons and agenda items;

(4) date of notice issuance.

Board meetings shall require the attendance of a majority of directors to constitute a quorum. Unless otherwise stipulated in the Articles of Association, the board resolutions shall be adopted by a simple majority of all directors. For external guarantee matters specified in Article 46 of the Articles of Association, resolutions shall require both a simple majority of all directors and consent from at least two-thirds of directors present at the meeting. Each director shall have one vote in board resolutions.

**Chairman of the Board**

The board of directors shall have one chairman, who shall be elected by a simple majority vote of all the directors.

The chairman shall exercise the following powers and functions:

(1) presiding over shareholders' meetings and convening and presiding over board meetings;

(2) supervising and inspecting the implementation of board resolutions;

(3) signing important board documents or other documents that should be signed by the legal representative of the company;

(4) exercising the powers and functions of the legal representative;

(5) in the event of emergencies caused by force majeure such as severe natural disasters, exercising special handling authority over company affairs in compliance with laws and in the interests of the company, and reporting to the board of directors and shareholders' meeting afterwards;

(6) deciding on transactional matters that may be determined by the chairman as stipulated in the articles of association;

(7) other powers and functions granted by the board of directors or prescribed by laws, administrative regulations or the Listing Rules.

If the chairman is unable or fails to perform his/her duties, a director shall be jointly recommended by a simple majority of the directors to perform such duties.

**Special Committees of the Board of Directors**

***Audit Committee***

The board of directors shall establish an audit committee, which shall exercise the powers and functions of a board of supervisors as stipulated by the PRC Company Law.

The audit committee shall consist of three (3) members, all of whom shall be directors not serving as senior management personnel of the Company. Among them, two (2) shall be independent non-executive directors, and the convenor shall be an accounting professional from among the independent non-executive directors.

The audit committee shall be responsible for reviewing the Company's financial information and its disclosures, supervising and evaluating internal and external audits, and internal controls. The following matters shall be submitted to the board of directors for deliberation only after obtaining the approval of a simple majority of all audit committee members:

(1) disclosure of financial accounting reports, financial information in periodic reports, and internal control evaluation reports;

(2) appointment or dismissal of the accounting firm engaged for the Company's audit services;

(3) appointment or dismissal of the Company's chief financial officer;

(4) changes in accounting policies or accounting estimates, or corrections of material accounting errors, except those due to changes in accounting standards; and

(5) other matters stipulated by laws, administrative regulations, the China Securities Regulatory Commission, or the Articles of Association.

The audit committee shall meet at least once every quarter. Interim meetings may be convened upon the proposal of two (2) or more members or when the convenor deems it necessary. A meeting of the audit committee shall require the attendance of at least two-thirds (2/3) of its members to constitute a quorum.

Resolutions of the audit committee shall be passed by a simple majority of its members. Each member of the audit committee shall have one (1) vote in resolutions.

Minutes of audit committee resolutions shall be duly prepared, and members present at the meeting shall sign the minutes.

The working procedures or detailed rules for the audit committee shall be formulated by the board of directors.

***Strategy Committee***

The board of directors shall establish a strategy committee, which shall perform their duties in accordance with the Articles of Association and the authorization of the board of directors. Proposals from the strategy committee shall be submitted to the board for deliberation and decision. The working procedures or detailed rules for the strategy committee shall be formulated by the board of directors.

The strategy committee shall consist of three members, including the chairman of the board of directors and at least one independent non-executive director.

The strategy committee shall be primarily responsible for researching the Company's long-term development strategy and major investment decisions, and shall make recommendations to the board of directors on the following matters:

(1) company's long-term strategic development plan as well as technology and product development direction;

(2) major investment and financing proposals that require board approval under the Articles of Association;

(3) major capital operations and asset management projects that require board approval under the Articles of Association;

(4) other matters stipulated by laws, administrative regulations, the China Securities Regulatory Commission or the articles of association.

***Nomination Committee***

The board of directors shall establish a nomination committee, which shall perform their duties in accordance with the Articles of Association and the authorization of the board of directors. Proposals from the nomination committee shall be submitted to the board of directors for deliberation and decision. The working procedures or detailed rules for the nomination committee shall be formulated by the board of directors.

The nomination committee shall consist of three members, with the convenor being an independent non-executive director. Independent non-executive directors shall constitute the majority of the committee.

The nomination committee shall be responsible for formulating the selection criteria and procedures for directors and senior management personnel, evaluating and reviewing candidates for such positions and their qualifications, and shall make recommendations to the board of directors regarding the following matters:

(1) nomination or removal of directors;

(2) appointment or dismissal of senior management personnel; and

(3) other matters stipulated by laws, administrative regulations, the CSRC or the Articles of Association.

Where the board of directors does not adopt or only partially adopts the recommendations of the nomination committee, the board resolutions shall record the opinion of the nomination committee and the specific reasons for non-adoption, and such information shall be disclosed.

***Remuneration and Assessment Committee***

The board of directors shall establish a remuneration and assessment committee, which shall perform their duties in accordance with the Articles of Association and the authorization of the board of directors. Proposals from the remuneration and assessment committee shall be submitted to the board of directors for deliberation and decision. The working procedures or detailed rules for the remuneration and assessment committee shall be formulated by the board of directors.

The remuneration and assessment committee shall consist of three members, with the convenor being an independent non-executive director. Independent non-executive directors shall constitute the majority of the committee.

The remuneration and assessment committee shall be responsible for establishing assessment criteria and conducting evaluations of directors and senior management personnel, formulating and reviewing remuneration policies and schemes including but not limited to remuneration determination mechanisms, decision-making processes, payment arrangements, and shall make recommendations to the board of directors regarding the following matters:

(1) remuneration of directors and senior management;

(2) establishment or modification of equity incentive plans or employee shareholding plans, and the fulfillment of conditions for grant or exercise of rights under such plans;

(3) arrangements for directors and senior management personnel to participate in shareholding plans of subsidiaries intended to be spun off; and

(4) other matters stipulated by laws, administrative regulations, the CSRC or the Articles of Association.

Where the board of directors does not adopt or only partially adopts the recommendations of the remuneration and assessment committee, the board resolutions shall record the opinion of the committee and the specific reasons for non-adoption, and such information shall be disclosed.

**Board Secretary**

The Company shall have a board secretary who shall be responsible for arranging shareholders' meetings and board meetings, maintaining corporate records and shareholder documentation, handling information disclosure matters, and performing other related duties. The board secretary shall comply with all applicable laws, administrative regulations, departmental rules, and the relevant provisions of the Articles of Association.

## SENIOR MANAGEMENT

The Company shall have one general manager and may have several deputy general managers. The general manager and deputy general managers shall be appointed or dismissed by the board of directors.

A director may concurrently serve as the general manager or other senior management personnel, provided that the number of directors holding such concurrent positions shall not exceed half of the total number of directors.

The general manager and deputy general managers shall serve a term of three years and may be reappointed upon expiration of their term.

The general manager shall be accountable to the board of directors and shall exercise the following powers and functions:

(1) presiding over the Company's production, operation, and management activities, implementing board resolutions, and reporting to the board of directors;

(2) implementing the Company's annual business plans and investment schemes;

(3) proposing the establishment plan for the Company's internal management structure;

(4) formulating the Company's fundamental management systems;

(5) establishing the Company's specific rules and regulations;

(6) recommending to the board of directors the appointment or dismissal of deputy general managers and the chief financial officer;

(7) deciding on the appointment or dismissal of management personnel not subject to board approval; and

(8) other powers and functions granted under the Articles of Association, by the board of directors, or under the Listing Rules.

The general manager shall attend board meetings as a non-voting participant unless serving as a director. Deputy general managers shall assist the general manager and report to him/her.

The general manager shall formulate working rules, which shall be implemented upon approval by the board of directors.

The general manager and deputy general managers may resign before the expiration of their term. The specific resignation procedures and measures shall be governed by their employment contracts with the Company.

## QUALIFICATIONS AND OBLIGATIONS OF THE DIRECTORS AND SENIOR MANAGEMENT

A person shall not serve as a director or senior executive of the Company under any of the following circumstances:

(1) being legally incapacitated or having limited capacity for civil conduct;

(2) having been sentenced to criminal penalties for corruption, bribery, embezzlement, misappropriation of property, or disruption of the socialist market economic order, where less than five years have elapsed since the completion of the sentence, or having been deprived of political rights due to a criminal offense, where less than five years have elapsed since the completion of the sentence. In the case of a suspended sentence, less than two years shall have elapsed since the expiration of the probation period;

(3) having served as a director, factory director, or manager of a company or enterprise that underwent bankruptcy liquidation, where such person bears personal responsibility for the bankruptcy, and less than three years have elapsed since the completion of the bankruptcy liquidation;

(4) having served as the legal representative of a company or enterprise that had its business license revoked or was ordered to close due to legal violations, where such person bears personal responsibility, and less than three years have elapsed since the revocation or closure;

(5) having been declared a discredited person subject to enforcement by a People's Court due to significant unpaid debts;

(6) being subject to a securities market entry ban imposed by the CSRC, where the ban period has not yet expired;

(7) having been publicly deemed unsuitable by a stock exchange to serve as a director or senior executive, where the disqualification period has not yet expired; or

(8) other circumstances stipulated by laws, administrative regulations, departmental rules, or the Listing Rules.

## FINANCIAL AND ACCOUNTING SYSTEM

The Company shall establish its financial and accounting systems in accordance with laws, administrative regulations, and relevant departmental rules. Where the securities regulatory authority in the jurisdiction of the Company's stock [**REDACTED**] prescribes otherwise, such provisions shall prevail.

The Company shall prepare, publish, distribute, submit, disclose, maintain, and announce its annual reports and interim reports in compliance with applicable laws, administrative regulations, and the Listing Rules.

The Company shall prepare annual financial reports at the end of each fiscal year, which shall be audited by a certified public accounting firm in accordance with the law.

Annual financial reports shall be prepared in compliance with laws, administrative regulations, and the provisions of the State Council's finance department. Such reports shall be made available at the Company's premises for shareholder review at least twenty (20) days prior to the annual shareholders' meeting. All shareholders shall have the right to obtain the financial reports mentioned above.

The financial reports referred to above shall include: a board of directors' report; a balance sheet (including all annexures required under PRC laws, administrative regulations, departmental rules, normative documents, or the Listing Rules); an income statement (profit and loss account) or cash flow statement; or (Where not prohibited by applicable PRC laws) a financial summary report approved by the Hong Kong Stock Exchange.

Unless otherwise stipulated in the Articles of Association, the Company shall deliver or mail (postage prepaid) the aforementioned financial reports to each overseas-listed shareholder at least twenty-one (21) days before the annual shareholders' meeting, using the address registered in the shareholder register. Subject to compliance with laws, administrative regulations, departmental rules, and the Listing Rules, the Company may also disclose such reports via public notice (including publication on the Company's website).

The Company shall not maintain separate accounting books beyond those required by law. The Company's funds shall not be deposited in any account under an individual's name.

The Company shall use Renminbi (RMB) as its functional currency. Exchange rates between RMB and other currencies shall be calculated based on the median rate published by the PBOC. The Company's non-RMB transactions shall be handled in accordance with national laws, regulations, and rules on foreign exchange control.

**INTERNAL AUDIT**

The Company shall implement an internal audit system specifying the governance structure, authorities and responsibilities, staffing, funding, utilization of audit results, and accountability mechanisms. The internal audit system shall be implemented upon approval by the board of directors and publicly disclosed.

The internal audit function shall conduct supervision and inspection of the Company's business operations, risk management, internal controls, and financial information. The internal audit function shall report directly to the board of directors.

In performing its duties, the internal audit function shall accept the oversight and guidance of the audit committee. Upon identifying material issues or leads, the internal audit function shall immediately report directly to the audit committee.

The internal audit function shall be responsible for organizing and implementing the Company's internal control evaluation process. The Company shall prepare its annual internal control evaluation report based on assessment reports and supporting materials issued by the internal audit function and reviewed by the audit committee.

The internal audit function shall provide active cooperation and necessary support to facilitate communications between the audit committee and external auditors including accounting firms and state audit authorities.

The audit committee shall participate in the performance evaluation of the head of the internal audit function.

**APPOINTMENT OF ACCOUNTING FIRM**

The company shall engage an accounting firm qualified under the PRC Securities Law to conduct financial statement audits, net asset verification and other related consulting services, with the engagement period being one year and renewable.

The appointment or dismissal of an accounting firm shall be decided by the shareholders' meeting. The board of directors shall not appoint any accounting firm prior to the shareholders' meeting's decision.

The company shall ensure providing the engaged accounting firm with true and complete accounting vouchers, accounting books, financial accounting reports and other accounting materials, and shall not refuse, conceal or make false statements.

The audit fees of the accounting firm shall be determined by a simple majority vote of the shareholders' meeting.

When the company proposes to dismiss or not renew the engagement of an accounting firm, it shall give the accounting firm thirty days' prior notice. The accounting firm shall be allowed to present its views when the shareholders' meeting votes on the dismissal.

If the accounting firm proposes to resign, it shall explain to the shareholders' meeting whether there are any improper circumstances involving the company.

**MERGERS, DIVISIONS, CAPITAL INCREASES AND CAPITAL REDUCTIONS OF THE COMPANY**

The Company may conduct mergers either by absorption or by new establishment. A merger by absorption occurs when one company absorbs another company, with the absorbed company being dissolved. A merger by new establishment occurs when two or more companies merge to form a new company, with all merging parties being dissolved.

When the Company merges with a company in which it holds more than ninety percent of the shares, the merged company is not required to obtain a resolution from its shareholders' meeting, but shall notify other shareholders, who have the right to request the Company to purchase their equity or shares at a reasonable price. A merger involving payment not exceeding ten percent of the company's net assets may proceed without a shareholders' meeting resolution, unless otherwise stipulated in the Articles of Association, the stock exchange where the Company's shares are [**REDACTED**], or the securities regulatory authority. If a merger under the preceding two paragraphs does not require a shareholders' meeting resolution, it shall be approved by a board resolution.

In a merger, the merging parties shall enter into a merger agreement and prepare a balance sheet and an inventory of assets. The Company shall notify creditors within ten days from the date of the merger resolution and make a public announcement in newspapers or the National Enterprise Credit Information Publicity System (國家企業信用信息公示系統) within thirty days. Creditors may, within thirty days from the date of receiving the notice or within forty-five days from the date of the announcement if no notice is received, demand that the Company repay its debts or provide corresponding guarantees.

In a merger, the claims and debts of the merging parties shall be assumed by the surviving company or the newly established company.

In a division, the Company's assets shall be divided accordingly. The Company shall prepare a balance sheet and an inventory of assets. The Company shall notify creditors within ten days from the date of the division resolution and make a public announcement in newspapers or the National Enterprise Credit Information Publicity System within thirty days.

The pre-division debts of the Company shall be jointly assumed by the post-division companies, unless otherwise agreed in a written agreement between the Company and its creditors prior to the division.

When the Company reduces its registered capital, it shall prepare a balance sheet and an inventory of assets. The Company shall notify creditors within ten days from the date of the shareholders' meeting resolution on capital reduction and make a public announcement in newspapers or the National Enterprise Credit Information Publicity System within thirty days. Creditors may, within thirty days from the date of receiving the notice or within forty-five days from the date of the announcement if no notice is received, demand that the Company repay its debts or provide corresponding guarantees. The reduction of registered capital shall proportionally reduce the capital contributions or shares held by shareholders, unless otherwise stipulated by law or the Articles of Association.

If the Company still has losses after making up for them in accordance with Article 169(2) of the Articles of Association, it may reduce its registered capital to cover the losses. In such case, the Company shall not distribute to shareholders or exempt them from their obligations to make capital contributions or pay for shares. A capital reduction under this paragraph shall not be subject to Article 169(2), but the Company shall make a public announcement in newspapers or the National Enterprise Credit Information Publicity System within thirty days from the date of the shareholders' meeting resolution. After a capital reduction under the preceding two paragraphs, the Company shall not distribute profits until the accumulated statutory reserve and discretionary reserve reach fifty percent of the registered capital.

If the registered capital is reduced in violation of the PRC Company Law or other relevant regulations, shareholders shall return the funds received, and any reduction or exemption of shareholder contributions shall be restored; if the Company suffers losses, the shareholders and responsible directors and senior management personnel shall be liable for compensation.

When the Company issues new shares to increase its registered capital, shareholders shall not have preemptive rights, unless otherwise stipulated in the Articles of Association or resolved by the shareholders' meeting.

In case of a merger or division, if registration matters change, the Company shall complete the change registration with the Company registration authority in accordance with the law; if the Company is dissolved, it shall complete the deregistration in accordance with the law; if a new Company is established, it shall complete the establishment registration in accordance with the law. An increase or decrease in registered capital shall be registered with the Company registration authority in accordance with the law.

**DISSOLUTION AND LIQUIDATION OF THE COMPANY**

The company shall be dissolved for the following reasons:

(1) expiration of the business term specified in the Articles of Association or occurrence of other dissolution events stipulated herein;

(2) dissolution resolved by the shareholders' meeting;

(3) dissolution required due to merger or division of the company;

(4) revocation of business license, compulsory closure or cancelation in accordance with law;

(5) when serious difficulties occur in the company's operation and management, continuing its existence would cause significant harm to shareholders' interests, and such difficulties cannot be resolved through other means, shareholders holding ten percent or more of the voting rights may petition the people's court to dissolve the company. Where any dissolution event specified in the preceding paragraph occurs, the company shall publicize the dissolution cause through the National Enterprise Credit Information Publicity System within ten days.

The Company may continue its existence by amending the Articles of Association or through a resolution of the shareholders' meeting if it falls under items (1) or (2) mentioned above and has not yet distributed assets to shareholders. Any amendment to the Articles of Association or resolution of the shareholders' meeting pursuant to the preceding paragraph shall require approval by at least two-thirds of the voting rights held by shareholders present at the shareholders' meeting.

Where the Company is dissolved under items (1), (2), (4), or (5) mentioned above, it shall undergo liquidation. The directors shall be the liquidation obligors and shall form a liquidation group within fifteen days from the date the dissolution cause arises. The liquidation group shall consist of directors, unless otherwise stipulated in the Articles of Association or resolved by the shareholders' meeting to appoint other persons. Liquidation obligors who fail to perform their liquidation duties in a timely manner and thereby cause losses to the company or creditors shall be liable for compensation.

During the liquidation period, the liquidation group shall exercise the following powers and functions:

(1) liquidating company assets and preparing separate balance sheets and inventories of property;

(2) notifying and announcing to creditors;

(3) handling unfinished business related to the liquidation;

(4) paying outstanding taxes and taxes incurred during the liquidation process;

(5) settling claims and debts;

(6) distributing remaining assets after debt repayment;

(7) representing the company in civil litigation activities.

**AMENDMENTS TO THE ARTICLES OF ASSOCIATION**

The Company shall amend its Articles of Association under any of the following circumstances:

(1) when provisions of the Articles of Association conflict with amended laws, administrative regulations or the Listing Rules following revisions to the PRC Company Law or other applicable laws and regulations;

(2) when changes in the Company's circumstances become inconsistent with matters recorded in the Articles of Association;

(3) when the shareholders' meeting resolves to amend the Articles of Association.

Where amendments to the Articles of Association adopted by resolution of the shareholders' meeting require approval from competent authorities, such amendments shall be submitted for regulatory approval. Amendments involving Company registration matters shall undergo change registration in accordance with law.

The board of directors shall revise the Articles of Association in accordance with the shareholders' meeting resolution on amendments and the approval opinions of relevant competent authorities.

Amendments to the Articles of Association that constitute information required to be disclosed under laws, regulations or the securities regulatory authority in the jurisdiction of the Company's stock [**REDACTED**] shall be publicly announced as prescribed.

## A. FURTHER INFORMATION ABOUT THE COMPANY

### 1. Incorporation of Our Company

The Company was established as a limited liability company under the laws of the PRC on March 26, 2013 and was converted into a joint stock company with limited liability on November 11, 2014. As at the Latest Practicable Date, the registered share capital of our Company was RMB57,000,000.

The Company has established a place of business in Hong Kong at 46/F, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong. The Company was registered as a non-Hong Kong company in Hong Kong under Part 16 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) and the Companies (Non-Hong Kong Companies) Regulation (Chapter 622J of the Laws of Hong Kong) on May 22, 2025, with Ms. Leung Hoi Yan (梁皚欣) appointed as the Hong Kong authorized representative of the Company for acceptance of the service of process and any notices required to be served on the Company in Hong Kong.

As the Company was incorporated in the PRC, its operations are subject to the relevant laws and regulations of the PRC. A summary of the relevant aspects of laws and regulations of the PRC and the Articles of Association is set out in Appendix V and Appendix VI, respectively.

### 2. Changes in the Share Capital of the Company

Please refer to the section headed "History, Development and Corporate Structure" for changes in the share capital of the Company.

Save as disclosed above, there has been no alteration in the share capital of the Company within two years immediately preceding the date of this document.

### 3. Changes in the Share Capital of Our Subsidiaries

Save as disclosed in "6. Our Subsidiaries" below, there has been no changes in the share capital of the Company's subsidiaries during the two years immediately preceding the date of this document.

### 4. Resolutions Passed by Our Shareholders' General Meeting in Relation to the [**REDACTED**]

At the extraordinary general meeting of the Shareholders held on April 30, 2025, the following resolutions, among other things, were duly passed:

(i) the issue by the Company of H Shares with a nominal value of RMB1.00 each and such H Shares be [**REDACTED**] on the Stock Exchange;

(ii) the number of H shares to be issued shall be no more than [**REDACTED**]% of the total issued share capital upon the [**REDACTED**] (before the exercise of the [**REDACTED**]), and the grant of the [**REDACTED**] in respect of no more than [**REDACTED**]% of the number of H Shares issued pursuant to the [**REDACTED**];

(iii) authorization of the Board or its authorized individual to handle all matters relating to, among other things, the [**REDACTED**], the issue and [**REDACTED**] of H Shares on the Stock Exchange; and

(iv) subject to the completion of the [**REDACTED**], the conditional adoption of the revised Articles of Association, which shall become effective on the [**REDACTED**].

**5. Restrictions on Repurchase**

Please refer to Appendices IV and V to this document for details.

**6. Our Subsidiaries**

So far as is known to any Director or chief executive of the Company, as at the Latest Practicable Date, no person is directly or indirectly interested in 10% or more of the issued voting shares of the subsidiary of the Company.

On July 17, 2024, Xijiang Gold Shop was incorporated in the PRC as a limited liability company with a share capital of RMB1 million.

In October 2024, the registered capital of Huanxi Xiaojiang decreased from RMB5 million to RMB1 million.

Save as disclosed above, there has been no alteration in the share capital of our subsidiaries within two years immediately preceding the date of this document.

**B. FURTHER INFORMATION ABOUT THE BUSINESS**

**1. Summary of Material Contract**

The Group has entered into the following contract (not being contract entered into in the ordinary course of business) within the two years immediately preceding the date of this document that is or may be material:

(a) the [**REDACTED**].

## 2. Intellectual Property

As at the Latest Practicable Date, the following intellectual property rights are material to the Group's business:

### *(a) Trademarks*

As at the Latest Practicable Date, the Group had registered the following trademarks which are material to its business:

| No. | Trademark | Class | Registered owner | Place of registration | Registration number | Expiry date (Year/Month/Date) |
|---|---|---|---|---|---|---|
| 1. . . | | 6 | Our Company | PRC | 62218374 | 2032-07-20 |
| 2. . . | TONGSHIFU | 6 | Our Company | PRC | 62230472 | 2032-07-20 |
| 3. . . | | 6 | Our Company | PRC | 34254242 | 2030-07-13 |
| 4. . . | 欢喜小将 | 28 | Our Company | PRC | 41681075 | 2030-06-27 |
| 5. . . | 太 铜 | 6 | Our Company | PRC | 12458502 | 2034-09-27 |
| 6. . . | | 6 | Our Company | PRC | 54111387 | 2031-10-13 |
| 7. . . | | 6 | Our Company | PRC | 33559554 | 2029-08-20 |
| | | 14 | Our Company | PRC | 33552399 | 2029-06-20 |
| 8. . . | 玺匠 | 6 | Our Company | PRC | 15860442 | 2036-02-06 |
| 9. . . | 玺匠金铺 | 14 | Our Company | PRC | 79108108 | 2035-02-06 |
| 10 . . | 阅银 | 14 | Our Company | PRC | 58089672 | 2032-01-27 |
| 11 . . | | 20 | Our Company | PRC | 62234601 | 2032-09-20 |
| 12 . . | | 20 | Our Company | PRC | 62234435 | 2032-09-20 |
| 13 . . | | 6, 16, 35 | Our Company | EU | 018926127 | 2033-09-15 |
| 14 . . | | 6, 16, 35 | Our Company | UK | UK00003957151 | 2033-09-15 |
| 15. . | 欢喜小将 | 6, 9, 11, 14, 16, 19, 20, 21, 28, 35, 36, 40, 41, 42, 45 | Our Company | Hong Kong | 306774724 | 2035-01-05 |

| No. | Trademark | Class | Registered owner | Place of registration | Registration number | Expiry date (Year/Month/Date) |
|---|---|---|---|---|---|---|
| 16. . | 玺匠 | 6, 9, 11, 14, 16, 19, 20, 21, 28, 35, 36, 40, 41, 42, 45 | Our Company | Hong Kong | 306774733 | 2035-01-05 |
| 17. . | 铜师傅 | 6, 9, 11, 14, 16, 19, 20, 21, 28, 35, 36, 40, 41, 42, 45 | Our Company | Hong Kong | 306774742 | 2035-01-05 |
| 18. . | TONGSHIFU | 6, 9, 11, 14, 16, 19, 20, 21, 28, 35, 36, 40, 41, 42, 45 | Our Company | Hong Kong | 306774751 | 2035-01-05 |
| 19. . | | 6, 9, 11, 14, 16, 19, 20, 21, 28, 35, 36, 40, 41, 42, 45 | Our Company | Hong Kong | 306823729 | 2035-02-27 |

As at the Latest Practicable Date, the Group is in the course of registering the following trademarks which are material to its business:

| No. | Trademark | Class | Applicant | Place of application | Application number | Application date (Year/Month/Date) |
|---|---|---|---|---|---|---|
| 1. . . . | 铜师傅 | 6, 9, 11, 14, 16, 19, 20, 21, 28, 35, 36, 40, 41, 42, 45 | Our Company | Hong Kong | 306774760 | 2025-01-06 |

***(b) Domain Names***

As at the Latest Practicable Date, the Group had registered the following domain names which are material to its business:

| No. | Domain Name | Registered owner | Expiry date (Year/Month/Date) |
|---|---|---|---|
| 1. . . . | brassmaster.cn | Our Company | 2027-07-24 |
| 2. . . . | brassmaster.com.cn | Our Company | 2027-07-24 |
| 3. . . . | brassmaster.mobi | Our Company | 2027-07-16 |
| 4. . . . | tongshifu.com.cn | Our Company | 2027-04-08 |
| 5. . . . | tongshifu.com | Our Company | 2027-06-17 |

*(c) Patents*

As at the Latest Practicable Date, the Group had registered the following patents which are material to its business:

| No. | Patent | Type | Patent holder | Jurisdiction of registration | Patent number | Application date (Year/ Month/Date) | Duration of patent right |
|---|---|---|---|---|---|---|---|
| 1. | Handicraft having relief effect and manufacture method thereof (一種具有浮雕效果的工藝品及其製作方法) | Invention | Our Company | PRC | 2010101119185 | 2010-02-23 | 20 years from the application date |
| 2. | Multi-working-procedure clamp (一種多工序夾具) | Invention | Our Company | PRC | 2020100244533 | 2020-01-10 | 20 years from the application date |
| 3. | Manufacturing process of blue and white porcelain copper handicrafts (一種青花瓷銅工藝品的製作工藝) | Invention | Our Company | PRC | 2021110534310 | 2021-09-09 | 20 years from the application date |
| 4. | Fragrance bottle (一種香薰瓶) | Utility Model | Our Company | PRC | 2021221706570 | 2021-09-09 | 10 years from the application date |
| 5. | Damp-proof picture frame (防潮畫框) | Utility Model | Our Company | PRC | 2020223532278 | 2020-10-21 | 10 years from the application date |
| 6. | Structure that copper and wood combine (一種銅與實木結合的筆結構) | Utility Model | Our Company | PRC | 2016209245969 | 2016-08-24 | 10 years from the application date |
| 7. | Damp-proof red copper tea caddy (一種防潮紫銅茶葉罐) | Utility Model | Our Company | PRC | 2024206162028 | 2024-03-28 | 10 years from the application date |
| 8. | Ornament (Serene Guanyin 1020063) (擺件(自在觀音1020063)) | Design | Our Company | PRC | 2022302077785 | 2022-04-13 | 15 years from the application date |
| 9. | Ornament (Great Sage Equal to Heaven) (擺件(齊天大聖)) | Design | Our Company | PRC | 2023306677044 | 2023-10-16 | 15 years from the application date |
| 10. | Ornament (5010132 Floral Silk Gourd) (擺件(5010132花絲葫蘆)) | Design | Our Company | PRC | 2024302058641 | 2024-04-12 | 15 years from the application date |
| 11. | Ornament (Floral Blossoms Bring Prosperity 5060016) (擺件(花開富貴5060016)) | Design | Our Company | PRC | 2022306393404 | 2022-09-27 | 15 years from the application date |
| 12. | Craft (Wang Xizhi) (工藝品(王羲之)) | Design | Our Company | PRC | 202130497053X | 2021-08-03 | 15 years from the application date |
| 13. | Ornament (Li Bai) (擺件(李白)) | Design | Our Company | PRC | 2021305484153 | 2021-08-23 | 15 years from the application date |

| No. | Patent | Type | Patent holder | Jurisdiction of registration | Patent number | Application date (Year/ Month/Date) | Duration of patent right |
|---|---|---|---|---|---|---|---|
| 14. . | Craft (Bull Market) (工藝品(牛市)) | Design | Our Company | PRC | 2021302716233 | 2021-05-08 | 10 years from the application date |
| 15. . | Ornament (Big Mouth Pixiu) (擺件(大嘴貔貅)) | Design | Our Company | PRC | 2021308774105 | 2021-12-31 | 15 years from the application date |
| 16. . | Ornament (Wealth on a Horse) (擺件(馬上有錢)) | Design | Our Company | PRC | 2021306706480 | 2021-10-13 | 15 years from the application date |
| 17. . | Ornament (Huanhuan) (擺件(歡歡)) | Design | Our Company | PRC | 2021308410556 | 2021-12-20 | 15 years from the application date |
| 18. . | Ornament (Vassal Title Granting) (擺件(封侯拜相)) | Design | Our Company | PRC | 2021308216503 | 2021-12-13 | 15 years from the application date |
| 19. . | Ornament (2020038 Five Jambhalas) (擺件(2020038五路財神)) | Design | Our Company | PRC | 2023300847662 | 2023-03-01 | 15 years from the application date |

***(d) Copyrights***

As at the Latest Practicable Date, the Group had registered the following copyrights which are material to its business:

| No. | Title of work | Copyrighter | Registration number | Registration date (Year/Month/ Date) |
|---|---|---|---|---|
| 1. . . | A Thousand Miles of Rivers and Mountains (千里江山) | Our Company | Guo Zuo Deng Zi-2020-F-01031078 | 2020-05-07 |
| 2. . . | Time Refines Excellence, the Universe Captured in Copper (醇厚千年 萬象入銅) | Our Company | Guo Zuo Deng Zi-2021-F-00144484 | 2021-06-29 |
| 3. . . | Original Character Design Drawing for Huanxi Xiaojiang (歡喜小將文字獨創設計圖) | Our Company | Guo Zuo Deng Zi-2020-F-01192360 | 2020-12-10 |
| 4. . . | Tai Tong Vermilion Bird Emblem (太銅朱雀標誌) | Our Company | Guo Zuo Deng Zi-2021-F-00091681 | 2021-04-23 |
| 5. . . | Tongshifu (銅師傅) | Our Company | Guo Zuo Deng Zi-2019-F-00816561 | 2019-06-28 |
| 6. . . | "Thousand-Hand Guanyin" Painting (《千手觀音》美術畫) | Our Company | Zhe Zuo Deng Zi 11-2023-F-7587 | 2023-03-31 |
| 7. . . | "Zhao Gongming" Sculpture (《趙公明》雕塑作品) | Our Company | Zhe Zuo Deng Zi 11-2023-F-7586 | 2024-01-09 |
| 8. . . | "Promising Future" Sculpture (《前程似錦》雕塑作品) | Our Company | Zhe Zuo Deng Zi 11-2023-F-7578 | 2023-03-31 |
| 9. . . | "Bellwether" Sculpture (《領頭羊》雕塑作品) | Our Company | Zhe Zuo Deng Zi 11-2023-F-7577 | 2023-03-31 |

| No. | Title of work | Copyrighter | Registration number | Registration date (Year/Month/Date) |
|---|---|---|---|---|
| 10. . . | "Wealth Overflow Baoding Ball" Sculpture (《財源滾滾健身球》雕塑作品) | Our Company | Zhe Zuo Deng Zi 11-2023-F-7576 | 2023-03-31 |
| 11. . . | "Five Jambhalas" Sculpture (《五路財神》雕塑作品) | Our Company | Zhe Zuo Deng Zi 11-2023-F-6029 | 2023-03-17 |
| 12. . . | "Black Whirlwind – Li Kui" Sculpture (《黑旋風-李逵》雕塑作品) | Our Company | Zhe Zuo Deng Zi 11-2023-F-1519 | 2023-01-14 |
| 13. . . | "Zodiac Goat" Sculpture (《十二生肖羊》雕塑作品) | Our Company | Zhe Zuo Deng Zi 11-2023-F-1516 | 2023-01-14 |
| 14. . . | "Fresh Bamboo Herald of Peace" Sculpture (《新竹報平安》雕塑作品) | Our Company | Zhe Zuo Deng Zi 11-2023-F-1502 | 2023-01-14 |
| 15. . . | "Triumph in Every Campaign" Artistic Work (《百戰百勝》美術作品) | Our Company | Zhe Zuo Deng Zi 11-2022-F-41695 | 2022-11-22 |
| 16. . . | "Festivity Overflowing Household" Painting (《喜氣盈門》美術畫) | Our Company | Zhe Zuo Deng Zi 11-2022-F-38098 | 2022-11-04 |
| 17. . . | "Sublime Peaks and Flowing Streams" Sculpture (《高山流水》雕塑作品) | Our Company | Zhe Zuo Deng Zi 11-2022-F-34078 | 2022-10-10 |
| 18. . . | "Floral Blossoms Bring Prosperity" Sculpture (《花開富貴》雕塑作品) | Our Company | Zhe Zuo Deng Zi 11-2022-F-34076 | 2022-10-10 |
| 19. . . | "Five Tiger Generals: Guan Yu" Sculpture (《五虎上將之關公》雕塑) | Our Company | Zhe Zuo Deng Zi 11-2022-F-27932 | 2022-08-16 |
| 20. . . | "Cosmic Righteousness" Sculpture (《義薄雲天》雕塑) | Our Company | Zhe Zuo Deng Zi 11-2022-F-27589 | 2022-08-12 |
| 21. . . | "Nine Carps Converging Wealth" Painting (九魚聚財美術畫) | Our Company | Zhe Zuo Deng Zi 11-2022-F-8275 | 2022-04-08 |
| 22. . . | "Auspicious Elephant II" Painting (吉象之二美術畫) | Our Company | Zhe Zuo Deng Zi 11-2022-F-8274 | 2022-04-08 |
| 23. . . | "Neo-Great Sage" Sculpture (新款大聖雕塑) | Our Company | Zhe Zuo Deng Zi 11-2022-F-5786 | 2022-03-03 |
| 24. . . | "Honey Badger" Sculpture (平頭哥雕塑) | Our Company | Zhe Zuo Deng Zi 11-2022-F-5539 | 2022-03-01 |
| 25. . . | "Vassal Title Granting" Sculpture (封侯拜相雕塑) | Our Company | Zhe Zuo Deng Zi 11-2022-F-3742 | 2022-02-10 |
| 26. . . | "Zhong Kui" Sculpture (鍾馗雕塑) | Our Company | Zhe Zuo Deng Zi 11-2022-F-2916 | 2022-01-26 |
| 27. . . | "Lin Chong" Sculpture (林沖雕塑) | Our Company | Zhe Zuo Deng Zi 11-2022-F-2915 | 2022-01-26 |
| 28. . . | "Omnidirectional Auspiciousness" Sculpture (諸事大吉雕塑) | Our Company | Zhe Zuo Deng Zi 11-2022-F-2079 | 2022-01-20 |

| No. | Title of work | Copyrighter | Registration number | Registration date (Year/Month/Date) |
|---|---|---|---|---|
| 29. . . | "Neo-Magpie Perches upon a Branch" Sculpture (喜上眉梢新款雕塑) | Our Company | Zhe Zuo Deng Zi 11-2022-F-2077 | 2022-01-20 |
| 30. . . | "Adorable Manjusri Bodhisattva" Sculpture (萌版文殊菩薩雕塑) | Our Company | Zhe Zuo Deng Zi 11-2021-F-30943 | 2021-09-29 |
| 31. . . | "Wang Xizhi" Sculpture (王羲之雕塑) | Our Company | Zhe Zuo Deng Zi 11-2021-F-26272 | 2021-08-26 |
| 32. . . | "Fame and Fortune" Sculpture (名利雙收雕塑) | Our Company | Zhe Zuo Deng Zi 11-2021-F-20367 | 2021-07-26 |
| 33. . . | "Western Trinity: Mahasthamaprapta Bodhisattva" Sculpture (西方三聖之大勢至菩薩雕塑) | Our Company | Zhe Zuo Deng Zi 11-2021-F-19016 | 2021-07-15 |
| 34. . . | "Guan Yu" Sculpture (關公雕塑) | Our Company | Zhe Zuo Deng Zi 11-2021-F-16845 | 2021-06-21 |
| 35. . . | "Deer Bring Success" Sculpture (鹿鹿大順雕塑) | Our Company | Zhe Zuo Deng Zi 11-2021-F-16836 | 2021-06-21 |
| 36. . . | "Andalusian Horse" Sculpture (安達盧西亞馬雕塑) | Our Company | Zhe Zuo Deng Zi 11-2021-F-13266 | 2021-05-26 |
| 37. . . | "Pixiu: Quadrant Wealth Convergence" Sculpture (貔貅之四方來財雕塑) | Our Company | Zhe Zuo Deng Zi 11-2021-F-12623 | 2021-05-20 |
| 38. . . | "Eternal Loyalty and Righteousness" Sculpture (忠義千秋雕塑) | Our Company | Zhe Zuo Deng Zi 11-2020-F-21227 | 2020-10-26 |
| 39. . . | "Nine Carps Converging Wealth" Traditional Painting (《九魚聚財》國畫) | Our Company | Zhe Zuo Deng Zi 11-2020-F-21208 | 2020-10-26 |
| 40. . . | "Filigree Ruyi Scepter" Sculpture (《花絲如意》雕塑作品) | Our Company | Zhe Zuo Deng Zi 11-2024-F-20088 | 2024-07-10 |
| 41. . . | "Cosmic Integrity (Revised Edition)" Sculpture (《乾坤正氣(改款)》雕塑作品) | Our Company | Zhe Zuo Deng Zi 11-2024-F-20093 | 2024-07-10 |
| 42. . . | "Floral Silk Gourd" Sculpture (《花絲葫蘆》雕塑作品) | Our Company | Zhe Zuo Deng Zi 11-2024-F-20095 | 2024-07-10 |
| 43. . . | "Jiang Taigong Angling Sage" Sculpture (《姜太公釣魚》雕塑作品) | Our Company | Zhe Zuo Deng Zi 11-2024-F-16146 | 2024-06-21 |
| 44. . . | "Navigating Stormy Seas" Sculpture (《乘風破浪》雕塑作品) | Our Company | Zhe Zuo Deng Zi 11-2024-F-16175 | 2024-06-21 |
| 45. . . | "Dragon Gate Leaping Fish" Sculpture (《魚躍龍門》雕塑作品) | Our Company | Zhe Zuo Deng Zi 11-2024-F-13081 | 2024-05-25 |
| 46. . . | "Celestial Patron of Literature" Sculpture (《文曲星》雕塑作品) | Our Company | Zhe Zuo Deng Zi 11-2024-F-12050 | 2024-05-15 |

| No. | Title of work | Copyrighter | Registration number | Registration date (Year/Month/Date) |
|---|---|---|---|---|
| 47. . . | "Myriad Blessings Gourd" Sculpture (《百福葫蘆》雕塑作品) | Our Company | Zhe Zuo Deng Zi 11-2024-F-10873 | 2024-04-29 |
| 48. . . | "The Imperial Palace-style Dragon Relief" Sculpture (《故宮龍形浮雕》雕塑作品) | Our Company | Zhe Zuo Deng Zi 11-2024-F-4480 | 2024-02-07 |
| 49. . . | "Zhuangzi's Butterfly Dream" Sculpture (《莊周夢蝶》雕塑作品) | Our Company | Zhe Zuo Deng Zi 11-2024-F-3722 | 2024-01-31 |
| 50. . . | "Zhang Sanfeng" Sculpture (《張三豐》雕塑作品) | Our Company | Zhe Zuo Deng Zi 11-2024-F-1951 | 2024-01-18 |
| 51. . . | "Gong Xi Fa Cai Jambhala" Sculpture (《恭喜發財財神》雕塑作品) | Our Company | Zhe Zuo Deng Zi 11-2024-F-571 | 2024-01-09 |
| 52. . . | "Panda Wang Fugui: Rock 'n' Roll Lifestyle" Sculpture (《熊貓王富貴之搖滾人生》雕塑作品) | Our Company | Zhe Zuo Deng Zi 11-2024-F-823 | 2024-01-09 |
| 53. . . | "Flying Apsara: Konghou Harp" Sculpture (《飛天之箜篌》雕塑作品) | Our Company | Zhe Zuo Deng Zi 11-2023-F-36678 | 2023-10-31 |
| 54. . . | "Vassal Title Granting" Sculpture (《封侯拜相》雕塑作品) | Our Company | Zhe Zuo Deng Zi 11-2023-F-27586 | 2023-08-29 |
| 55. . . | "Single-Reed River Crossing" Sculpture (《一葦渡江》雕塑作品) | Our Company | Zhe Zuo Deng Zi 11-2023-F-25727 | 2023-08-24 |
| 56. . . | "Legendary Great Sage" Sculpture (《大聖之傳奇》雕塑作品) | Our Company | Zhe Zuo Deng Zi-2024-F-00022791 | 2024-07-31 |
| 57. . . | "Wukong" Painting (《悟空》美術畫) | Our Company | Zhe Zuo Deng Zi-2024-F-00026907 | 2024-09-03 |
| 58. . . | "Nostalgic Cloth Tiger (Ruyi Orange)" Sculpture (《記憶中的布老虎(如意橙)》雕塑作品) | Our Company | Zhe Zuo Deng Zi-2024-F-00028174 | 2024-09-13 |
| 59. . . | "Yi Ethnic" Painting (《彝族》美術畫) | Our Company | Zhe Zuo Deng Zi-2024-F-00039310 | 2024-12-09 |
| 60. . . | "Blue-and-White Porcelain and Maiden" Sculpture (《青花瓷少女》雕塑作品) | Our Company | Zhe Zuo Deng Zi-2024-F-00040320 | 2024-12-18 |
| 61. . . | Lotus-Throned Serene Guanyin (荷花自在觀音) | Our Company | Zhe Zuo Deng Zi-2024-F-00040415 | 2024-12-18 |
| 62. . . | "Sui-Tang Dynasty Heroes: Cheng Yaojin" Sculpture (《隋唐英雄程咬金》雕塑作品) | Our Company | Zhe Zuo Deng Zi-2024-F-00044955 | 2024-12-31 |
| 63. . . | "Lu Zhishen" Sculpture (《魯智深》雕塑作品) | Our Company | Zhe Zuo Deng Zi-2025-F-00001014 | 2025-01-17 |
| 64. . . | "Filigree Hoop Tea Caddy" Sculpture (《緊箍茶葉罐》雕塑作品) | Our Company | Zhe Zuo Deng Zi-2025-F-00002859 | 2025-02-28 |

## C. FURTHER INFORMATION ABOUT OUR DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

### 1. Disclosure of interest

***(a) Interests and short positions of the Directors and chief executive of the Company in the Shares, underlying Shares and debentures of our Company and our associated corporations***

The following table sets out the interests and short positions of our Directors and chief executive of our Company immediately following completion of the [**REDACTED**] (without taking into account the H Shares which may be allotted and issued pursuant to the exercise of the [**REDACTED**]) in our Shares, underlying Shares or debentures of our Company or any of our associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to us and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they are taken or deemed to have under such provisions of the SFO), or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required to be notified to us and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, once our H Shares are [**REDACTED**]:

| Name | Capacity/ Nature of Interest | Class of Shares held after the [REDACTED] | Number of Shares | Approximate percentage of shareholding in the relevant class of Shares upon completion of the [REDACTED] (assuming no exercise of the [REDACTED])[1] | Approximate percentage of shareholding in the issued share capital of our Company after the [REDACTED] (assuming no exercise of the [REDACTED])[1] |
|---|---|---|---|---|---|
| Mr. Yu[2] . . . . | Beneficial Interest | H Shares | [**REDACTED**] | [**REDACTED**] | [**REDACTED**] |
| Xiao Feng (肖峰)[2] . . | Beneficial Interest | H Shares | [**REDACTED**] | [**REDACTED**] | [**REDACTED**] |
| He Yun (何贇)[2] . . . | Beneficial Interest | H Shares | [**REDACTED**] | [**REDACTED**] | [**REDACTED**] |
| Luo Renxiang (羅仁祥)[2]. . | Beneficial Interest | H Shares | [**REDACTED**] | [**REDACTED**] | [**REDACTED**] |

*Notes:*

(1) The calculation is based on the total number of [**REDACTED**] Shares, consisting of [**REDACTED**] Domestic Unlisted Shares and [**REDACTED**] H Shares) in issue immediately after completion of the [**REDACTED**] (without taking into account the H Shares which may be issued upon the exercise of the [**REDACTED**]).

(2) Mr. Yu, Mr. Xiao Feng, Mr. He Yun and Mr. Luo Renxiang are our Directors.

(3) The letter (L) denotes the person's long position in the Shares.

*(b) Interests of the substantial shareholders*

Save as disclosed in the section headed "Substantial Shareholders" of this document, immediately following the completion of the [**REDACTED**] and without taking into account any Shares which may be issued pursuant to the exercise of the [**REDACTED**], our Directors are not aware of any other person (not being a Director or chief executive of our Company) who will have an interest or short position in the Shares or the underlying Shares which would fall to be disclosed to us and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who is, directly or indirectly, interested in 10% or more of the issued voting shares of our Company or any member of our Group.

## 2. Particulars of the Directors' Service Contracts

Pursuant to Rules 19A.54 and 19A.55 of the Hong Kong Listing Rules, we will enter into a contract with each of our Directors in respect of, among other things (i) compliance of relevant laws and regulations, (ii) observance of the Articles of Association, and (iii) provisions on arbitration.

Save as disclosed above, none of the Directors has entered into any service contracts as a director with any member of the Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)).

## 3. Remuneration of Directors

For details of the remuneration of Directors, see "Directors and Senior Management – Emolument of Directors and Senior Management" and note 10 in "Appendix I – Accountant's Report" to this document.

## 4. Agency fees or commissions received

Save as disclosed in this section, no commissions, discounts, agency fee, brokerages or other special terms have been granted in connection with the issue or sale of any capital of any member of our Group within the two years immediately preceding the date of this document.

## 5. Disclaimers

(a) Save as disclosed in "Substantial Shareholders" and "C. Further information about our Directors and Substantial Shareholders" of this section, none of our Directors or our chief executive has any interest or short position in the Shares, underlying Shares or debentures of us or any of our associated corporations (within the meaning of Part XV the SFO) which will have to be notified to us and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required to be notified to us and the Stock Exchange pursuant to Model Code for Securities Transactions by Directors of Listed Issuers once the H Shares are [**REDACTED**] on the Stock Exchange;

(b) Save as disclosed in "Substantial Shareholders" and "C. Further information about our Directors and Substantial Shareholders" of this section, none of our Directors is a director or employee of a company which is expected to have an interest in the Shares falling to be disclosed to our Company and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO once the H Shares are [**REDACTED**] on the Stock Exchange;

(c) None of the Directors nor any of the experts referred to in "D. Other Information – 8. Qualifications and Consents of Experts" below:

(i) has any direct or indirect interest in the promotion of, or in any assets which have been, within the two years immediately preceding the date of this document, acquired or disposed of by, or leased to, any member of the Group, or are proposed to be acquired or disposed of by, or leased to, any member of the Group; or

(ii) is materially interested in any contract or arrangement subsisting at the date of this document which is significant in relation to the business of the Group;

(d) Save in connection with the [**REDACTED**], none of the Directors nor any of the experts referred to in "D. Other Information – 8. Qualifications and Consents of Experts" below:

(i) interested legally or beneficially in any shares in any member of our Group; or

(ii) has any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for any securities in any member of our Group;

(e) So far as is known to the Directors, none of the Directors or their associates or any Shareholders who are expected to be interested in 5% or more of the issued share capital of the Company immediately following the completion of the [**REDACTED**], had any interest in any of our top five customers or our top five suppliers of the Group in each year/period during the Track Record Period.

## D. OTHER INFORMATION

### 1. Estate Duty

The Directors have been advised that no material liability for estate duty is likely to fall on the Group.

### 2. Litigation

As of the Latest Practicable Date, save as disclosed in the "Business — Legal Proceedings" section to this document, the Company was not engaged in any litigation, arbitration or claim of material importance and no litigation, arbitration or claim of material importance was known to our Directors to be pending or threatened by or against us, that would have a material adverse effect on our results of operations or financial conditions.

## 3. The Sole Sponsor's Independence

The Sole Sponsor has made an application on our behalf to the Listing Committee for [**REDACTED**] of, and permission to [**REDACTED**], the H Shares, including any additional [**REDACTED**] which may be issued pursuant to the exercise of the [**REDACTED**]. All necessary arrangements have been made enabling the H Shares to be admitted into [**REDACTED**]. The Sole Sponsor satisfies the independence criteria applicable to sponsors set out in Rule 3A.07 of the Listing Rules.

The Sole Sponsor will receive an aggregate fee of USD600,000 for acting as the sponsor for the [**REDACTED**].

## 4. Compliance Adviser

The Company has appointed Innovax Capital Limited as the compliance adviser upon [**REDACTED**] in compliance with Rules 3A.19 and 19A.05 of the Listing Rules.

## 5. Preliminary Expenses

The Company has not incurred any material preliminary expenses.

## 6. Taxation of holder of H Shares

The sale, [**REDACTED**] and [**REDACTED**] of H Shares registered with our [**REDACTED**] will be subject to Hong Kong stamp duty. The current rate charged on each of the purchaser and seller is 0.1% of the consideration of or, if higher, of the fair value of our [**REDACTED**] being [**REDACTED**] or [**REDACTED**]. For further details in relation to taxation, please refer to Appendix IV to this document.

## 7. Promoters

Our promoters comprised of 16 of our then Shareholders immediately before our conversion into a joint stock limited liability company on November 11, 2014:

| No. | Name of promoters |
|---|---|
| 1. | Mr. Yu |
| 2. | Yang Feng (楊風) |
| 3. | Li Li (李麗) |
| 4. | He Yun (何贇) |
| 5. | Luo Renxiang (羅仁祥) |
| 6. | Liang Yuehua (梁越華) |
| 7. | Lu Huahua (盧華華) |
| 8. | Wang Qiuxia (王秋霞) |
| 9. | Lv Liang (呂亮) |
| 10. | Xu Wei (徐偉) |
| 11. | Ding Hongliang (丁紅良) |
| 12. | Yu Qing (俞清) |
| 13. | Xu Yan (徐燕) |
| 14. | Li Gan (李淦) |
| 15. | Huang Nannan (黃楠楠) |
| 16. | Li Xifang (李希芳) |

Within the two years immediately preceding the date of this document, no cash, securities, amount or benefit has been paid, allotted or given, or has been proposed to be paid, allotted or given, to any of the promoters named above in connection with the [**REDACTED**] or the related transactions described in this document.

## 8. Qualifications and Consents of Experts

The qualifications of the experts (as defined under the Listing Rules and the Companies (Winding Up and Miscellaneous Provisions) Ordinance) which have given opinions or advice in, or referred to in, this document are as follows:

| Name of Expert | Qualifications |
|---|---|
| CMB International Capital Limited | A licensed corporation to conduct type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO |
| Deloitte Touche Tohmatsu | Certified Public Accountants (Public Interest Entity Auditor registered in accordance with the Accounting and Financial Reporting Council Ordinance) |
| JunHe LLP | Legal adviser as to PRC laws to our Company |
| JunHe LLP | Legal adviser as to PRC cybersecurity and data privacy laws |
| Frost & Sullivan (Beijing) Inc., Shanghai Branch Co. | Industry consultant |
| Cushman & Wakefield Limited | Property valuer |

Each of the experts listed above has given and has not withdrawn its written consent to the issue of this document with the inclusion of its report and/or letter and/or opinion and/or references to its name and qualifications included herein in the form and context in which they respectively appear.

## 9. Binding Effect

This document shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of Sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance so far as applicable.

## 10. Bilingual Document

The English language and Chinese language versions of this document are being published separately, in reliance upon the exemption provided in Section 4 of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

## 11. No Material Adverse Change

Our Directors confirm that there has been no material adverse change in the financial or trading position or prospects of our Group since September 30, 2025 (being the date to which the latest audited consolidated financial statements of our Group were prepared).

## 12. Miscellaneous

(a) Save as disclosed in this section, within the two years preceding the date of this document, no share or loan capital of the Company or any of its subsidiary has been issued or has been agreed to be issued fully or partly paid either for cash or for a consideration other than cash.

(b) No Share or loan capital of the Company or any of its subsidiary is under option or is agreed conditionally or unconditionally to be put under option.

(c) No founder, management or deferred shares of the Company or any of its subsidiary have been issued or have been agreed to be issued.

(d) Our Company has no outstanding convertible debt securities or debentures.

(e) None of the experts listed under "– 8. Qualifications and Consents of Experts":

  (i) is interested beneficially or non-beneficially in any shares in any member of the Group; or

  (ii) has any right or option (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group save in connection with the [**REDACTED**].

(f) There are no procedures for the exercise of any right of pre-emption or transferability of subscription rights.

(g) There are no contracts for hire or hire purchase of plant to or by us for a period of over one year which are substantial in relation to our business.

(h) The English text of this document shall prevail over their respective Chinese text.

(i) There is no arrangement under which future dividends are waived or agreed to be waived.

(j) There has not been any interruption in the business of the Group which may have or has had a significant effect on the financial position of the Group in the 12 months preceding the date of this document.

(k) Our Company is not presently listed on any stock exchange or traded on any trading system.

(l) None of our equity and debt securities is presently [**REDACTED**] on any stock exchange or [**REDACTED**] on any [**REDACTED**] system and no such [**REDACTED**] or permission to [**REDACTED**] is being or is proposed to be sought.

(m) Our Company currently does not intend to apply for the status of a sino-foreign investment joint stock limited liability company and does not expect to be subject to the Law of the PRC on Sino-foreign Equity Joint Ventures.

(n) There are no restrictions affecting the remittance of profits or repatriation of capital by us into Hong Kong from overseas.

## DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG

The documents attached to the copy of this document delivered to the Registrar of Companies in Hong Kong for registration were:

(a) a copy of the material contract referred to in "Appendix VII – Statutory and General Information – B. Further Information about the Business – 1. Summary of Material Contract"; and

(b) the written consents referred to in "Appendix VII – Statutory and General Information – D. Other information – 8. Qualifications and Consents of Experts."

## DOCUMENTS AVAILABLE ON DISPLAY

Copies of the following documents will be available on display on the website of the Stock Exchange at **www.hkexnews.hk** and our website at **www.tongshifu.com** during a period of 14 days from the date of this document:

(a) the Articles of Association;

(b) the Accountants' Report, the unaudited interim financial information and the report on the unaudited [**REDACTED**] financial information prepared by Deloitte Touche Tohmatsu, the texts of which are set out in "Appendix I – Accountants' Report" and "Appendix IIA – Unaudited [**REDACTED**] Financial Information," respectively;

(c) the audited consolidated financial statements of our Group for the financial years ended December 31, 2022, 2023 and 2024 and the financial period ended September 30, 2025;

(d) the PRC legal opinion from JunHe LLP, our Company's PRC legal adviser, in respect of, among other things, the general matters of our Company and the property interests of our Group in the PRC;

(e) the legal due diligence report from JunHe LLP, our Company's legal adviser as to PRC cybersecurity and data privacy laws;

(f) the industry report prepared by F&S, the summary of which is set out in "Industry Overview";

(g) the property valuation report prepared by Cushman & Wakefield Limited, the text of which are set out in "Appendix III – Property Valuation Report";

(h) the PRC Company Law and the Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies together with their unofficial English translations;

(i) the service contracts between each of our Directors and our Company referred to in "Appendix VII – Statutory and General Information";

(j) the material contract referred to in "Appendix VII – Statutory and General Information – B. Further Information about the Business – 1. Summary of Material Contract"; and

(k) the written consents referred to in "Appendix VII – Statutory and General Information – D. Other information – 8. Qualifications and Consents of Experts."