

# 湖北香江電器股份有限公司

## X.J.ELECTRICS (HU BEI) CO.,LTD

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

Stock Code: 2619

# GLOBAL OFFERING

Sole Sponsor and Sole Sponsor-Overall Coordinator



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



Joint Bookrunners and Joint Lead Managers  
(In alphabetical order)



## IMPORTANT

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

### X.J. ELECTRICS (HU BEI) CO., LTD

### 湖北香江電器股份有限公司

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

#### GLOBAL OFFERING

Number of Offer Shares under the Global Offering	: 68,220,000 H Shares (subject to the Over-allotment Option)
Number of Hong Kong Offer Shares	: 6,822,000 H Shares (subject to reallocation)
Number of International Offer Shares	: 61,398,000 H Shares (subject to reallocation and the Over-allotment Option)
Maximum Offer Price	: HK\$3.35 per H Share, plus brokerage of 1.0%, SFC transaction levy of 0.0027%, AFRC transaction levy of 0.00015% and Stock Exchange trading fee of 0.00565% (payable in full on application in Hong Kong dollars and subject to refund)
Nominal value	: RMB1.00 per Share
Stock code	: 2619

*Sole Sponsor and Sole Sponsor-Overall Coordinator*



**國金證券(香港)有限公司**  
**SINOLINK SECURITIES (HK) CO. LTD.**

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



**國金證券(香港)有限公司**  
**SINOLINK SECURITIES (HK) CO. LTD.**



**建銀國際**  
CCB International

*Joint Bookrunners and Joint Lead Managers  
(in alphabetical order)*



**農銀國際**  
ABC INTERNATIONAL



**民銀資本**  
CIBC CAPITAL HOLDINGS LIMITED



**招銀國際**  
CMB INTERNATIONAL



**First Fidelity Capital**



**眾宸證券**  
UZEN SECURITIES



**華盛證券**

Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this prospectus, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this prospectus. A copy of this prospectus, having attached thereto the documents specified in the section headed "Appendix VIII – Documents Delivered to the Registrar of Companies in Hong Kong and Documents on Display" in this prospectus, has been registered by the Registrar of Companies in Hong Kong as required by section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong). The Securities and Futures Commission of Hong Kong and the Registrar of Companies in Hong Kong take no responsibility for the contents of this prospectus and any other documents referred to above.

The Offer Price is expected to be fixed by agreement between the Sole Sponsor-Overall Coordinator (on behalf of the Underwriters) and us on the Price Determination Date. The Price Determination Date is expected to be on Monday, 23 June 2025. The Offer Price will not be more than HK\$3.35 and is currently expected to be not less than HK\$2.86 per Offer Share. If, for any reason, the final Offer Price is not agreed by 12:00 noon on Monday, 23 June 2025 between the Sole Sponsor-Overall Coordinator (on behalf of the Underwriters) and us, the Global Offering will not proceed and will lapse.

The Sole Sponsor-Overall Coordinator (on behalf of the Underwriters) may, with our consent, where considered appropriate, reduce the number of Offer Shares being offered under the Global Offering and/or the indicative Offer Price range below that is stated in this prospectus at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, we will as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the day which is the last day for lodging applications under the Hong Kong Public Offering, make an announcement on the websites of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) and our Company at <http://www.xjgroup.com>. For further information, please see "Structure of the Global Offering" and "How to apply for Hong Kong Offer Shares" in this prospectus.

The obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement are subject to termination by the Sole Sponsor-Overall Coordinator (on behalf of the Hong Kong Underwriters) if certain grounds arise prior to 8:00 a.m. on the Listing Date. Such grounds are set out in the section headed "Underwriting – Underwriting Arrangements – Hong Kong Public Offering – Grounds for Termination of the Hong Kong Underwriting Agreement" in this prospectus. It is important that you refer to that section for further details.

The Offer Shares have not been and will not be registered under the U.S. Securities Act or any state securities law in the United States and may not be offered, sold, pledged or otherwise transferred within the United States, or to, or for the account or benefit of, U.S. persons, except in transactions exempt from or not subject to, the registration requirements of the U.S. Securities Act. The Offer Shares are being offered and sold outside the United States in offshore transactions in reliance on Regulation S under the U.S. Securities Act.

---

## IMPORTANT

---

### **IMPORTANT NOTICE TO INVESTORS: FULLY ELECTRONIC APPLICATION PROCESS**

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

**This prospectus is available at the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) under the “HKEXnews > New Listings > New Listing Information” section, and our website at <http://www.xjgroup.com>. You may download and print from these website addresses if you want a printed copy of this prospectus.**

To apply for Hong Kong Offer Shares, you may:

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

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

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

## IMPORTANT

Please see “How to Apply for Hong Kong Offer Shares” in this prospectus for further details on the procedures through which you can apply for the Hong Kong Offer Shares electronically.

Your application through the **HK eIPO White Form** service or the **HKSCC EIPO** channel must be for a minimum of 1,000 Hong Kong Offer Shares and in one of the numbers set out in the table. You are required to pay the amount next to the number you select.

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

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

No. of Hong Kong Offer Shares applied for	Maximum Amount payable <sup>(2)</sup> on application/ successful allotment HK\$	No. of Hong Kong Offer Shares applied for	Maximum Amount payable <sup>(2)</sup> on application/ successful allotment HK\$	No. of Hong Kong Offer Shares applied for	Maximum Amount payable <sup>(2)</sup> on application/ successful allotment HK\$	No. of Hong Kong Offer Shares applied for	Maximum Amount payable <sup>(2)</sup> on application/ successful allotment HK\$
1,000	3,383.79	20,000	67,675.70	100,000	338,378.48	2,000,000	6,767,569.50
2,000	6,767.57	25,000	84,594.62	200,000	676,756.96	2,500,000	8,459,461.88
3,000	10,151.36	30,000	101,513.54	300,000	1,015,135.43	3,000,000	10,151,354.26
4,000	13,535.14	35,000	118,432.47	400,000	1,353,513.90	3,411,000 <sup>(1)</sup>	11,542,089.78
5,000	16,918.93	40,000	135,351.39	500,000	1,691,892.38		
6,000	20,302.71	45,000	152,270.32	600,000	2,030,270.86		
7,000	23,686.49	50,000	169,189.23	700,000	2,368,649.33		
8,000	27,070.27	60,000	203,027.09	800,000	2,707,027.80		
9,000	30,454.06	70,000	236,864.93	900,000	3,045,406.28		
10,000	33,837.84	80,000	270,702.78	1,000,000	3,383,784.76		
15,000	50,756.78	90,000	304,540.62	1,500,000	5,075,677.13		

- (1) Maximum number of Hong Kong Offer Shares you may apply for and this is 50% of the Hong Kong Offer Shares initially offered.
- (2) The amount payable is inclusive of brokerage, SFC transaction levy, the Stock Exchange trading fee and AFRC transaction levy. If your application is successful, brokerage will be paid to the Exchange Participants (as defined in the Listing Rules) or to the **HK eIPO White Form** Service Provider (for applications made through the application channel of the **HK eIPO White Form** service) while the SFC transaction levy, the Stock Exchange trading fee and the AFRC transaction levy will be paid to the SFC, the Stock Exchange and the AFRC, respectively.

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

---

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

---

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

Hong Kong Public Offering commences ..... 9:00 a.m. on  
Tuesday, 17 June 2025

Latest time to complete electronic applications  
under the **HK eIPO White Form** service  
through the designated website at [www.hkeipo.hk](http://www.hkeipo.hk)<sup>(2)</sup> ..... 11:30 a.m. on  
Friday, 20 June 2025

Application lists of the Hong Kong Public Offering open<sup>(3)</sup> ..... 11:45 a.m. on  
Friday, 20 June 2025

Latest time to (a) complete payment of **HK eIPO White Form**  
applications by effecting Internet banking transfer(s) or  
PPS payment transfer(s) and (b) give **electronic**  
**application instructions** to HKSCC<sup>(4)</sup> ..... 12:00 noon on  
Friday, 20 June 2025

If you are instructing your broker or custodian who is a HKSCC Participant to give **electronic application instructions** via FINI to apply for the Hong Kong Offer Shares on your behalf, you are advised to contact your broker or custodian for the latest time for giving such instructions which may be different from the latest time as stated above.

Application lists of the Hong Kong Public Offering close<sup>(3)</sup> ..... 12:00 noon on  
Friday, 20 June 2025

Expected Price Determination Date<sup>(5)</sup> ..... not later than 12:00 noon on  
Monday, 23 June 2025

Announcement of the final Offer Price, an indication of the level  
of interest in the International Offering, the level of  
applications in the Hong Kong Public Offering and the basis of  
allocation of the Hong Kong Offer Shares to be published on  
the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) and  
our Company's website at <http://www.xjgroup.com><sup>(6)</sup> on or  
before..... Tuesday, 24 June 2025

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

- In the announcement to be published on the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) and our Company's website at <http://www.xjgroup.com><sup>(6)</sup> ..... Tuesday, 24 June 2025

---

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

---

- Results of allocations for the Hong Kong Public Offering will be available at the designated results of allocations website at **www.hkeipo.hk/IPOResult** (or **www.tricor.com.hk/ipo/result**) with a “search by ID” function from..... Tuesday, 24 June 2025

Dispatch of H Share certificates in respect of wholly or partially successful applications pursuant to the Hong Kong Public Offering or deposited into CCASS on or before<sup>(7)(9)(10)(11)</sup> ..... Tuesday, 24 June 2025

Dispatch of **HK eIPO White Form** e-Auto Refund payment instructions/refund cheques on or before<sup>(8)(9)(10)(11)</sup> ..... Wednesday, 25 June 2025

Dealings in the H Shares on the Stock Exchange expected to commence ..... 9:00 a.m. on Wednesday, 25 June 2025

*Notes:*

- (1) All times and dates refer to Hong Kong local time and date, except as otherwise stated.
- (2) You will not be permitted to submit your application through the designated website at **www.hkeipo.hk** after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained a payment reference number from the designated website prior to 11:30 a.m., you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for submitting applications, when the application lists close.
- (3) If there is a typhoon warning signal number 8 or above, “Extreme Conditions” and/or a “black” rainstorm warning (collectively, “**Bad Weather Signals**”) at any time between 9:00 a.m. and 12:00 noon on Friday, 20 June 2025, the application lists will not open on that day. Please see “How to Apply for Hong Kong Offer Shares – E. Bad Weather Arrangements” of this prospectus.
- (4) Applicants who apply for Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC should refer to “How to Apply for Hong Kong Offer Shares – A. Application for Hong Kong Offer Shares – 2. Application Channels” of this prospectus.
- (5) The Price Determination Date is expected to be on Monday, 23 June 2025. If, for any reason, we do not agree with the Sole Sponsor-Overall Coordinator (on behalf of the Underwriters) on the pricing of the Offer Shares by 12:00 noon on Monday, 23 June 2025, the Global Offering will not proceed and will lapse.
- (6) None of the websites or any of the information contained on the website forms part of this prospectus.
- (7) No temporary documents of title will be issued in respect of the Offer Shares. H Share certificates will only become valid evidence of title at 8:00 a.m. on the Listing Date provided that the Global Offering has become unconditional in all respects and neither of the Underwriting Agreements has been terminated in accordance with its terms. Investors who trade H Shares on the basis of publicly available allocation details before the receipt of H Share certificates and before they become valid do so entirely at their own risk.
- (8) e-Auto Refund payment instructions/refund cheques will be issued in respect of wholly or partially unsuccessful applications pursuant to the Hong Kong Public Offering and also in respect of wholly or partially successful applications in the event that the final Offer Price is less than the price payable per Offer Share on application.

---

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

---

- (9) Applicants who have applied for Hong Kong Offer Shares through the **HKSCC EIPO** channel should refer to the section headed “How to Apply for Hong Kong Offer Shares – D. Despatch/Collection of H Share Certificates and Refund of Application Monies” of this prospectus for details.
- (10) Applicants who have applied through the **HK eIPO White Form** service and paid their applications monies through single bank accounts may have refund monies (if any) dispatched to the bank account in the form of e-Auto Refund payment instructions. Applicants who have applied through the **HK eIPO White Form** service and paid their application monies through multiple bank accounts may have refund monies (if any) dispatched to the address as specified in their application instructions in the form of refund cheques in favour of the applicant (or, in the case of joint applications, the first-named applicant) by ordinary post at their own risk.
- (11) Further information is set out in the section headed “How to Apply for Hong Kong Offer Shares – D. Despatch/Collection of H Share Certificates and Refund of Application Monies” of this prospectus.

**The above expected timetable is a summary only. You should read carefully the sections headed “Underwriting”, “Structure of the Global Offering” and “How to Apply for Hong Kong Offer Shares” of this prospectus for details relating to the structure of the Global Offering, procedures on the applications for Hong Kong Offer Shares and the expected timetable, including conditions, effect of bad weather and the despatch of refund cheques and H Share certificates.**

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



---

## CONTENTS

---

*This prospectus is issued by our Company solely in connection with the Hong Kong Public Offering and Hong Kong Offer Shares and does not constitute an offer to sell or a solicitation of an offer to subscribe for or buy any security other than Hong Kong Offer Shares. This prospectus may not be used for the purpose of, and does not constitute, an offer to sell or a solicitation of an offer to buy any security in any other jurisdiction or in any other circumstances. No action has been taken to permit a public offering of the Offer Shares or the distribution of this prospectus in any jurisdiction other than Hong Kong. The distribution of this prospectus and the offering and sale of the Offer Shares in other jurisdiction are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorisation by the relevant securities regulatory authorities or an exemption therefrom. You should rely only on the information contained in this prospectus to make your investment decision. We have not authorised anyone to provide you with information which is different from that contained in this prospectus. Any information or representation not made in this prospectus must not be relied upon by you as having been authorised by us, the Sole Sponsor, the Overall Coordinators, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters any of their respective directors, agents, employees or advisers, or any other person or party involved in the Global Offering.*

	<i>Page</i>
<b>Expected Timetable</b> .....	i
<b>Contents</b> .....	iv
<b>Summary</b> .....	1
<b>Definitions</b> .....	26
<b>Glossary of Technical Terms</b> .....	38
<b>Forward-looking Statements</b> .....	39
<b>Risk Factors</b> .....	41
<b>Waivers from Strict Compliance with the Listing Rules</b> .....	77
<b>Information about this Prospectus and the Global Offering</b> .....	82
<b>Directors, Supervisors and Parties Involved in the Global Offering</b> .....	87
<b>Corporate Information</b> .....	94
<b>Industry Overview</b> .....	97



---

## CONTENTS

---

	<i>Page</i>
<b>Regulatory Overview</b> .....	123
<b>History, Development and Corporate Structure</b> .....	144
<b>Business</b> .....	166
<b>Relationship with Our Controlling Shareholders</b> .....	281
<b>Connected Transactions</b> .....	286
<b>Directors, Supervisors and Senior Management</b> .....	288
<b>Substantial Shareholders</b> .....	309
<b>Cornerstone Investors</b> .....	311
<b>Share Capital</b> .....	318
<b>Financial Information</b> .....	323
<b>Future Plans and Use of Proceeds</b> .....	388
<b>Underwriting</b> .....	392
<b>Structure of the Global Offering</b> .....	405
<b>How to Apply for Hong Kong Offer Shares</b> .....	418
<b>Appendix I — Accountants' Report</b> .....	I-1
<b>Appendix II — Unaudited Pro Forma Financial Information</b> .....	II-1
<b>Appendix III — Valuation Report</b> .....	III-1
<b>Appendix IV — Summary of Principal Legal and Regulatory Provisions</b> .....	IV-1
<b>Appendix V — Summary of the Articles of Association</b> .....	V-1
<b>Appendix VI — Taxation and Foreign Exchange</b> .....	VI-1
<b>Appendix VII — Statutory and General Information</b> .....	VII-1
<b>Appendix VIII — Documents Delivered to the Registrar of Companies in Hong Kong and Documents on Display</b> .....	VIII-1

---

## SUMMARY

---

*This summary aims at giving you an overview of the information contained in this prospectus. Because this is a summary, it does not contain all the information that may be important to you. You should read this prospectus in its entirety, including our financial statements and the accompanying notes, before you decide to invest in the Offer Shares. There are risks associated with any investment. Some of the particular risks in investing in the Offer Shares are set out in the “Risk factors” in this prospectus. You should read that section carefully before you decide to invest in the Offer Shares. Various expressions used in this summary are defined in “Definitions” and “Glossary of Technical Terms” in this prospectus.*

### OVERVIEW

We are a manufacturer of lifestyle household goods in the PRC. We mainly operate on ODM/OEM basis and have built a customer portfolio comprising globally reputable and long standing names, such as Walmart, Telebrands, SEB Asia Ltd (“**SEB**”), Sensio, Hamilton Beach and Philips etc. During the Track Record Period, a major portion of our revenue came from our sales of small kitchen appliances.<sup>(1)</sup> According to the F&S Report, we were the 10th largest company with a market share of 0.8% in terms of export value in 2024 in the small kitchen appliance industry in the PRC.<sup>(2)</sup> Our electric kettles had a market share of approximately 24.6% and 59.6% in the respective category classified by the General Administration of Customs of the PRC in terms of export volume from the PRC to the U.S. and Canada, respectively, in 2024. Our motor-driven products such as mixers had a market share of approximately 3.8% in the respective category classified by the General Administration of Customs of the PRC in terms of export volume from the PRC to the U.S. in 2024. Please see “Industry Overview” in this prospectus for the details.

We focus on research and development, design, manufacturing and sales of electric home appliances and non-electric household goods. Our electric home appliances consist of three categories, namely (i) electro-thermic appliances, such as electric griddle, air fryer and kettle; (ii) motor-driven appliances, such as blender, mixer and electric can opener; and (iii) electronic appliances such as digital scale, humidifier and laser projector light. We also offer non-electric household goods such as garden hose and cookware.

<sup>(1)</sup> For FY2022, FY2023 and FY2024, revenue contributed by sales of small kitchen appliances represented 73.9%, 72.1% and 72.7% of our total revenue, respectively.

<sup>(2)</sup> According to Frost & Sullivan, small kitchen appliance accounted for the largest share of the global small home appliance industry.

## SUMMARY

The table below sets out a breakdown of our total revenue by product type during the Track Record Period:

	FY2022		FY2023		FY2024	
	RMB'000	%	RMB'000	%	RMB'000	%
<b>Electric home appliances</b>						
– Electro-thermic appliances	459,013	41.8	499,099	42.0	757,883	50.5
– Motor-driven appliances	317,623	29.0	321,937	27.1	315,560	21.0
– Electronic appliances	122,997	11.2	111,570	9.4	115,066	7.7
<b>Subtotal</b>	<b>899,633</b>	<b>82.0</b>	<b>932,606</b>	<b>78.5</b>	<b>1,188,509</b>	<b>79.2</b>
<b>Non-electric household goods</b>						
– Garden hose	181,460	16.5	221,788	18.7	285,118	19.0
– Others ( <i>Note</i> )	15,872	1.5	33,927	2.8	27,883	1.8
<b>Subtotal</b>	<b>197,332</b>	<b>18.0</b>	<b>255,715</b>	<b>21.5</b>	<b>313,001</b>	<b>20.8</b>
<b>Total</b>	<b>1,096,965</b>	<b>100.0</b>	<b>1,188,321</b>	<b>100.0</b>	<b>1,501,510</b>	<b>100.0</b>

*Note:* Others include cookware, cleaning tools and other household goods etc.

During the Track Record Period, we primarily manufactured and sold our products to our ODM/OEM customers under their respective brands. Leveraging our experience and knowledge in the industry and capabilities we have developed throughout the last two decades, as a strategic approach, in 2016, we started our OBM business to design, develop, manufacture and sell home appliances under our own brands  (“Weighmax”),  (“Accuteck”) and  (“Aigoli”). We sell our OBM products mainly on e-commerce market place including Amazon, JD.com (京東), Tmall (天貓) and Pinduoduo (拼多多).

## SUMMARY

The following table sets forth the breakdown of the revenue of our Group by business model during the Track Record Period:

	<b>FY2022</b>		<b>FY2023</b>		<b>FY2024</b>	
	<i>RMB'000</i>	<i>%</i>	<i>RMB'000</i>	<i>%</i>	<i>RMB'000</i>	<i>%</i>
ODM	938,536	85.6	1,056,623	88.9	1,289,950	86.0
OEM	97,056	8.8	81,992	6.9	170,407	11.3
OBM	61,373	5.6	49,706	4.2	41,153	2.7
<b>Total</b>	<b><u>1,096,965</u></b>	<b><u>100.0</u></b>	<b><u>1,188,321</u></b>	<b><u>100.0</u></b>	<b><u>1,501,510</u></b>	<b><u>100.0</u></b>

*Note:* Revenue from our OBM business represents revenue generated from Aigrentrading, Nawu Technology, Nuocheng E-Commerce and Weighmax. Revenue from our ODM and OEM business represents revenue generated from other subsidiaries of our Group.

Since 2000, we have established different production facilities in different parts of China. Currently, we have seven manufacturing bases in the PRC with a total construction area of approximately 367,000 sq.m. To establish our overseas presence outside of the PRC, we have established a production base in Indonesia, which is expected to commence production in the second quarter of 2025, and we plan to establish another production base with a site area of 43,436.8 sq.m. in Thailand, which is expected to commence production in the second half of 2025. For details of our production facilities, please see “Business – Our Production Facilities” in this prospectus.

As at the Latest Practicable Date, our overall annual designed capacity for the electric home appliances and non-electrical household goods was 33.1 million units and 5.8 million units, respectively.

The table below sets out the details of each of the Indonesia Factory and Thailand Factory:

	<b>Construction Area</b> <i>(sq.m.)</i>	<b>Annual designed capacity</b>		<b>Types of Products to be manufactured</b>
		<b>Electric home appliances</b> <i>(’000 unit)</i>	<b>Non-electric household goods</b>	
Indonesia Factory	7,745	4,224.0 <sup>(Note)</sup>	–	Electro-thermic appliances, motor-driven appliances, electronic appliances, garden hoses and others

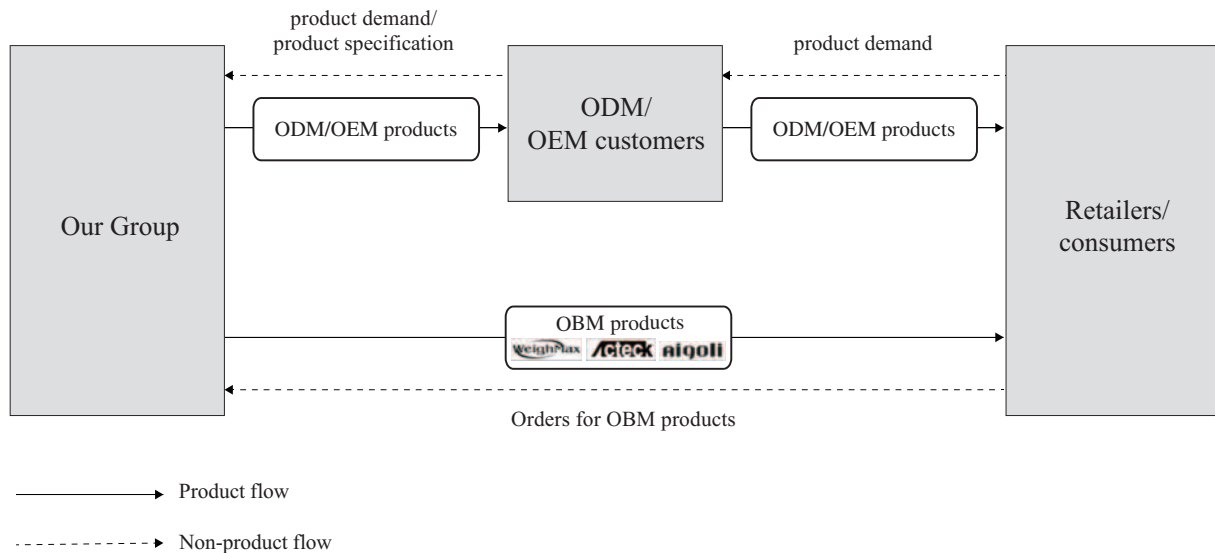
## SUMMARY

		Annual designed capacity		
		Electric	Non-electric	
	Construction	home	household	Types of Products to
	Area	appliances	goods	be manufactured
	(sq.m.)	('000 unit)		
Thailand Factory	25,000	5,352.0	2,880.0	Motor-driven appliances, electronic appliances and garden hoses

*Note:* For Indonesia Factory, while our assembly lines are flexible and capable of manufacturing different products including non-electric household goods to meet the actual customer demands by adjusting configurations of our machines and equipment, it is planned mainly for the manufacture of electric home appliances. Accordingly, the calculation of the expected designed capacity is based on electric home appliances.

## OUR BUSINESS MODEL

The following diagramme sets out our main business model:



## SUMMARY

We are a manufacturer of lifestyle household goods in the PRC. We mainly operate on ODM/OEM basis with a customer portfolio comprising globally reputable and long standing names. Under ODM model, we collaborate with our customers to develop designs of products and then we manufacture; whereas under OEM model, our customers provide us their designs and we are only responsible for manufacturing. We procure raw materials for production and finished products are affixed with our customers' brand labels and shipped to ports designated by customers. In addition to our ODM/OEM operations, since 2016, we have started our OBM operation that we design, develop, manufacture and sell our products under three self-owned brands, namely, brands  (“Weighmax”),  (“Accuteck”) and  (“Aigoli”). We sell our OBM products mainly on major e-commerce market place including Amazon, JD.com (京東), Tmall (天貓) and Pinduoduo (拼多多)。

During the Track Record Period, our products are delivered to more than 70 countries and regions covering six continents while a majority of our sales came from North America during the Track Record Period.

The table below sets out a breakdown of our total revenue by shipping destination of our products during the Track Record Period:

	FY2022		FY2023		FY2024	
	RMB'000	%	RMB'000	%	RMB'000	%
North America						
The U.S.	755,142	68.8	958,315	80.6	1,148,669	76.5
Others <sup>(Note)</sup>	25,987	2.4	35,634	3.0	107,647	7.2
Europe	227,672	20.8	111,730	9.4	139,551	9.3
Oceania	44,073	4.0	28,834	2.4	57,219	3.8
Asia (excluding mainland China)	26,331	2.4	35,833	3.0	34,258	2.3
South America	8,527	0.8	12,228	1.0	7,369	0.5
Africa	552	0.1	759	0.1	476	0.0
Mainland China	8,681	0.7	4,988	0.5	6,321	0.4
<b>Total</b>	<b>1,096,965</b>	<b>100.0</b>	<b>1,188,321</b>	<b>100.0</b>	<b>1,501,510</b>	<b>100.0</b>

*Note:* Others include Canada and Mexico.

---

## SUMMARY

---

### OUR CUSTOMERS AND SUPPLIERS

During the Track Record Period, we generated our revenue mostly from ODM/OEM customers which represent 94.4%, 95.8% and 97.3% of our total revenue. Our ODM/OEM customers mainly comprise international brand owners and their procurement service providers. The remaining portion of our revenue came from our OBM business including direct sales of our self-branded products to end consumers through ecommerce marketplaces, including Amazon, JD.com (京東), Tmall (天貓) and Pinduoduo (拼多多). Our five largest customers in each year during the Track Record Period accounted for 62.4%, 72.4% and 77.9% of our total revenue for FY2022, FY2023 and FY2024, respectively; and our largest customer in each year during the Track Record Period accounted for 21.3%, 28.5% and 24.1% of our total revenue for FY2022, FY2023 and FY2024, respectively. For details, please see “Business – Our Customers” in this prospectus.

Our major suppliers are suppliers of metal and plastic raw materials, components and accessories. Our five largest suppliers in each year during the Track Record Period accounted for 18.2%, 22.4% and 18.3% of our total purchase for FY2022, FY2023 and FY2024, respectively; and our largest supplier in each year during the Track Record Period accounted for 7.2%, 9.4% and 5.3% of our total purchase for FY2022, FY2023 and FY2024, respectively. For details, please see “Business – Our Suppliers” in this prospectus.

### SINO-U.S. AND GLOBAL TRADE TENSION

For FY2022, FY2023 and FY2024, products with the U.S. as the shipping destination contributed 68.8%, 80.6% and 76.5% of our total revenue of the corresponding year, respectively. In recent years, the U.S. government has imposed tariff and trade restrictions on imports from China; and recently, such trade tension has escalated further to a global context that does not only affect China but also the other countries. On 1 February 2025, the U.S. government imposed a blanket tariff on Canada, Mexico and China, among which, all imports from China to the US would be subject to a 10% tariff, with a few exceptions. Since then, the U.S. government has raised tariff imposed on imports from China by stage and once reached 145% (on top of other tariff and duties which had already been implemented before 1 February 2025). On 12 May 2025, after their trade meeting in Geneva, the Chinese and the US government released a joint statement (the “**512 Joint Announcement**”) announcing, among others, the removal of the 91% tariff announced on 7 April 2025 and 9 April 2025 and a 90-day pause, coming into effect on 14 May 2025, of 24% (out of 34%) tariff announced on 2 April 2025, meaning the effective tariffs on imports from China will become 30%, down from 145%; and China will reduce tariff imposed on imports from the US since 2 April 2025 to 10%, down from 125% (tariff as imposed and adjusted by the U.S. government on China from time to time since 1 February 2025 and up to the Latest Practicable Date, “**New Tariff on China**”).



## SUMMARY

In addition to China, the U.S. government also announced tariff in a global context, including East Asian countries, such as Vietnam, Thailand and Indonesia, which have become popular manufacturing locations for PRC manufacturing companies in recent years. In particular, on 2 April 2025, the U.S. government announced a reciprocal tariff of 36% and 32% (which comprise a baseline tariff of 10%) on imports from Thailand and Indonesia, respectively. Subsequently, on 9 April 2025, the U.S. government announced a pause of 90 days for the reciprocal tariff on Thailand and Indonesia (and other countries, except for China). Accordingly, as at the Latest Practicable Date, Thailand and Indonesia are subject to the baseline tariff of 10% (together with the New Tariff on China, the “**2025 Tariff**”).

During the Track Record Period, sales of our products with the U.S. as the shipping destination accounted for 68.8%, 80.6% and 76.5% of our total revenue, respectively. Certain of our major products, such as electric griddles, kettles, blenders and garden hoses, had been subject to tariff during the Track Record Period while there had been no fluctuation in most of the tariff applicable to our major products during the Track Record Period. The table below set out (i) the respective revenue contribution of major products which had been subject to tariff during the Track Record Period, (ii) the applicable tariff rates during the Track Record Period and (iii) the applicable tariff rates announced by the U.S. government as at the Latest Practicable Date:

	FY2022		FY2023		FY2024		Applicable tariff during the Track Record Period	Applicable tariff rates as at the Latest Practicable Date
	<i>RMB'000</i>	<i>% of total revenue</i>	<i>RMB'000</i>	<i>% of total revenue</i>	<i>RMB'000</i>	<i>% of total revenue</i>		
Electric griddles	103,503	9.4	98,867	8.3	107,180	7.1	Nil or 2.7% <i>(Note 2)</i>	30% or 32.7% <i>(Note 2)</i>
Kettles	64,611	5.9	94,926	8.0	123,894	8.3	3.7% or 11.2% <i>(Note 2)</i>	33.7% or 41.2% <i>(Note 2)</i>
Blenders	150,220	13.7	207,975	17.5	186,524	12.4	4.2%	34.2%
Garden hoses	181,460	16.5	221,788	18.7	285,118	19.0	10.0% or 28.1% <i>(Note 2)</i>	40% or 58.1% <i>(Note 2)</i>

*Notes:*

1. The aforementioned products, together with air fryers, are our major products in terms of their revenue contribution during the Track Record Period. For details of tariff applicable to air fryers, please refer to the paragraph immediately following this table.
2. Applicable tariff for different models of the same product varied.

---

## SUMMARY

---

To the best knowledge of our Directors, save the tariff on air fryers, which represented less than 8% of our total revenue for each of FY2022, FY2023 and FY2024, respectively, there was no material fluctuation of the rate of U.S. tariff applicable to our other major products during the Track Record Period. In relation to air fryers, an additional tariff of 25% was exempted between 1 January 2022 and 14 June 2024, which has been resumed since 15 June 2024; therefore, as at the Latest Practicable Date, the applicable tariff rate for our air fryers had become 55%.

### **Party responsible for paying U.S. tariff (including the 2025 Tariff)**

As advised by our U.S. Legal Advisers, the liability for payment for the U.S. import duties and tariffs belongs to the importers of the goods. When we sell our products as an exporter, as our products are sold and delivered to the U.S. on a FOB Chinese ports arrangement, we are not responsible for customs clearance within the jurisdiction of the U.S. and we are not responsible for the payment of any such tariffs for products imported into the U.S.

### **Risks associated with the Sino-U.S. and the global trade tension**

Subsequent to the announcement of a 34% tariff on Chinese goods announced on 2 April 2025, on 4 April 2025, the Chinese government announced tariff on U.S. goods in response. Tariff applicable to Chinese goods once reached 145%, yet subsequently reduced to 30% after the meeting between the two countries on 12 May 2025. Other countries such as Vietnam and Indonesia have expressed their willingness to negotiate. As at the Latest Practicable Date, there was a sign of easing of the Sino-U.S. tension, but it remained uncertain how the Sino-U.S. and the global trade tension will develop.

If the Sino-U.S. and the global trade tension persists or escalates further, macro-economy and demand of the U.S. market for lifestyle household goods imported from non-U.S. countries in general may be adversely affected; and in turn, our business will be adversely and materially affected, particularly given that U.S. had been the shipping destination to which we shipped more than 70% of our products for each year during the Track Record Period and, as at the Latest Practicable Date, we produced our products in China only. While our customers, many of which are overseas retail chains and reputable brand owners, may increase their retail prices to partially mitigate the impact of the 2025 Tariff by shifting their tariff burden to end consumers, there is no assurance that they can shift it all to the consumers. In that case or if the applicable tariff continues to climb up, it may be inevitable that our customers would require their suppliers, including us, to reduce our prices in order to share the burden of tariff, which may materially and adversely affect our business. Furthermore, if we cannot satisfy such request of our customers, or there is a fundamental change in consumer behaviour, whether directly or indirectly, led by the Sino-U.S. and/or global trade tension, our business, financial conditions and results of operation will be materially and adversely affected.

---

## SUMMARY

---

While our Indonesia Factory is expected to commence operation in the second quarter of 2025 and our Thailand Factory is expected to commence operation by the end of 2025 and, as at the Latest Practicable Date, Thailand and Indonesia were set to be subject to tariff at a lower rate (i.e. 10% as at the Latest Practicable Date) than that imposed on China, it is unpredictable how the trade relationship between the U.S. and Thailand and Indonesia will develop. In the event that global trade tension persists or escalates further, or Indonesia and Thailand are both subject to the same tariff as China, we may lose the benefit of the planned expansion in Thailand and Indonesia as we may not be able to mitigate geopolitical risks due to the Sino-U.S. trade tension effectively or at all.

Please see “Risk Factors – Risks Relating to our Industry and Business – The Sino-U.S and global trade tension may adversely affect our business, financial conditions and results of operation”.

### **Impact of the Sino-U.S. and global trade tension on our business**

According to Frost & Sullivan, consumers tend to be less sensitive to price changes for low-priced small home appliances and non-electric household goods due to certain key factors. Firstly, such products are often associated with convenience-oriented and routine purchasing behavior. Secondly, these items typically fall within a low-to-moderate price range, where consumers may be less inclined to conduct extensive price comparisons or delay purchases in anticipation of discounts. Therefore, our Directors believe that the potential pressure on the pricing of our products resulting from the 2025 Tariff could be partially passed on to the end consumers. According to the F&S Report, overseas retail chains and reputable brand owners generally have higher pricing power over the end consumers, especially for lower-priced consumer goods such as small home appliances and non-electric household goods; and it is relatively easier for overseas retail chains and reputable brand owners to pass on the economic burden due to tariff to the end consumers. Therefore, we believe that, our customers, many of which are overseas retail chains and reputable brand owners, may increase their retail prices to partially mitigate the impact of the 2025 Tariff. However, if the applicable tariff continues to climb up, it may be inevitable that our customers would require their suppliers, including us, to reduce our prices in order to share the burden of tariff. In that case, considering that (i) small home appliances and non-electric household goods manufactured in the PRC are expected to remain competitive in the U.S. market as compared with non-PRC manufacturing companies that, as confirmed by Frost & Sullivan, there would be substantial and significant difficulties in various aspects for non-PRC manufacturing companies to produce products at comparable prices, with similar consistency and similar volume as PRC products; (ii) we have long business relationship with customers which are reputable companies and they have high quality requirements on suppliers; (iii) our competitiveness over non-PRC manufacturing companies is expected to remain and (iv) we have non-PRC production facilities in Indonesia and Thailand which will commence operation in near future, we believe that our competitive advantages over our competitors would remain.

---

## SUMMARY

---

Since 1 January 2025 and up to the Latest Practicable Date, we had not received any request from our customers which may cause significant pricing pressure as a result of the 2025 Tariff and none of our customers, including major customers, had cancelled their existing orders or request re-negotiation of prices for existing orders as a result of the 2025 Tariff. While we had received request from four customers (including three major customers during the Track Record Period) to suspend delivery, after the Sino-US trade tension relaxed with the release of the 512 Joint Announcement, delivery of approximately 79.9% of such suspended orders had been confirmed to resume normal for shipment from China, and the remaining will be transferred to the Indonesia Factory for shipment from Indonesia. As confirmed by our Directors, given that (i) delivery was resumed shortly after the request for temporary suspension and (ii) most of such suspended orders were produced after resumption of delivery and their production will stay in China, no material additional cost had been incurred due to the temporary suspension of delivery of orders nor the resumption. Moreover, our Directors confirmed that our Group had not received request from Walmart to postpone delivery, although it is reported by the media that Walmart had requested other suppliers to temporarily suspend delivery in early April which, reportedly, had resumed in late April. Furthermore, since the imposition of the New Tariff on China, we have been closely communicating with our customers, including major customers, and our customers had expressed interest in relocating production of some of their orders to our Indonesia Factory which is expected to commence operation in the second quarter of 2025. Eight customers, including four major customers during the Track Record Period, have already conducted factory inspection in order to start production of their orders as soon as possible; and where necessary, factory audit had been completed. As at the Latest Practicable Date, four major customers had placed orders to be produced in the Indonesia Factory. Also, since the announcement of the 2025 Tariff and up to 30 April 2025, our major customers had continued to place orders with us with no material change in product prices and payment terms as a result of the 2025 Tariff. Although the New Tariff on China rose to 145% in early April, as the U.S. government signaled a potential relaxation of the New Tariff on China in the second half of April, in terms of order amount, there had been no material adverse change in April 2025 as compared with April 2024.

Given the unpredictability of the development of the Sino-U.S. and the global trade tension, we cannot assure you that our customers will not raise request for change in prices or other contract terms, or reduce their orders, in the future, be such due to a decrease in overall demand of lifestyle household goods, replacing us with U.S. local manufacturing companies or other manufacturing companies in other countries, or downturn of the macro-economy. In spite of the foregoing, we consider that our competitive advantage would remain, considering that (i) small home appliances and non-electric household goods from China are expected to remain competitive in the U.S. market as compared with non-PRC countries; (ii) we have long business relationship with our major customers which are reputable companies ranging from nine to 13 years, and our customers have stronger pricing power over the end consumers and higher quality requirements on suppliers; (iii) our competitiveness over non-PRC manufacturing companies is expected to remain and (iv) we have non-PRC production facilities in Indonesia and Thailand which will commence operation in near future. For a detailed analysis of the impact of the Sino-U.S. and the global trade tension on our Group, please refer to “Industry Overview – Impact Analysis of Sino-U.S. Trade Tension on the Global Small Home Appliances and Non-electric Household Goods Industry” and “Business – Sino-U.S. and Global Trade Tension” in this prospectus.

---

## SUMMARY

---

In response to such uncertainties, as at the Latest Practicable Date, we had started communicating and negotiating with our suppliers with an aim to reduce our costs. Moreover, to further diversify our customer base, we are actively looking for new customers based outside of the U.S. Since 1 January 2025, we have procured eight new non-U.S. customers and these customer have placed orders with us with planned delivery mostly in May and June 2025. We believe that our strategic overseas layout with our Indonesia Factory and Thailand Factory will be a feasible approach to mitigate risks arising from the 2025 Tariff. Our Directors are of the view, and the Sole Sponsor concurred, that the 2025 Tariff had not had a material and adverse impact on our Group as at the Latest Practicable Date. Based on the information currently available and subject to changes and development of the Sino-U.S and global trade tension which is highly unpredictable and associated risks as detailed in “Risk Factors”, as at the Latest Practicable Date, our Directors are of the view, and the Sole Sponsor concurred, that 2025 Tariff is not expected to have a material and adverse impact on our Group. We will continue to closely monitor the development of the Sino-U.S. and global trade tension.

### COMPETITIVE LANDSCAPE

According to Frost & Sullivan, in 2024, the market size of the global lifestyle household goods industry, measured by retail value was USD1,071.2 billion. The global lifestyle household goods industry is divided into three categories, namely, major home appliances, small home appliances and non-electric household goods. The global small home appliance industry has experienced a robust growth in recent years, with its retail value reaching USD183.5 billion in 2024; and small kitchen appliances account for the largest share of the global small home appliance industry, with the retail value reaching USD74.1 billion in 2024. In 2024, the export value of small kitchen appliances in China reached approximately RMB141.7 billion. The top ten companies accounted for a total market share of 36.9% by export value in 2024. We were the 10th largest company in terms of export value in 2024 in the small kitchen appliance industry in the PRC with a market share of 0.8%.

In relation to garden hoses, the global garden hose market is highly fragmented with numerous participants, especially in China. In 2024, the export value of our Company’s garden hose series products (Customs HS Codes 39173900 and 40091200) to the U.S. accounted for 11.72% of China’s total export value to the United States.

### OUR COMPETITIVE STRENGTHS

We believe that our competitive strengths include the following:

- Established relationships with internationally reputable customers, including some of the world’s famous brand names

---

## SUMMARY

---

- Reputation as a supplier of lifestyle household goods with decades of track record
- R&D capabilities enabling continual product upgrade and development
- Highly experienced and stable management team and a functional organisational structure with effective internal control system

For details, please see “Business – Our Competitive Strengths” in this prospectus.

### OUR STRATEGIES

Our strategies to foster the development of our Group include:

- Set up our Thailand Factory to enhance our global presence
- Increase the level of automation and digitalisation for sustainable growth
- Set up a new R&D Centre
- Enlist new brands to enhance our OBM business

For details, please see “Business – Our Strategies” in this prospectus.

### RISK FACTORS

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

- The Sino-U.S. and global trade tension may adversely affect our business, financial conditions and results of operation
- We rely on few major customers, which, in aggregate, accounted for more than 60% of our total revenue during the Track Record Period
- We do not have long-term purchase commitments from most of our customers, which may subject us to uncertainty and revenue volatility from period to period
- Our business is subject to legal, regulatory, political, economic, commercial and other risks associated with conducting operations in overseas markets

---

## SUMMARY

---

- Our Group is exposed to currency risk
- The rights to use certain leased properties could be challenged by third parties or relevant authorities, and we may be forced to relocate due to title defects of such leased properties
- We have not obtained ownership certificates for and had non-compliance with some of our owned properties and we may incur loss if we become subject to the relevant penalties.

### OUR CONTROLLING SHAREHOLDERS

Immediately prior to the Global Offering, our Company was held by Mr. Pan Yun, X.J. Management (Qichun) and Qichun Hengxing as to approximately 54.07%, 26.39% and 19.54%, respectively. X.J. Management (Qichun) is owned as to 70.37% and 29.63% by Mr. Pan Yun and Mr. Guangshe Pan, respectively. Qichun Hengxing is an employee shareholding platform of our Group, which is owned as to 47.50% by Mr. Pan Yun. Mr. Pan Yun is the sole general partner of each of X.J. Management (Qichun) and Qichun Hengxing.

As such, Mr. Pan Yun, Mr. Guangshe Pan, X.J. Management (Qichun) and Qichun Hengxing are considered to be a group of Controlling Shareholders, who collectively held 100% of our total issued Shares as at the Latest Practicable Date.

Immediately following the completion of the Global Offering (assuming the Over-allotment Option is not exercised), Mr. Pan Yun, Mr. Guangshe Pan, X.J. Management (Qichun) and Qichun Hengxing will collectively hold approximately 75.00% of our total issued Shares. Accordingly, Mr. Pan Yun, Mr. Guangshe Pan, X.J. Management (Qichun) and Qichun Hengxing will remain as a group of Controlling Shareholders upon Listing.

For details, please see “Relationship with Our Controlling Shareholders” in this prospectus.

### SELECTED FINANCIAL INFORMATION

The following tables set forth a summary of our consolidated financial information for the Track Record Period, extracted from the Accountant’s Report set out in Appendix I. The summary of consolidated financial data set forth below should be read together with, and is qualified in its entirety by reference to, the consolidated financial statements in this prospectus, including the related notes. Our consolidated financial information has been prepared in accordance with IFRS.



---

## SUMMARY

---

### Summary Consolidated Statements of Profit or Loss

	<b>FY2022</b> <i>RMB'000</i>	<b>FY2023</b> <i>RMB'000</i>	<b>FY2024</b> <i>RMB'000</i>
Revenue	1,096,965	1,188,321	1,501,510
Cost of sales	<u>(873,095)</u>	<u>(902,300)</u>	<u>(1,172,986)</u>
Gross profit	223,870	286,021	328,524
Other income	23,215	22,149	19,382
Impairment losses under expected credit loss (“ECL”) model, net of reversal	(1,610)	(2,494)	(865)
Other gains and losses	8,602	9,798	10,646
Selling expenses	(24,188)	(28,274)	(34,560)
Administrative expenses	(87,714)	(90,071)	(111,184)
Research and development expenses	(31,981)	(34,447)	(36,426)
Other expenses	(3,806)	(3,470)	(1,839)
Listing expenses	–	–	(370)
Finance costs	<u>(14,467)</u>	<u>(12,519)</u>	<u>(11,993)</u>
Profit before tax	91,921	146,693	161,315
Income tax expense	<u>(11,660)</u>	<u>(25,231)</u>	<u>(20,890)</u>
Profit for the year	<u><u>80,261</u></u>	<u><u>121,462</u></u>	<u><u>140,425</u></u>

Our net profit increased from RMB80.3 million in FY2022 to RMB121.5 million in FY2023 and further increased to RMB140.4 million in FY2024 primarily because of the increase in revenue by RMB91.3 million and RMB313.2 million for FY2023 and FY2024 respectively.

## SUMMARY

During the Track Record Period, we offered a range of electric and non-electric household goods. Our electric home appliances comprise three major categories, namely, (i) electro-thermic appliances, such as electric griddle, air fryer and kettle; (ii) motor-driven appliances, such as blender, mixer and electric can opener; and (iii) electronic appliances such as digital scale, humidifier and laser projector light. We also offered non-electric household goods such as garden hose and cookware. The following table sets forth the breakdown of the revenue of our Group by product type during the Track Record Period:

	<b>FY2022</b>		<b>FY2023</b>		<b>FY2024</b>	
	<i>RMB'000</i>	<i>%</i>	<i>RMB'000</i>	<i>%</i>	<i>RMB'000</i>	<i>%</i>
<b>Electric home appliances</b>						
– Electro-thermic appliances	459,013	41.8	499,099	42.0	757,883	50.5
– Motor-driven appliances	317,623	29.0	321,937	27.1	315,560	21.0
– Electronic appliances	122,997	11.2	111,570	9.4	115,066	7.7
<b>Subtotal</b>	<u>899,633</u>	<u>82.0</u>	<u>932,606</u>	<u>78.5</u>	<u>1,188,509</u>	<u>79.2</u>
<b>Non-electric household goods</b>						
– Garden hose	181,460	16.5	221,788	18.7	285,118	19.0
– Others <sup>(Note)</sup>	15,872	1.5	33,927	2.8	27,883	1.8
<b>Subtotal</b>	<u>197,332</u>	<u>18.0</u>	<u>255,715</u>	<u>21.5</u>	<u>313,001</u>	<u>20.8</u>
<b>Total</b>	<u><u>1,096,965</u></u>	<u><u>100.0</u></u>	<u><u>1,188,321</u></u>	<u><u>100.0</u></u>	<u><u>1,501,510</u></u>	<u><u>100.0</u></u>

*Note:* Others include cookware, cleaning tools and other household goods etc.

## SUMMARY

The following table sets forth the breakdown of the gross profit and gross profit margin (calculated by dividing gross profit by revenue of the business model) of our Group by business model during the Track Record Period:

	FY2022		FY2023		FY2024	
	Gross Profit	Gross profit margin	Gross Profit	Gross profit margin	Gross Profit	Gross profit margin
	RMB'000	%	RMB'000	%	RMB'000	%
ODM	185,347	19.7	252,129	23.9	275,186	21.3
OEM	18,282	18.8	14,450	17.6	36,461	21.4
OBM	20,241	33.0	19,442	39.1	16,877	41.0
<b>Total</b>	<b>223,870</b>	<b>20.4</b>	<b>286,021</b>	<b>24.1</b>	<b>328,524</b>	<b>21.9</b>

The following table sets forth the breakdown of the gross profit and gross profit margin (calculated by dividing gross profit by revenue of the product type) of our Group by product type during the Track Record Period:

	FY2022		FY2023		FY2024	
	Gross Profit	Gross profit margin	Gross Profit	Gross profit margin	Gross Profit	Gross profit margin
	RMB'000	%	RMB'000	%	RMB'000	%
<b>Electric home appliances</b>						
– Electro-thermic appliances	63,665	13.9	88,944	17.8	133,501	17.6
– Motor-driven appliances	50,132	15.8	67,057	20.8	54,851	17.4
– Electronic appliances	35,201	28.6	38,650	34.6	39,451	34.3
<b>Subtotal</b>	<b>148,998</b>	<b>16.6</b>	<b>194,651</b>	<b>20.9</b>	<b>227,803</b>	<b>19.2</b>
<b>Non-electric household goods</b>						
– Garden hose	72,876	40.2	85,082	38.4	94,629	33.2
– Others <sup>(Note)</sup>	1,996	12.6	6,288	18.5	6,092	21.8
<b>Subtotal</b>	<b>74,872</b>	<b>37.9</b>	<b>91,370</b>	<b>35.7</b>	<b>100,721</b>	<b>32.2</b>
<b>Total/Overall gross profit margin</b>	<b>223,870</b>	<b>20.4</b>	<b>286,021</b>	<b>24.1</b>	<b>328,524</b>	<b>21.9</b>

*Note:* Others include cookware, cleaning tools and other household goods etc.

## SUMMARY

The gross profit of our Group increased by RMB62.1 million or 27.7% from RMB223.9 million for FY2022 to RMB286.0 million for FY2023, which was primarily due to revenue growth in most product categories and the improvement of our overall gross profit margin. The increase in our overall gross profit margin for FY2023 was mainly driven by the increase of gross profit margin of electric home appliances, which was mainly due to that the decrease in the average cost of sales of electric-thermic appliances and motor-driven appliances outweighed the decrease in average selling price of these appliances in FY2023. The increase of profit margin of electric home appliances was partially offset by the decrease of gross profit margin of garden hose in FY2023, as the increase in average cost of sales outweigh the increase in average selling price of garden hose, following the successful product upgrade in FY2022.

Despite that we recorded an increase of 26.4% in our revenue for FY2024 as compared to FY2023 and increase in gross profit by RMB42.5 million or 14.9% from RMB286.0 million for FY2023 to RMB328.5 million for FY2024, we recorded a decrease in gross profit margins for both our electric home appliances and non-electric household goods in general. Our overall gross profit margin decreased from 24.1% for FY2023 to 21.9% for FY2024, primarily attributable to the decrease in gross profit margins of our motor-driven appliances and garden hoses. Decrease in gross profit margin of motor-driven appliances was mainly due to the sales of new types of blender sold to a customer, which account for more than 50% of our sales of blenders in FY2024, such blenders has a relatively high production costs, leading to a low gross profit margin; whereas decrease in gross profit margin of garden hoses was primarily attributable to that the decrease of average selling price of garden hoses for FY2024 as compared with FY2023 following negotiations with our customer taking into account the trend of appreciation of the USD against RMB as well as the bulk volume of order such customer had placed with us in recent years.

The table below sets out the breakdown of average selling price and sales volume by product category for FY2022, FY2023 and FY2024:

	FY2022		FY2023		FY2024	
	Average selling price	Volume	Average selling price	Volume	Average selling price	Volume
	(per unit)	(units)	(per unit)	(units)	(per unit)	(units)
	RMB	('000)	RMB	('000)	RMB	('000)
<b>Electric home appliances</b>						
– Electro-thermic appliances	91.6	5,012	80.3	6,215	74.7	10,139
– Motor-driven appliances	60.6	5,241	55.5	5,802	55.5	5,687
– Electronic appliances	49.5	2,484	55.0	2,028	57.8	1,992
<b>Non-electric household goods</b>						
– Garden hose	58.9	3,082	59.7	3,713	57.6	4,951
– Others (Note 1)	4.5	3,497	8.9	3,818	12.7	2,197

## SUMMARY

*Notes:*

1. Others include cookware, cleaning tools and other household goods etc.
2. In FY2023, considering the trend of appreciation of the USD against RMB, our customers negotiated with us to reduce the selling price of our major products and therefore the average selling price of our major products, except for electronic appliances and garden hoses, decreased in FY2023. The average selling price of electronic appliances increased in FY2023, primarily due to the increase in the price of laser lights and postal scales. The average selling price of garden hoses increased in FY2023, primarily due to the decrease in sales of lower-priced models. For FY2024, the average selling price of different product categories remained relatively stable, except for electro-thermic appliances and others. The average selling price of electro-thermic appliances decreased in FY2024, which was primarily attributable to the decrease in the average selling price of certain products, including electric kettles, electric griddles and slow cookers. Such decrease in average selling price was mainly attributable to the change of our sales structure, as we sold more products with relatively low gross profit margins in FY2024. The average selling price of others increased in FY2024, which was mainly due to the increase in the average price of some of our cleaning tools. The slight decrease in average selling price of garden hoses in FY2024 was due to negotiation with our customer taking into account the trend of appreciation of the USD against RMB as well as the bulk volume of order such customer had placed with us in recent years.
3. In FY2023, considering the trend of appreciation of the USD against RMB, our customers negotiated with us to reduce the selling price of our electro-thermic appliances and motor-driven appliances. Such price reduction had promoted the sales volume of our electro-thermic appliances and motor-driven appliances in FY2023. The decrease in the sales volume of electronic appliances in FY2023 was mainly due to the decrease in sales volume of card scales and knife sharpeners. In relation to garden hoses, the increase in sales volume in FY2023 was due to the success of product upgrade initiated in FY2022. In FY2024, the sales volume of most product categories remained stable, except for electro-thermic appliances and garden hoses. The sales volume of garden hoses continued to grow in FY2024, especially for the upgraded versions. The sales volume of electro-thermic appliances also increased in FY2024, mainly driven by higher sales of slow cookers and electric kettles.

### Summary of Consolidated Statement of Financial Position

	As at 31 December		
	2022	2023	2024
	(RMB'000)	(RMB'000)	(RMB'000)
Total current assets	730,463	924,726	1,018,601
Total current liabilities	450,481	599,301	629,994
<b>Net current assets</b>	<b>279,982</b>	<b>325,425</b>	<b>388,607</b>
Total non-current assets	490,311	625,566	688,378
Total non-current liabilities	107,126	166,056	150,774
<b>Total equity</b>	<b>663,167</b>	<b>784,935</b>	<b>926,211</b>

## SUMMARY

Our Group's net current assets increased by 16.2% from RMB280.0 million as at 31 December 2022 to RMB325.4 million as at 31 December 2023, mainly due to an increase in bank balances and cash of RMB166.8 million which was partially offset by an increase in trade and bills payables of RMB65.8 million and an increase in other payables and accruals of RMB39.3 million.

Our Group's net current assets increased by 19.4% from RMB325.4 million as at 31 December 2023 to RMB388.6 million as at 31 December 2024, mainly due to an increase of trade and bills receivables of RMB89.5 million and decrease in other payables and accruals of RMB44.3 million, which was partially offset by increase in borrowings of RMB77.8 million.

Our total equity amounted to RMB663.2 million, RMB784.9 million and RMB926.2 million, as at 31 December 2022, 2023 and 2024, respectively. Our total equity has grown throughout the Track Record Period, primarily due to total comprehensive income for the year of RMB81.8 million, RMB121.8 million and RMB141.3 million for FY2022, FY2023 and FY2024, respectively.

### Summary of Consolidated Statements of Cash Flows

	<b>FY2022</b> <i>RMB'000</i>	<b>FY2023</b> <i>RMB'000</i>	<b>FY2024</b> <i>RMB'000</i>
Operating cash flows before movements in working capital changes	168,075	215,977	217,278
Change in working capital ( <i>note</i> )	62,297	52,827	(124,395)
Income tax paid	(5,908)	(26,014)	(21,595)
Net cash generated from operating activities	224,464	242,790	71,288
Net cash used in investing activities	(116,446)	(112,103)	(170,411)
Net cash (used in) generated from financing activities	(108,484)	24,598	7,030
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(466)</b>	<b>155,285</b>	<b>(92,093)</b>
Effect of foreign exchange rate changes	17,149	11,493	17,909
Cash and cash equivalents at the beginning of year	364,877	381,560	548,338
<b>Cash and cash equivalents at the end of year, represented by bank balances and cash</b>	<b>381,560</b>	<b>548,338</b>	<b>474,154</b>

*Note:* Represents change in working capital items, including, inventories, trade and bill receivables, trade receivables at FVTOCI, prepayments and other receivables, restricted bank deposits, trade and bill payables, other payables and accruals and contract liabilities.

---

## SUMMARY

---

Net cash generated from operating activities in FY2024 was RMB71.3 million, which was primarily attributable to our profit before tax for FY2024 of RMB161.3 million adjusted by certain non-cash and working capital items, including (i) positive adjustments, which primarily included, depreciation of property, plant and equipment of RMB43.9 million, depreciation of right-of-use assets of RMB26.9 million and financial costs of RMB12.0 million, and (ii) negative adjustments, which primarily included, interest income of RMB11.7 million and net foreign exchange gains of RMB16.7 million.

Net cash generated from operating activities in FY2023 was RMB242.8 million, which was primarily attributable to our profit before tax for FY2023 of RMB146.7 million adjusted by certain non-cash and working capital items, including (i) positive adjustments, which primarily included, depreciation of property, plant and equipment of RMB40.0 million, depreciation of right-of-use assets of RMB24.9 million and increase in trade and bills payables of RMB65.8 million, and (ii) negative adjustments, which primarily included interest income of RMB10.2 million and increase in trade and bills receivables of RMB15.3 million.

Net cash generated from operating activities in FY2022 was RMB224.5 million, which was primarily attributable to our profit before tax for FY2022 of RMB91.9 million adjusted by certain non-cash and working capital items, including (i) positive adjustments, which primarily include depreciation of property, plant and equipment of RMB47.1 million, depreciation of right-of-use assets of RMB23.7 million, decrease in inventories of RMB66.2 million, decrease in trade and bills receivables of RMB68.5 million, decrease in other receivables, prepayments and others of RMB17.8 million, and (ii) negative adjustments, which primarily included decrease in trade and bills payables of RMB84.9 million.

## KEY FINANCIAL RATIOS

	For the year ended/As at 31 December		
	2022	2023	2024
Current ratio <sup>(1)</sup>	1.6 times	1.5 times	1.6 times
Quick ratio <sup>(2)</sup>	1.2 times	1.3 times	1.3 times
Return on equity <sup>(3)</sup>	12.1%	15.5%	15.2%
Return on total assets <sup>(4)</sup>	6.6%	7.8%	8.2%
Gearing ratio <sup>(5)</sup>	27.2%	31.4%	34.9%

*Notes:*

- (1) Current ratio is calculated by dividing current assets with current liabilities as at the end of the respective year.



---

## SUMMARY

---

- (2) Quick ratio is calculated by dividing total current assets net of inventory with current liabilities as at the end of the respective year.
- (3) Return on equity is calculated by profit for the year attributable to owners of our Company divided by equity attributable to owners of our Company as at the end of the respective year multiplied by 100%.
- (4) Return on total assets is calculated by profit for the year attributable to owners of our Company divided by total assets as at the end of the respective year multiplied by 100%.
- (5) Gearing ratio is calculated based on the total borrowings divided by total equity as at the end of respective year multiplied by 100%.

For an analysis of our key financial ratios, please see “Financial Information – Key Financial Ratios” in this prospectus.

## OFFERING STATISTICS

Unless otherwise indicated, all statistics in the following table are based on the assumptions that (i) the Global Offering has been completed and 68,220,000 H Shares are issued pursuant to the Global Offering; and (ii) the Over-allotment Option is not exercised:

	Based on an Offer Price of HK\$2.86 per Share	Based on an Offer Price of HK\$3.35 per Share
Market capitalisation of our Shares <sup>(Note 1)</sup>	HK\$780.4 million	HK\$914.1 million
Unaudited pro forma adjusted consolidated net tangible assets of our Group per Share <sup>(Note 2)</sup>	HK\$4.25	HK\$4.37

*Notes:*

- 1. The calculation of market capitalisation is based on the total number of 272,879,509 Shares, being the total of 204,659,509 Domestic Unlisted Shares and 68,220,000 H Shares expected to be issued immediately upon completion of the Global Offering assuming the Over-allotment Option is not exercised.
- 2. The unaudited pro forma adjusted consolidated net tangible asset of our Group per Share as at 31 December 2024 is calculated after making the adjustments referred to “Appendix II – Unaudited Pro Forma Financial Information – A. Unaudited Pro Forma Statement of Adjusted Consolidated Net Tangible Assets of our Group Attributable to Owners of our Company”.

---

## SUMMARY

---

### LISTING EXPENSES

Our total listing expenses are expected to be HK\$40.4 million, which is approximately 19.0% of the gross proceeds from the Global Offering (assuming Over-allotment Option will not be exercised and based on an Offer Price of HK\$3.11 per Offer Share, being the mid-point of the indicative Offer Price range) with (i) an amount of approximately HK\$35.7 million being directly attributable to the issuance of H Shares will be deducted from our equity upon completion of the Global Offering; and (ii) approximately HK\$0.4 million was charged to our consolidated statements of profit or loss and other comprehensive income for the year ended 31 December 2024, with an additional HK\$4.3 million to be charged thereafter. Such listing expenses comprise underwriting-related expenses of HK\$10.6 million and non-underwriting expenses of HK\$29.8 million, which includes (i) professional fees paid and payable to the legal advisers, and the reporting accountants of HK\$16.9 million, and (ii) fees paid and payable to other working parties and other expenses in relation to the Listing and the Global Offering of HK\$12.9 million.

For FY2022, FY2023 and FY2024, listing expenses charged to our consolidated statements of profit or loss and other comprehensive income amounted to nil, nil and RMB0.4 million, respectively.

The listing expenses above are our Directors' best estimate as of the Latest Practicable Date and for reference only, and the actual amount may differ from this estimate.

### FUTURE PLANS AND USE OF PROCEEDS

We estimate that we will receive net proceeds from the Global Offering, after deducting the estimated underwriting fees and expenses payable by us in the Global Offering, of approximately HK\$171.8 million (i.e. approximately RMB158.5 million), assuming (i) an Offer Price of HK\$3.11 per Share, being the midpoint of the indicative Offer Price range, and (ii) no exercise of the Over-allotment Option. In line with our strategies, we intend to use our net proceeds from the Global Offering:

- approximately 41.9% of the net proceeds, or HK\$71.9 million, is expected to be used for setting up our Thailand Factory to enhance our global presence;
- approximately 15.8% of the net proceeds, or HK\$27.2 million, is expected to be used for increasing the level of automation and digitalisation for sustainable growth. In particular, such proceeds will be used for acquiring and installing machines and equipment;
- approximately 37.3% of the net proceeds, or HK\$64.1 million, is expected to be used for setting up the New R&D Centre; and
- approximately 5.0% of the net proceeds, or HK\$8.6 million, is expected to be used for the general working capital of our Group.

For details, please see "Future Plans and Use of Proceeds" in this prospectus.

---

## SUMMARY

---

### DIVIDENDS AND DIVIDEND POLICY

During the Track Record Period, we did not declare or distribute any dividend.

In order to return capital to our Shareholders in line with our growth, we have adopted in our general dividend policy a dividend payout ratio of no less than 30% of our annual distributable net profit of the immediately preceding year for each of the three financial years upon Listing (including the year of the Listing) (the “**Initial Period**”). After the Initial Period, pursuant to such general policy, we will determine the dividend payout ratio with reference to our results of operations, cash flows, financial condition, operating and capital expenditure requirements, distributable profits and other factors that our Directors may consider relevant. We may declare and pay dividends by way of cash or by other means that we consider appropriate. The dividend payout ratio will be decided by our Board at their discretion and distribution of dividends will be subject to Shareholders’ approval. In addition, our dividend policy will also be subject to our Articles of Association, the PRC Company Law and any other applicable law and regulations.

### COMPLIANCE

Save as disclosed in “Business – Properties” and “Business – Compliance”, our Directors, as advised by our legal advisers of the relevant jurisdictions, confirmed that as at the Latest Practicable Date, we had complied with all relevant laws and regulations in all material respects and have obtained all material licenses, approvals and permits from relevant regulatory authorities for our operations.

### RECENT DEVELOPMENTS AND NO MATERIAL ADVERSE CHANGE

There had been no material adverse change on our business operation after the Track Record Period and up to the date of this prospectus. Except for the recent Sino-U.S. and global trade tension, there had been no material change to the industry, market or regulatory environment in which our Group operates. For the analysis of the impact of the Sino-U.S. and the global trade tension on our Group, please refer to “Risk Factors – Risks Relating to our Industry and Business – The Sino-U.S and global trade tension may adversely affect our business, financial conditions and results of operation”, “Industry Overview – Impact Analysis of Sino-U.S. and the Global Trade Tension on the Global Small Home Appliances and Non-electric Household Goods Industry” and “Business – Sino-U.S. and Global Trade Tension” in this prospectus. During the Track Record Period and as at the Latest Practicable Date, we had entered into an agreement to purchase a parcel of land for setting up a new production site in Rayong Province, Thailand and we had paid the first two instalments of the land price in an aggregate of RMB15.7 million and the construction fee of RMB47.7 million. For further details, please see “Business – Our Strategies – Set up our Thailand Factory to enhance our global presence” in this prospectus.

---

## SUMMARY

---

Our Directors confirm that, up to the date of this prospectus, there has been no material adverse change in our financial, operational and/or trading position of our Group since 31 December 2024, which is the end date of the period reported on in the Accountants' Report in Appendix I to this prospectus, and there is no event since 31 December 2024 and up to the date of this prospectus which would materially affect the information shown in the Accountants' Report in Appendix I to this prospectus.

Based on the unaudited management accounts of our Group for the four months ended 30 April 2025, our revenue recorded a decrease primarily due to the decrease in revenue recorded in April 2025 as compared with April 2024, mainly as a result of a decrease in the sales of garden hose (for which monthly purchase was relatively uneven during the Track Record Period) and electro-thermic appliances. Our revenue and net profit for FY2025 is expected to experience a decrease as compared to that of FY2024, mainly due to (i) the Sino-U.S. and global trade tension, (ii) the possible decrease in exchange gain due to the uncertainty in foreign exchange and (iii) an increase in professional fees to be incurred for the Listing and after the Listing.

### **IMPACT OF COVID-19**

While the outbreak of COVID-19 had affected various sectors widely in a global context and overall market sentiment, the pandemic also brought opportunities to a number of industries including the household good industry due to change of lifestyle and consumer habits. According to the F&S Report, the COVID-19 pandemic led to more people staying at home and reducing social gatherings, which boosted global demand for small home appliances. While the COVID-19 pandemic might have disrupted sea and freight logistics globally, since we mainly deliver on FOB basis (i.e. our products were only required to be delivered to the designated local ports) and we mainly make procurement in the PRC, our delivery of products to customers and procurement of materials had not been materially and adversely affected during COVID-19. Moreover, while COVID-19 had caused suspension of our production facilities, such suspensions were not longer than 20 days. Accordingly, there had been no significant delay in the delivery to our customers nor material disruption of our production due to COVID-19. Based on the foregoing, our Directors consider that COVID-19 did not have a material adverse effect on our operations.

---

## SUMMARY

---

### PREVIOUS A SHARE LISTING ATTEMPT

We previously considered the possibility of seeking an initial public offering in the PRC when we had no overseas production facilities and did not have plans to establish overseas manufacturing facilities. We filed an application for A share listing with the CSRC in June 2022, which was subsequently transferred to the SZSE in March 2023. To diversify and expand our Group's manufacturing capability and enhance our global presence, we began to strategically establish our production facilities in Southeast Asia since 2023. In view of the robust foundation of Hong Kong as a hub for international investors, our Directors considered that a listing status on the Stock Exchange would be able to facilitate our strategic goal of overseas expansion and elevate international visibility. Therefore, in April 2024, we voluntarily withdrew our A share listing application and subsequently filed an application for the Listing. Prior to the withdrawal of our A share listing application, we had submitted our response to the second round of comments raised by the SZSE. As confirmed by our Directors, no key outstanding comments from the SZSE or the CSRC remained unresolved. For further details, please see "History, Development and Corporate Structure – Previous A Share Listing Attempt" in this prospectus.

---

## DEFINITIONS

---

*In this prospectus, the following words and expressions shall have the meanings set out below unless the context otherwise requires. Certain other terms are explained in “Glossary of Technical Terms” in this prospectus.*

“affiliate(s)”	with respect to any specified person, any other person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified person
“AFRC”	Accounting and Financial Reporting Council
“Aigrentrading”	Aigrentrading Co., Ltd.* (湖北艾格麗經貿有限公司), a limited liability company established in the PRC on 26 April 2013 and a directly wholly-owned subsidiary of our Company
“Aisijie Factory”	our production facilities in Shenzhen, Guangdong Province, the PRC
“Articles of Association” or “Articles”	the amended and restated articles of association of our Company, which will become effective on the Listing Date, as amended, supplemented or otherwise modified from time to time, a summary of which is set out in Appendix V to this prospectus
“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Board” or “Board of Directors”	the Board of Directors of our Company
“Bookrunner”	Sinolink Securities (Hong Kong) Company Limited
“business day”	a day on which banks in Hong Kong are generally open to the public for normal banking business and which is not a Saturday, Sunday or public holiday in Hong Kong
“Capital Market Intermediary(ies)” or “CMI(s)”	the capital market intermediaries participating in the Global Offering and has the meaning ascribed thereto under the Listing Rules
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC

---

## DEFINITIONS

---

“China” or “PRC”	the People’s Republic of China, but for the purpose of this prospectus and for geographical reference only and except where the context requires, references in this prospectus to “China” or the “PRC” do not apply to Taiwan, Macau Special Administrative Region and Hong Kong
“close associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Companies (Winding Up and Miscellaneous Provisions) Ordinance” or “Companies (WUMP) 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”	X.J. Electrics (Hu Bei) Co., Ltd* (湖北香江電器股份有限公司), a joint stock company with limited liability established in the PRC on 23 July 2012
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“connected transaction(s)”	has the meaning ascribed to it under the Listing Rules
“Controlling Shareholders”	has the meaning ascribed to it under the Listing Rules and unless the context otherwise requires, refers to Mr. Pan Yun, Mr. Guangshe Pan, X.J. Management (Qichun) and Qichun Hengxing. For further details, please see “Relationship with Our Controlling Shareholders” in this prospectus
“core connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“COVID-19”	a respiratory illness that was first reported in December 2019 and officially named by the World Health Organisation as COVID-19
“CSRC”	the China Securities Regulatory Commission (中國證券監督管理委員會)
“Director(s)”	the director(s) of our Company, including all executive and independent non-executive Directors



---

## DEFINITIONS

---

“Domestic Unlisted Shares”	ordinary shares in the share capital of our Company, with a nominal value of RMB1.00 each, which are not listed on any stock exchange
“Extreme Conditions”	the occurrence of “extreme conditions” as announced by any government authority of Hong Kong due to serious disruption of public transport services, extensive flooding, major landslides, large-scale power outage or any other adverse conditions before Typhoon Signal No. 8 or above is replaced with Typhoon Signal No. 3 or below
“EU”	European Union
“F&S Report”	an independent market research report, commissioned by our Company and prepared by Frost & Sullivan
“FINI”	Fast Interface for New Issuance, which is an online platform operated by HKSCC that is mandatory for admission to trading and, where applicable, the collection and processing of specified information on subscription in and settlement for all new listings
“Frost & Sullivan”	Frost & Sullivan (Beijing) Inc., Shanghai Branch Co., an independent industry consultant commissioned by us to prepare the F&S Report
“FY2022”	the financial year ended 31 December 2022
“FY2023”	the financial year ended 31 December 2023
“FY2024”	the financial year ended 31 December 2024
“General Rules of HKSCC”	the General Rules of HKSCC as may be amended or modified from time to time and where the context so permits, shall include the HKSCC Operational Procedures
“Global Offering”	the Hong Kong Public Offering and the International Offering
“Goodlife Global”	Goodlife Global Imports Inc, a limited liability company established in the U.S. on 19 November 2021 and an indirectly wholly-owned subsidiary of our Company
“Group”, “our Group”, “we”, “our” or “us”	our Company and its subsidiaries

---

## DEFINITIONS

---

“H Share Registrar”	Tricor Investor Services Limited
“H Share(s)”	ordinary share(s) in the share capital of our Company with nominal value of RMB1.00 each, which are to be subscribed for and traded in Hong Kong dollars and are to be listed on the Stock Exchange
“HK eIPO White Form”	the application for Hong Kong Offer Shares to be issued in the applicant’s own name, submitted online through the designated website at <b>www.hkeipo.hk</b>
“HK eIPO White Form Service Provider”	the <b>HK eIPO White Form</b> service provider designated by our Company as specified on the designated website at <b>www.hkeipo.hk</b>
“HKSCC”	Hong Kong Securities Clearing Company Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited
“HKSCC Operational Procedures”	the operational procedures of HKSCC, containing the practices, procedures and administrative or other requirements relating to HKSCC’s services and the operations and functions of CCASS, FINI or any other platform, facility or system established, operated and/or otherwise provided by or through HKSCC, as from time to time in force
“HKSCC Participant”	a participant admitted to participate in CCASS as a direct clearing participant, a general clearing participant or a custodian participant
“HNW Electronics”	HNW Electronics (Shenzhen) Co., Ltd.* (深圳市宏諾威電子有限公司), a limited liability company established in the PRC on 2 June 2020 and a directly wholly-owned subsidiary of our Company
“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong dollars” or “HK dollars” or “HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong Legal Counsel”	Mr. Yan Kwok Wing, barrister-at-law in Hong Kong, legal advisers to our Company as to Hong Kong law
“Hong Kong Offer Shares”	the 6,822,000 H Shares initially offered for subscription pursuant to the Hong Kong Public Offering, subject to reallocation as described in the section headed “Structure of the Global Offering” in this prospectus

---

## DEFINITIONS

---

“Hong Kong Public Offering”	the offering by our Company of the Hong Kong Offer Shares for subscription by the public in Hong Kong, as further described in the section headed “Structure of the Global Offering” in this prospectus
“Hong Kong Underwriters”	the underwriters of the Hong Kong Public Offering listed in the section headed “Underwriting – Hong Kong Underwriters” in this prospectus
“Hong Kong Underwriting Agreement”	the underwriting agreement dated 16 June 2025 relating to the Hong Kong Public Offering and entered into by our Company, the Controlling Shareholders, the Overall Coordinators and the Hong Kong Underwriters, as further described in the section headed “Underwriting – Underwriting Arrangements – Hong Kong Public Offering – Hong Kong Underwriting Agreement” in this prospectus
“Hongnuowei Factory”	our production facilities in Shenzhen, Guangdong Province, the PRC
“Hubei XJ Factory”	our production facilities in Huanggang, Hubei Province, the PRC
“Independent Third Party(ies)”	any entity or person who is not a connected person of our Company within the meaning ascribed thereto under the Listing Rules
“Indonesia Factory”	our production facilities in East Java Province, Indonesia
“Indonesia Legal Advisers”	SEA Law firm, legal advisers to the Company as to Indonesian law
“Innovative (Jiangyin)”	Innovative (Jiangyin) Electronics Co., Ltd.* (益諾威(江陰)電子有限公司), a limited liability company established in the PRC on 5 September 2000 and a directly wholly-owned subsidiary of our Company
“International Offer Shares”	the 61,398,000 H Shares initially offered for subscription pursuant to the International Offering, subject to the Over-allotment Option and reallocation as described in the section headed “Structure of the Global Offering” in this prospectus

---

## DEFINITIONS

---

“International Offering”	the conditional placing of the International Offer Shares by the International Underwriters at the Offer Price outside the United States in offshore transactions in reliance on Regulation S, as further described in the section headed “Structure of the Global Offering” in this prospectus
“International Sanctions”	all applicable laws and regulations related to economic sanctions, export controls, trade embargoes and wider prohibitions and restrictions on international trade and investment related activities, including those adopted, administered and enforced by the United States, the EU and its member states, United Nations or Australia
“International Sanctions Legal Advisers”	Stephen Peepels, our legal advisers as to International Sanctions law
“International Underwriters”	our group of underwriters, led by the Sole Sponsor-Overall Coordinator, that is expected to enter into the International Underwriting Agreement to underwrite the International Offering
“International Underwriting Agreement”	the underwriting agreement expected to be entered into on or about 23 June 2025 by, among others, our Company, the Overall Coordinators and the International Underwriters in respect of the International Offering
“Jikai Plastic Products”	Jikai Plastic Products (Shenzhen) Co., Ltd.* (暨凱塑料製品(深圳)有限公司), a limited liability company established by Mr. Pan Yun in the PRC on 29 May 1997, which was subsequently deregistered on 5 June 2012
“Joint Bookrunners”	the joint bookrunners as named in the section “Directors, Supervisors and Parties Involved in the Global Offering”
“Joint Global Coordinators”	the joint global coordinators as named in the section “Directors, Supervisors and Parties Involved in the Global Offering”
“Joint Lead Managers”	the joint lead managers as named in the section “Directors, Supervisors and Parties Involved in the Global Offering”

---

## DEFINITIONS

---

“Latest Practicable Date”	9 June 2025, being the latest practicable date for ascertaining certain information in this prospectus before its publication
“Listing”	the listing of the H Shares on the Main Board
“Listing Date”	the date on which dealings in our H Shares first commence on the Main Board
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time
“Main Board”	the stock market (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with GEM of the Stock Exchange
“MeiNuoWei Electrics”	MeiNuoWei Electrics (HuiZhou) Co., Ltd.* (惠州市美諾威電器有限公司), a limited liability company established in the PRC on 9 March 2017 and a directly wholly-owned subsidiary of our Company
“Meinuowei Factory”	our production facilities in Huizhou, Guangdong Province, the PRC
“MOF”	the Ministry of Finance of the PRC (中華人民共和國財政部)
“MOFCOM”	the Ministry of Commerce of the PRC (中華人民共和國商務部)
“Nawu Technology”	Shenzhen Nawu Technology Co., Ltd.* (深圳市納吾科技有限公司), a limited liability company established in the PRC on 22 January 2020 and an indirectly wholly-owned subsidiary of our Company
“Nuocheng Electronic Commerce”	Shenzhen Nuocheng Electronic Commerce Co., Ltd.* (深圳市諾誠電子商務有限公司), a limited liability company established in the PRC on 20 January 2020 and an indirectly wholly-owned subsidiary of our Company
“OFAC”	the United States Department of Treasury’s Office of Foreign Assets Control

---

## DEFINITIONS

---

“Offer Price”	the final offer price per Offer Share in Hong Kong (exclusive of brokerage, SFC transaction levy, AFRC transaction levy and Stock Exchange trading fee) of not more than HK\$3.35 and expected to be not less than HK\$2.86 at which the Offer Shares are to be subscribed for and issued pursuant to the Global Offering, to be determined in the manner further described in the section headed “Underwriting” in this prospectus
“Offer Share(s)”	the Hong Kong Offer Shares and the International Offer Shares, collectively, and where relevant, together with any additional Shares which may be issued pursuant to the exercise of the Over-allotment Option
“Over-allotment Option”	the option expected to be granted by our Company to the International Underwriters, exercisable at the sole discretion of the Sole Sponsor-Overall Coordinator (on behalf of the International Underwriters) pursuant to which our Company may be required to allot and issue up to 10,233,000 H Shares at the Offer Price (representing 15% of the Offer Shares initially being offered under the Global Offering) to cover over-allocation in the International Offering. For more details, please see “Underwriting” in this prospectus
“Overall Coordinators”	Sinolink Securities (Hong Kong) Company Limited and CCB International Capital Limited
“PRC Legal Advisers”	Zhong Lun Law Firm, legal advisers to our Company as to PRC Law
“Price Determination Agreement”	the price determination agreement to be entered into between our Company and the Sole Sponsor-Overall Coordinator (on behalf of the Underwriters) on the Price Determination Date to record and fix the Offer Price
“Price Determination Date”	the date, expected to be Monday, 23 June 2025, on which the Offer Price will be determined for the purposes of the Global Offering
“prospectus”	this prospectus being issued in connection with the Hong Kong Public Offering

---

## DEFINITIONS

---

“PT Dingsheng”	PT Dingsheng Electrics Indonesia (鼎盛電器(印尼)有限公司*), a limited liability company established in Indonesia on 8 August 2023 and an indirectly wholly-owned subsidiary of our Company
“Qichun Hengxing”	Qichun Hengxing Technology Management Centre (Limited Partnership)* (蕪春恒興科技管理中心(有限合伙)), a limited partnership established in the PRC on 28 October 2016 whose sole general partner is Mr. Pan Yun, is an employee shareholding platform of our Company and is one of our Controlling Shareholders
“R&D”	research and development
“Receiving Banks”	DBS Bank (Hong Kong) Limited and Industrial and Commercial Bank of China (Asia) Ltd.
“Regulation S”	Regulation S under the U.S. Securities Act
“Relevant Countries”	Egypt, Haiti, Lebanon, Russia, Ukraine and Venezuela
“Relevant Persons”	the Sole Sponsor, the Overall Coordinators, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Joint Underwriters, any of their or our Company’s respective directors, advisers, officers, employees, agents or representatives or any other person or party involved in the Global Offering
“Renminbi” or “RMB”	the lawful currency of the PRC
“SDN List”	the list of Specially Designated Nationals and Blocked Persons maintained by OFAC, which sets forth individuals and entities that are subject to its sanctions and restricted from dealing with U.S. persons
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO” or “Securities and Futures Ordinance”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented, or otherwise modified from time to time
“Share(s)”	ordinary share(s) in the share capital of our Company with a par value of RMB1.00 each
“Shareholder(s)”	holder(s) of our Share(s)

---

## DEFINITIONS

---

“Shenzhen Branch”	X.J. Electrics (Hu Bei) Co., Ltd., Shenzhen Branch* (湖北香江電器股份有限公司深圳分公司), a branch office of our Company established in the PRC on 19 July 2017
“Sole Sponsor” or “Sole Sponsor-Overall Coordinator”	Sinolink Securities (Hong Kong) Company Limited, a licensed corporation under the SFO permitted to carry out Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities), Type 6 (advising on corporate finance), and Type 9 (asset management) regulated activities, being the sole sponsor of the Global Offering
“Stabilising Manager”	Sinolink Securities (Hong Kong) Company Limited
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed thereto in section 15 of the Companies Ordinance
“substantial shareholders”	has the meaning ascribed to it in the Listing Rules
“SZSE”	the Shenzhen Stock Exchange
“Takeovers Code”	The Codes on Takeovers and Mergers and Share Buy-backs issued by the SFC, as amended, supplemented or otherwise modified from time to time
“Thailand Factory”	the production facilities planned to be built in in Rayong, Thailand as part of our future plans that utilise net proceeds from the Global Offering
“THB”	Thai Baht, the lawful currency of Thailand
“THS Industrial”	THS Industrial Limited (泰鴻升實業有限公司), a limited liability company established in Hong Kong on 26 June 2017 and an indirectly wholly-owned subsidiary of our Company
“Track Record Period”	the period comprising FY2022, FY2023 and FY2024
“Underwriters”	the Hong Kong Underwriters and the International Underwriters
“Underwriting Agreements”	the Hong Kong Underwriting Agreement and the International Underwriting Agreement



---

## DEFINITIONS

---

“United States”, “U.S.” or “US”	the United States of America
“USD”, “US\$” or “US dollars”	United States dollars, the lawful currency of the United States
“U.S. Legal Advisers”	Law Offices of Bin Li & Associates
“U.S. Securities Act”	the United States Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder
“Weighmax”	Weighmax Group (威麥絲公司), a limited liability company established in the U.S. on 30 March 2016 and a directly wholly-owned subsidiary of our Company
“Xiangjiang Plastic Products”	Xiangjiang Plastic Products (Shenzhen) Co., Ltd.* (深圳香江塑料製品有限公司), a limited liability company established in the PRC on 5 February 1990, which was subsequently deregistered on 4 November 2010
“X.J. Electrical Appliances”	X.J. Electrical Appliances Co., Ltd.* (惠州市香江智能電器有限公司), a limited liability company established in the PRC on 23 October 2020 and a directly wholly-owned subsidiary of our Company
“X.J. Electrics (Shenzhen)”	X.J. Electrics (Shenzhen) Co., Ltd.* (愛思傑電器(深圳)有限公司), a limited liability company established in the PRC on 12 August 2002 and a directly wholly-owned subsidiary of our Company
“X.J. Electrics (Thailand)”	X.J. Electrics (Thailand) Co., Ltd. (香江電器(泰國)有限公司*) a limited liability company established in Thailand on 23 April 2024 and an indirectly wholly-owned subsidiary of our Company
“X.J. Electronics (Shenzhen)”	X.J. Electronics (Shenzhen) Co., Ltd.* (遠特信電子(深圳)有限公司), a limited liability company established in the PRC on 7 June 2004 and a directly wholly-owned subsidiary of our Company
“X.J. Group (HK)”	X.J. Group (HK) Limited (湖北香江電器(香港)股份有限公司), a limited liability company established in Hong Kong on 30 June 2014 and a directly wholly-owned subsidiary of our Company

---

## DEFINITIONS

---

“XJ Intelligence Factory”	our production facilities in Huizhou, Guangdong Province, the PRC
“X.J. Management (Qichun)”	X.J. Management (Qichun) Limited Partnership* (蕪春華鈺科技管理中心(有限合夥)), a limited partnership established in the PRC on 18 November 2016 whose sole general partner is Mr. Pan Yun, is owned by Mr. Pan Yun and Mr. Guangshe Pan as to 70.37% and 29.63%, respectively, as at the Latest Practicable Date, and is one of our Controlling Shareholders
“Yinuowei Factory”	our production facilities in Jiangyin, Jiangsu Province, the PRC
“Yuantexin Factory”	our production facilities in Shenzhen, Guangdong Province, the PRC
“%”	per cent

*Unless expressly stated or the context otherwise requires, all information and data in this prospectus is as of the Latest Practicable Date.*

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

*For ease of reference, the names of Chinese laws and regulations, governmental authorities, institutions, natural persons or other entities (including certain of our subsidiaries) have been included in this prospectus in both the Chinese and English languages and in the event of any inconsistency, the Chinese version shall prevail. English translations of company names and other terms from the Chinese language are provided for identification purposes only.*

\* For identification purposes only

---

## GLOSSARY OF TECHNICAL TERMS

---

*This glossary contains explanations of certain terms used in this prospectus in connection with our Group and our business. The terms and their meanings may not correspond to standard industry meaning or usage of these terms.*

“ERP system”	acronym for enterprise resource planning system, a type of software that organisations use to manage day-to-day business activities such as procurement
“FOB”	acronym for free on board, i.e. delivery of goods on board the vessel at the named port of origin (loading) at the seller’s expense. The buyer is responsible for main carriage/freight, cargo insurance and other costs and risks once the cargo is on board
“OBM”	acronym for “original brand manufacturing”, whereby products are design in-house and manufactured which ultimately will be branded under our self-owned brands for sale by us
“ODM”	acronym for “original design manufacturing”, whereby products are design in-house and manufactured which ultimately will be branded under the customer’s brand for sale by customers
“OEM”	acronym for “original equipment manufacturing”, whereby products are manufactured in accordance with a customer’s specifications for sale by customers under the customer’s or third-party’s brand
“PCB”	acronym for printed circuit board
“PCBA”	acronym for printed circuit board assembly
“SMT”	acronym for surface-mount technology, an assembly and production method that applies electronic components directly onto the surface of a PCB
“sq.m.”	square metre(s)

---

## FORWARD-LOOKING STATEMENTS

---

This prospectus contains certain forward-looking statements and information relating to our Group that are based on the beliefs of our management as well as assumptions made by and information currently available to our management. When used in this prospectus, the words “aim”, “anticipate”, “believe”, “could”, “expect”, “going forward”, “intend”, “may”, “might”, “ought to”, “plan”, “potential”, “predict”, “project”, “seek”, “should”, “will”, “would” and the negative of these words and other similar expressions, as they relate to our Group or our management, are intended to identify forward-looking statements. Such statements reflect the current views of our management with respect to future events, operations, liquidity and capital resources, some of which may not materialise or may change. These statements are subject to certain risks, uncertainties and assumptions, including the other risk factors as described in this prospectus. You are strongly cautioned that reliance on any forward-looking statements involves known and unknown risks and uncertainties. The risks and uncertainties facing our Company which could affect the accuracy of forward-looking statements include, but are not limited to, the following:

- our operations and business prospects;
- future developments, trends and conditions in the industry and markets in which we operate;
- our business strategies and plans to achieve these strategies;
- general economic, political and business conditions in the markets in which we operate;
- changes to the regulatory environment and general outlook in the industry and markets in which we operate;
- the effects of the global financial markets and economic crisis;
- our ability to control or reduce costs;
- our dividend policy;
- the amount and nature of, and potential for, future development of our business;
- capital market developments;
- the actions and developments of our competitors;
- certain statements in “Business” and “Financial Information” with respect to trends in prices, operations, margins, overall market trends, and risk management; and
- change or volatility in interest rates, foreign exchange rates, equity prices, volumes, operations, margins, risk management and overall market trends.

---

## **FORWARD-LOOKING STATEMENTS**

---

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

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

---

## RISK FACTORS

---

*An investment in our H Shares involves significant risks. Potential investors should read and consider carefully all the information set out in this prospectus, and, in particular, should evaluate the following risks and uncertainties before deciding to make any investment in our H Shares. Any of the risks and uncertainties listed below could have a material adverse effect on our business, results of operations, financial condition or on the trading price of our H Shares, and could cause you to lose all or part of your investment. The risks and uncertainties identified below are not the only ones we face. Additional risks and uncertainties not presently known to us or that we currently deem immaterial may also affect our business and results of operations.*

*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 prospectus.*

Our business and operations involve certain risks and uncertainties, many of which are beyond our control. These risks can be broadly categorised into (1) risks relating to our industry and business, (2) risks relating to doing business in the PRC, and (3) risks relating to the Global Offering.

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

**The Sino-U.S and global trade tension may adversely affect our business, financial conditions and results of operation.**

During the Track Record Period, a significant portion of our revenue was derived from the sale of our products to the U.S. as shipment destination, while our products are manufactured in the PRC. During the Track Record Period, sales of our products with the U.S. as the shipment destination accounted for 68.8%, 80.6% and 76.5% of our total revenue, respectively. In particular, four, five and five, out of our Group’s top five customers in FY2022, FY2023 and FY2024, respectively, are U.S. companies. Since 2018, the Office of the U.S. Trade Representative has released different lists of Chinese imported goods to be the subject of different level of tariffs. Please see “Appendix IV – Summary of Principal Legal and Regulatory Provisions – The U.S.” for details of the relevant U.S. laws and regulations.

---

## RISK FACTORS

---

Recently, the Sino-U.S. trade tension has escalated further. On 1 February 2025, the U.S. government increased a blanket tariff of 10% on all imports from the PRC. Since then, the U.S. government has raised tariff imposed on imports from China by and once reached 145% (on top of other tariff and duties which had already been implemented before 1 February 2025). On 12 May 2025, after their trade meeting in Geneva, the Chinese and the US government released a joint statement (the “**512 Joint Announcement**”) announcing, among others, the removal of the 91% tariff announced on 7 April 2025 and 9 April 2025 and a 90-day pause, coming into effect on 14 May 2025, of 24% (out of 34%) tariff announced on 2 April 2025, meaning the effective tariffs on imports from China will become 30%, down from 145%; and China will reduce tariff imposed on imports from the US since 2 April 2025 to 10%, down from 125%.

In addition, on 2 April 2025, the U.S. government also announced tariff in a global context, including East Asian countries such as Vietnam, Thailand and Indonesia, which have become popular manufacturing locations in recent years. In particular, on 2 April 2025, the U.S. government announced a reciprocal tariff of 36% and 32% (which comprise a baseline tariff of 10%) on imports from Thailand and Indonesia. Subsequently, on 9 April 2025, the U.S. government announced a pause of 90 days for the reciprocal tariff on Thailand and Indonesia (and other countries, except for China). Accordingly, as at the Latest Practicable Date, Thailand and Indonesia are subject to the baseline tariff of 10%. As at the Latest Practicable Date, it remained uncertain how the Sino-U.S. and the global trade tension will develop. There is no assurance that tariff imposed on China, Thailand and Indonesia will stay at the present level. Although, as advised by our U.S. Legal Advisers, at present, the liability for payment for the U.S. import duties lies with the importer of the goods (i.e. our customers), we cannot predict how the consumer market and our customers which are brand owners and retailers will respond to the global and Sino-U.S. trade tension. There is no assurance that our customers, many of which are overseas retail chains and reputable brand owners, will be able to shift their tariff burden to the end consumers effectively, or at all. In that case or if the applicable tariff continues to climb up, it may be inevitable that our customers would require their suppliers, including us, to reduce our prices in order to share the burden of tariff, which may materially and adversely affect our business. Given that our customers are overseas retail chains and reputable brand owners, and we primarily sell lower-priced electric home appliances and non-electric household goods that we may be replaced by other suppliers offer comparable products, we may have limited bargaining power over our major customers. Furthermore, if we cannot satisfy such request of our customers, they may reduce their orders for us. In the event that our customers reduce their orders, be such due to a decrease in overall demand of lifestyle household goods, replacing us with other suppliers, downturn of the macro-economy or other reasons, our business, financial conditions and results of operation will be adversely affected. Also, in the event that we are required to lower our prices to secure orders from our customers, our business, financial conditions and results of operation will be adversely affected. We cannot assure you that our sales to the U.S. in the future will remain unaffected or how our sales will be affected in light of the uncertainties relating to the geopolitical landscape and the development of the trade tension and tariff imposition. Any trade restrictions, at any level or in any manner, imposed by the U.S. on our products may increase our U.S. customers’ purchase costs of our products and hence lower our competitiveness; and in turn affect our business and financial performance.

---

## RISK FACTORS

---

Moreover, our Indonesia Factory is expected to commence operation in the second quarter of 2025 and our Thailand Factory is expected to commence operation by the end of 2025 as part of our mitigation plan to counter the geopolitical risks arising from the Sino-U.S. tension. However, as at the Latest Practicable Date, Thailand and Indonesia are also subject to the U.S. tariff at a rate of 10%, which may be increased as the 90-day pause of reciprocal tariff announced on 9 April 2025 ends. It is unpredictable how the global trade tension will develop. In the event that trade tension between the U.S. and Thailand and Indonesia persists or escalates further, or Indonesia and Thailand are both subject to the same tariff as China, we may lose the benefit of the planned expansion in Thailand and Indonesia as we may not be able to mitigate geopolitical risks due to the Sino-U.S. trade tension effectively or at all. Furthermore, in light of the global trade tension which may adversely and materially affect our business, we cannot assure you that we will be able to recoup our investments in Indonesia and Thailand; and in turn, our overall financial performance and condition will be adversely and materially affected.

Also, in recent years, in addition to import tariffs, there have been others steps taken by U.S. government to impose restrictions on trade with China, affecting areas such as, transfer of data and protection of intellectual property, which may eventually affect our sales to the U.S. in the future. If we are subject to any anti-dumping allegation or investigation, we may need to incur material legal costs and divert the effort of our management in defending ourselves against such allegation or investigation, and the sales of our products in the relevant country may be adversely affected if we do not succeed in these proceedings. Any further escalation in these trade tensions, whether between China and the U.S. or in global context, could negatively impact our sales, whether due to tariffs, duties, export controls, restrictions on market access, other regulatory measures or the consequential impact on the macro-economy or demand of lifestyle household goods. Consequently, our business, financial conditions and results of operations may be adversely affected.

**We rely on few major customers, which, in aggregate, accounted for more than 60% of our total revenue during the Track Record Period.**

A majority of our revenue is derived from a limited number of customers. For FY2022, FY2023 and FY2024, sales to our five largest customers in each year during the Track Record Period accounted for 62.4%, 72.4% and 77.9% of our total revenue, respectively and sales to our largest customer of the relevant year accounted for 21.3%, 28.5% and 24.1% of our total revenue, respectively. During the Track Record Period, we sell our garden hoses exclusively to one of our major customers, namely, Telebrands. Sales of our garden hoses represented 16.5%, 18.7%, 19.0% of our total revenue, for FY2022, FY2023 and FY2024, respectively.



---

## RISK FACTORS

---

Our current concentration on a few major customers exposes us to the risks of substantial losses if such major customers stop engaging in businesses with us or significantly reduce orders to us. Specifically, any of the following events, among others, may cause material fluctuations or declines in our revenue and have a material and adverse effect on our business, financial condition and results of operations:

- the reduction, delay or cancellation of purchase orders from one or more of our major customers;
- the reduction in the purchase price of our products;
- the rejection of products manufactured by us for one or more of our major customers due to manufacturing defects or failure of meeting customers' requirements;
- the loss of one or more of our major customers and our failure to identify and obtain additional or replacement customers that can replace the lost sales volume at satisfactory pricing or other terms; or
- the failure or inability of any of our major customers to make timely payment for our products.

Our reliance on our major customers may lead to trade arrangement between our Group and our major customers which may have an temporary effect on our financial position. To foster our relationship with Telebrands, which is one of our major customers, we had made different payment arrangements for Telebrands for their convenience. In particular, in FY2024, we had paid transportation fees on behalf of Telebrands leading to a receivables for payments made on behalf of customers of RMB25.0 million as at 31 December 2024. On the other hand, as initiated by Telebrands when their staff were working remotely during the pandemic, we received prepayments from Telebrands to settle customs duties on their behalf for goods purchased by them and we have agreed to continue such arrangement after the pandemic, leading to the settlement payables to suppliers on behalf of customers amounted to RMB5.1 million, RMB2.0 million and RMB4.7 million as at 31 December 2022, 2023, and 2024, respectively.

We anticipate that our dependence on a limited number of major customers will continue for the foreseeable future. We cannot assure you that our customer relationships will continue to develop or if these customers will continue to generate significant revenue for us in the future. Any failure to maintain our existing customer relationships or to expand our customer base will materially and adversely affect our results of operations and financial condition.

---

## RISK FACTORS

---

**We do not have long-term purchase commitments from most of our customers, which may subject us to uncertainty and revenue volatility from period to period.**

We do not have long-term purchase commitments from our customers. While certain our customers may provide us their procurement forecast, orders and prices are confirmed on a purchase order basis. We cannot assure you that order volumes and selling prices will be consistent with our track record nor our expectation. Cancellations, reductions or postponements of purchase orders by a major customer or by a group of customers could adversely affect our business, financial condition and results of operations. The absence of long-term purchase commitments with pre-determined prices may also mean our selling prices are subject to fluctuations.

In addition, we make significant decisions, including determining the levels of business that we will seek and accept, production schedules, raw material procurement commitments, personnel needs and other resource requirements, based on our estimates of customer requirements. The nature of our customers' commitments and the possibility of rapid changes in demand for their products reduce our ability to accurately estimate future customer requirements. On occasion, customers may require rapid increases in production which can strain our resources. We may not be able to increase our manufacturing capacity at any given time to meet our customers' demands. On the other hand, a reduction in customer demand may negatively impact our financial condition, result of operations and prospect.

**Our business is subject to legal, regulatory, political, economic, commercial and other risks associated with conducting operations in overseas markets including but not limited to the U.S.**

We derive a significant portion of our revenue from products shipped to the overseas. During the Track Record Period, we generated over 90% of our revenue from overseas markets with revenue from shipment to the North America market represented over 70% of our total revenue for each year during the Track Record Period. Our products are shipped to over 70 countries and regions during the Track Record Period and we have subsidiaries in Hong Kong, the United States, Indonesia and Thailand. Accordingly, we face numerous risks, including legal, regulatory, political, economic, commercial and other risks associated with conducting operations in various jurisdictions, any of which could negatively affect our financial performance. While North America is our major market at present, our risk exposure is not limited to that arisen from the U.S. market. These risks associated with overseas markets, including the U.S. market, include the following, which may affect demand of our Group's products:

- legal, regulatory, political and economic changes such as economic downturn resulted from trade war;
- changes in foreign tax rules, regulations and other requirements, such as changes in tax rates and statutory and judicial interpretations of tax laws;

---

## RISK FACTORS

---

- changes in international trade policies and regulations including those in relation to economic sanctions, export controls and import restrictions, as well as trade barriers such as imposition of tariffs;
- difficulty in coping with possible conflict of laws resulting from sanctions and import/export controls measures of different jurisdictions where we operate;
- changes in foreign country regulatory requirements, including data privacy laws;
- complexities relating to compliance with foreign anti-bribery, anti-corruption and anti-money laundering regulations and antitrust laws;
- difficulty in obtaining or enforcing intellectual property rights;
- difficulty in enforcing agreements and collecting overdue receivables through local legal systems;
- changes in geopolitical situations especially those in jurisdictions where we do business;
- foreign currency exchange rate fluctuations;
- strict foreign exchange controls and cash repatriation restrictions;
- inflation and/or deflation, and changes in interest rates;
- misconduct by our customers beyond our control, including but not limited to breaching the agreements with them, policies that we require them to adhere to, and laws and regulations of various jurisdictions that are applicable to them;
- labour disputes and work stoppages at our operations and suppliers; and
- increased costs associated with maintaining the ability to understand local markets and follow their trends, as well as develop and maintain an effective marketing and distribution presence.

For details of our risks specifically related to the Sino U.S. and global trade tension, please see “ – The Sino-U.S and global trade tension may adversely affect our business, financial conditions and results of operation.” in this section.

---

## RISK FACTORS

---

We are subject to various laws and regulations of different jurisdictions in which we operate and are required to obtain and comply with various permits, licences, certificates, consents and other approvals from administrative authorities. Each approval is dependent on the satisfaction of certain conditions and failure to obtain governmental approvals could have an adverse effect on our operations. We are also subject to inspections, examinations, inquiries and audits by governmental authorities as part of the process of maintaining or renewing our permits, licences or certificates. There can be no assurance that we will be able to fulfil the pre-conditions necessary to obtain the required governmental approvals or that we will be able to adapt to new laws, regulations or policies that may come into effect from time to time with respect to our operations. There may be delays on the part of relevant administrative bodies in reviewing our applications and granting approvals. In recent years, there have been heightened complexity in international relations. There is no guarantee that we would only be subject to the risks associated with the geopolitical tension between the PRC and the U.S. If the relationship between the PRC and other countries deteriorates, other risks in addition to those we currently face may arise. In the event we are not able to manage the aforementioned risks, whether individually or collectively, partly or at all, our business, financial condition and results of operations may be materially and adversely affected.

### **Our Group is exposed to currency risk.**

Our consolidated financial results are affected by currency exchange rate fluctuations. During the Track Record Period, our export sales to regions outside of the PRC are usually denominated in USD. On the other hand, our costs, including our transactions with our top five suppliers in each year during the Track Record Period, are generally denominated in RMB. Accordingly, fluctuations in exchange rate of USD and RMB may affect our price competitiveness and harm our business operation and financial performance. For FY2022, FY2023 and FY2024, we recorded a net foreign exchange gain of RMB14.4 million, RMB9.9 million and RMB16.7 million, respectively. Changes in foreign exchange rates may be due to many factors such as changes in the global economy and geopolitical condition which are beyond our control. There is no assurance that we will make similar or any net foreign exchange gain in the future, which will in turn affect our future financial performance.

Furthermore, our multi-country operations subject us to foreign exchange fluctuations on translation from functional currencies of our foreign operation to our presentation currency (i.e. RMB). We have subsidiaries in the United States, Indonesia, and Thailand, and most of our foreign operations are denominated in its local currency which is different from our presentation currency. Therefore, we are exposed to foreign currency risks related to exchange differences arising on translation of foreign operations. For FY2022, FY2023 and FY2024, we recorded positive exchange differences arising on translation of foreign operation of RMB1.5 million, RMB0.3 million and RMB0.9 million, respectively. As a result of foreign currency fluctuations, it could be more difficult to detect underlying trends in our business and results of operations and we may record negative exchange differences arising on translation of foreign operations.

---

## RISK FACTORS

---

During the Track Record Period, we had entered into foreign currency forward contracts with a view to managing risks associated with foreign exchange fluctuations. All of our foreign currency forward transactions had been settled by FY2022 and we had not entered into foreign currency forward contracts since then. For FY2022, we incurred loss from disposal of foreign currency forward contracts in the amount of RMB8.0 million.

**The rights to use certain leased properties could be challenged by third parties or relevant authorities, and we may be forced to relocate due to title defects of such leased properties.**

We lease certain properties in the PRC as our production facilities, which form part of our Aisijie Factory, Yuantexin Factory and Hongnuowei Factory. Lessors of such leased properties have not obtained relevant title ownership certificates. For details, please see “Business – Properties – Leased Properties – Defects in our leased properties” in this prospectus. As a result of such title defects, there is a risk that our right to occupy and use such leased properties may face challenges by the property owners. Moreover, the leased properties may be subject to the order of demolition or relocation. If any of these risks is materialised, we may not be able to locate suitable alternative sites for our use. The occurrence of any of such events could cause material adverse impacts on our business, financial condition, results of operations and prospects.

**We have not obtained ownership certificates for and had non-compliance with some of our owned properties and we may incur loss if we become subject to the relevant penalties.**

As at the Latest Practicable Date, we had not obtained ownership certificates for and had non-compliance with certain properties situated in our Yinuowei Factory, Hubei XJ Factory and XJ Intelligence Factory. For details of the background and potential consequence of such title defects and non-compliance, please see “Business – Properties – Owned properties without ownership certificates” and “Business – Compliance – Production facilities of XJ Intelligence Factory” in this prospectus. If we are forced to demolish and/or relocate from the aforementioned properties, we may have to incur demolition and/or relocation costs. Moreover, if we cannot identify suitable replacement properties at a timely manner or at a manageable cost, or at all, our production, and hence our business, results of operations, financial condition and prospects may be materially and adversely affected. In addition, if we are penalised by the relevant authority due to the non-compliance in relation to XJ Intelligence Factory, we may be liable for penalties and order of suspension. In this case, our business, results of operations, financial condition and prospects may be materially and adversely affected.

---

## RISK FACTORS

---

**We rely on our suppliers and subcontractors to deliver materials or provide services as required in terms of time, cost, quality and quantity.**

We rely on our suppliers and subcontractors to deliver materials or provide services for our production. Shun Liang Fa Industrial (Shenzhen) Co., Ltd.\* (順良發工業(深圳)有限公司) (and its related party, Hubei Yixiong Industrial Technology Co., Ltd.\* (湖北益雄工業科技有限公司)), our overall largest supplier and the largest supplier for our manufacture of garden hoses (which supplied fabric cover and provided pipe assembly and tube extrusion processing services) accounted for 7.2%, 9.4% and 5.3% of our total purchase during the Track Record Period. Generally, we make our procurement for materials and services on an as-need basis and we did not enter into long-term agreement which stipulates supply commitment with our suppliers/subcontractors during the Track Record Period. If we are unable to procure raw materials and services in the quantity, of a quality or at a price that we require, our business, operation, financial performance and reputation will be adversely affected. Moreover, there is no assurance that we will be able to monitor the performance of our suppliers and subcontractors as directly and efficiently as with our own staff. Our ability to complete orders could be impaired if we are unable to make procurement from suitable suppliers and subcontractors at reasonable costs or at all. If a supplier or subcontractor fails to provide materials or services as required, we may need to source substitutes on a delayed basis or at a higher replacement cost than anticipated, which may have an adverse impact on our profitability. If the performance of a subcontractor or the quality of raw materials does not meet our standards, our reputation may be harmed and we may be exposed to litigation and damage claims from our customers, which may in turn adversely and materially affect our business, financial condition and results of operations.

**Our international operations may be subject to transfer pricing adjustments by competent authorities.**

During the Track Record Period, our Group's intra-group transactions, which involved subsidiaries in Hong Kong, the PRC and the U.S., primarily included tangible goods buy-sell, with total revenue amounts of RMB1,089.7 million, RMB1,251.8 million, and RMB1,583.9 million in FY2022, FY2023 and FY2024, respectively. Please see "Business – Transfer Pricing".

---

## RISK FACTORS

---

We cannot assure you that our intra-group transactions will not be challenged by the relevant authorities in the future, or that the relevant regulations or standards will remain unchanged. If our transfer arrangements are later adjudged not in line with arm's length principles by relevant authorities or disagree with our assessment and determine that our intra-group transactions do not comply with the relevant transfer pricing laws and regulations, we may be required to re-assess the transfer prices, re-allocate the income, or adjust the taxable income. Any such re-allocation or adjustment could result in higher tax liabilities for us and may adversely affect our business, results of operations, and financial condition. Also, we may face adverse tax consequences, such as the payment of outstanding tax, statutory interest or tax penalty. Moreover, failure to rectify within the timeframe prescribed by the relevant authorities may result in late payment interest, surcharge, or other penalties for any unpaid taxes. Any such circumstances could result in a higher overall tax liability for our Group and may adversely affect our business, financial condition and results of operation. Additionally, if relevant authorities challenge the intra-group transactions, it could give rise to tax recoverable in certain jurisdictions due to adjustments in taxable income. However, there is no assurance that we would successfully recover such taxes from the relevant authorities which could have a material adverse effect on our business, results of operations, and financial condition.

### **We are subject to various risks relating to third-party payments.**

During the Track Record Period, certain of our customers (the “**Relevant Customer(s)**”) settled their payments with us through third-party payors (the “**Third-party Payment Arrangement(s)**”). For FY2022, FY2023 and FY2024, the amount of third-party payments accounted for approximately 3.4%, 1.8% and 0.4% of our total revenue, respectively.

We were subject to various risks relating to such Third-party Payment Arrangements during the Track Record Period, including but not limited to (i) being exposed to money laundering risks due to our limited background knowledge of the parties involved in the Third-party Payment Arrangements and the source of funds for the third-party payments; (ii) possible claims from third-party payors for return of funds as they were not contractually indebted to us and possible claims from liquidators of third-party payors. In the event that any funds received by the Group from the Relevant Customers were in fact illegally gained proceeds, our Group may be subject to governmental inquiries, enforcement actions, prosecuted, or otherwise held secondarily liable for aiding or facilitating the illegal activities which generated those illegally gained proceeds. In the event of any claims from third-party payors or their liquidators, or legal proceedings (whether civil or criminal) instituted or brought against us in respect of third-party payments, we will have to spend significant financial and managerial resources to defend against such claims and legal proceedings, or we will be forced to comply with any court rulings to return the payment which was paid for the services that we provided. In addition, we cannot assure you that we will not be subject to any fines or penalties resulting from Third-party Payment Arrangements. Even we receive court rulings favourable to us, our reputation, our business relationship with our existing customers and our ability to attract new customers may be adversely affected. Our business, financial condition and results of operations may as a result be adversely affected. For further details, please see section headed “Business – Our Third-Party Payment Arrangements” in this prospectus.



---

## RISK FACTORS

---

**We did not make adequate contributions to social insurance and housing provident fund and additional payment may adversely and materially affect our results of operation and financial condition.**

Under the applicable PRC laws and regulations, we are required to register with the relevant authorities in respect of social insurance and housing provident fund and to contribute social insurance and housing provident fund for their employees. During the Track Record Period, we failed to comply with the relevant PRC laws and regulations in relation to social insurance and housing provident fund. For FY2022, FY2023 and FY2024, the outstanding social insurance and housing provident fund amounted to RMB1.7 million, RMB2.2 million and RMB3.0 million, respectively. Please see “Business – Compliance – Social Insurance and Housing Provident Funds” in this prospectus for details. If an employer fails to pay its social insurance contributions in accordance with the Social Insurance Law of the PRC (中華人民共和國社會保險法), the regulator may demand that the employer to pay all outstanding social insurance contributions within a prescribed time limit. The employer may also be subject to a surcharge at a daily rate of 0.05% on the outstanding amount, accruing from the date when the social insurance funds are due. If the employer fails to make such payment within a prescribed time limit, the relevant authority may impose an additional fine of one to three times the outstanding amount. If an employer fails to pay its housing provident fund contributions in accordance with the Administrative Regulations on the Housing Provident Fund of the PRC (中華人民共和國住房公積金管理條例), the regulator has the power to order the employer to make contribution within a prescribed time limit and if the employer fails to act accordingly, an application of compulsory enforcement can be made to the People’s Court of the PRC.

In the event that we are required to pay the outstanding of social insurance and housing provident fund or be penalised as a result of our failure to make contribution to the social security insurance and housing provident fund in respect of all of our employees by relevant governmental authorities, our operating expenses will increase and consequently our results of operation and financial condition will be adversely and materially affected.

**We operate in a highly competitive industry.**

We manufacture electric home appliances and non-electric household goods for export. We compete principally in terms of our product design, development and production capabilities, scale of production capacity, product quality and ability to deliver products in compliance with stringent international standards. Our products compete in highly competitive markets that include intense price competition, frequent introduction of new products, short product life cycles, rapid adoption of product advancements and diverse preferences of consumers. We also see competition from companies who use lower prices or other means to provide more attractive solutions to customers. Thus, we may not compete successfully against our competitors.



---

## RISK FACTORS

---

Our competition is increasing as the technology and markets mature. Current competitors and new entrants may seek to develop new offerings, technologies or capabilities that could render many of our products obsolete or less competitive. In addition, our competitors may attract our current and potential customers to favour their products and therefore reduce our sales volume. The occurrence of any of these circumstances may hinder our growth and our ability to compete and reduce our market share and in turn materially and adversely affect our business, results of operations, financial condition and prospects.

**Any disruption of our current production facilities could reduce or restrict sales and materially and adversely affect our business.**

As at the Latest Practicable Date, we had seven production facilities in the PRC and one production facility in Indonesia. Natural disasters or other unanticipated catastrophic events, including storms, fires, explosions, earthquakes, terrorist attacks and wars, as well as changes in governmental planning for the land underlying our facility, could significantly impair our ability to manufacture our products and operate our business. If we experience any unanticipated situation that forces us to shut down our production facilities, our production will be severely disrupted, which may in turn materially and adversely affect our business and results of operations. Catastrophic events could also destroy any inventory located in our production facilities. The occurrence of any catastrophic event could result in the temporary or long-term closure of our production facilities, severely disrupt our business operations and materially and adversely affect our results of operations and financial condition.

**We have leased properties, and we may not be able to renew current leases or relocate in a timely manner or a reasonable commercial terms.**

Currently, we leased properties for our production facilities and offices in the PRC, Indonesia and the U.S. For details, please see “Business – Properties – Leased properties” in this prospectus. We cannot assure you that our rights to use these premises may not be challenged or we will always be able to successfully renew such leases upon their expiry. If we are required to relocate certain of our leased properties, we may not be able to relocate in a timely manner or on reasonable commercial terms, which, in turn, may materially and adversely affect our operations. In addition, we would incur additional relocation costs, thus affecting our business operations and financial condition. Certain of our leased properties may also be exposed to the risk of invalid lease agreements under the relevant laws and regulations as a result of the lessors’ failure to obtain valid proof of ownership of the property. If our lease agreements are deemed to be invalid and we are required to vacate the existing property, and we are unable to find alternative premises, our business operations will be adversely affected. Moreover, due to rapid rental increases, we may not be able to renew the existing leases at reasonable prices. Therefore, we may not be able to obtain new leases at desirable locations or renew our existing leases on acceptable terms, in a timely fashion or at all, resulting in the closure or relocation of the leased properties, which could adversely affect our business and results of operations.

---

## RISK FACTORS

---

**We may not be able to operate our production facilities in Indonesia and the proposed production facilities in Thailand as smoothly as those in the PRC.**

As at the Latest Practicable Date, we had not commenced large-scale production at our production facilities in Indonesia and it is our plan to build a new production facility in Thailand. The operation of such overseas production facilities is subject to various risks, including those relating to political and economic instability, local labour market conditions, trade barriers, governmental expropriation and differences in business practices. We may incur increased costs or experience delays or disruptions in product deliveries that could cause loss of revenues and earnings. Unfavourable changes in the political, regulatory and business climates could have a material and adverse effect on our business, financial condition, results of operations and prospects.

**Any downtime for maintenance and repair of our equipment could lead to business interruptions that could be expensive and harmful to our reputation and to our business.**

Our machinery and equipment may be subject to breakdowns. Significant downtime associated with the maintenance and repair of equipment used in our manufacturing facilities will result in temporary interruption of our production. Although we have implemented a comprehensive maintenance system for our facilities and equipment, including scheduled downtimes for maintenance and repairs and regular inspections of facilities and equipment, the failure of equipment manufacturers or our team to provide timely repairs on our equipment could interrupt the operation of our production facility for extended periods of time. Such extended downtime could result in lost revenue for us. We may lose customers and may be unable to regain those customers thereafter. As a result, our business and results of operations could be materially and adversely affected.

**We grant credit terms to our customers and our working capital and cash flow position may be adversely affected if such customers fail to settle or delay in making their payments.**

Our financial position and profitability are dependent on the creditworthiness of our customers. Currently, the normal credit term to the customers ranged between 30 to 135 days, depending on the past payment history and the length of business relationship with the relevant customers. For FY2022, FY2023 and FY2024, our trade receivables were RMB135.2 million, RMB150.6 million and RMB241.3 million, respectively, while our trade and bills receivable turnover days were approximately 63 days, 49 days and 50 days, respectively. For FY2022, FY2023 and FY2024, our total impairment losses recognised on trade receivables under ECL model amounted to RMB2.5 million, RMB2.0 million and RMB1.1 million, respectively.

---

## RISK FACTORS

---

We cannot guarantee that we will be able to successfully collect any or all of the debts due. We may encounter doubtful or bad debts due to a slow-down of industry growth, individual customer's deteriorating financial condition or otherwise in the future. Any failure on the part of our customers to settle or settle on time the amounts due may adversely affect our financial condition and operating cash flows, which may have a material adverse effect on our business and results of operations.

**Our Group's future partnerships and/or acquisitions may prove to be difficult to integrate and manage or may not be successful. Failure to address such risk may have a material adverse effect on our financial condition, results of operations, cost structure and risk profile.**

In the future, as a strategic approach to have our own brand and to manage potential risks and costs associated with building a new brand at the same time, we may identify and acquire brand owner(s) selling lifestyle household goods to complement our existing brand portfolio. For details, please see "Business – Our Strategies – Enlist new brands to enhance our OBM business". As at the Latest Practicable Date, we had not identified any specific target for such acquisition.

This strategy entails potential risks that could have a material adverse effect on our business, financial condition, results of operations and prospects, including:

- unidentified or unanticipated liabilities or risks in the businesses which we may acquire;
- inability to successfully integrate the products, services and personnel of the businesses which we may acquire into our operations or to realise any synergies from the acquisitions;
- inability to retain employees and player base of the businesses acquired; and
- diversion of management attention and other resources.

In addition, we may not be able to identify attractive acquisition opportunities, or make acquisitions on attractive terms or obtain financing necessary to complete and support such acquisitions. We cannot assure you that any of such acquisitions will result in long-term benefits to us or that we will be able to effectively manage the integration and growth of our operations. Failure to address such risks may have a material adverse effect on our financial condition, results of operations, cost structure and risk profile.

---

## RISK FACTORS

---

**Our success depends on a stable and adequate supply of raw materials which are subject to price volatility and other risks.**

For FY2022, FY2023 and FY2024, our costs of materials consumed amounted to RMB600.5 million, RMB619.9 million and RMB836.5 million, representing 68.8%, 68.7% and 71.3% of our total cost of sales, respectively. The principal raw materials we use in our production include plastic and metal raw materials, components and accessories. As a result, our production volume and production costs depend on our ability to source quality key raw materials at competitive prices. If we are unable to obtain raw materials in the quantities, of a quality or at a price that we require, our production volume, quality of products and profit margins may be adversely affected. Raw materials used in our production are subject to price volatility caused by external conditions, such as market supply and demand, commodity price fluctuations, currency fluctuations, fluctuations in transportation costs, changes in governmental policies and natural disasters. Therefore, there is no assurance that our raw material cost will not increase significantly in the future. Our ability to pass increased raw material costs along to our customers may be limited by competitive pressure. We cannot assure you that we will be able to raise the prices of our products sufficiently to cover increased costs resulting from increases in the cost of our raw materials or overcome the interruption of sufficient supply of qualified raw materials for our products. As a result, any significant price increase of our raw materials may have an adverse effect on our profitability and results of operations.

If our current suppliers decide to terminate business relationships with us or if the raw materials supplied by our current suppliers fail to meet our standard, or if our current supplies of raw materials are interrupted for any reason, qualified suppliers may not be readily available and we may not be able to easily switch to other suppliers in a timely fashion, which may materially and adversely affect our business and financial results.

**Failure to maintain optimal inventory levels could increase our inventory holding costs and obsolescence risk which could have a material adverse effect on our business, financial condition and results of operations.**

Maintaining an optimal level of inventory is critical to the success of business. We are exposed to inventory risks as a result of a variety of factors beyond our control, including, changing market trends and consumer needs. We generally make our procurement on an as-need basis. We cannot assure you that we can accurately predict trends and possible events to avoid under or over-stocking inventory. While we have adopted an inventory policy which aims at optimising our inventory level, a sudden decrease in the market demand for our products could cause our inventory of raw materials to accumulate, which in turn may adversely affect our financial condition and results of operations. On the other hand, in the event of under-stocking inventory of raw materials, we may lose sales and our results of operations may be adversely affected.

---

## RISK FACTORS

---

**Our results of operations could be adversely affected if we fail to keep pace with customer demands and consumer preferences for product design, research and development and manufacturing of our products.**

Under both ODM and OBM model, we develop product designs. Our success and continued development is therefore dependent on our ability to develop new products and product technologies. Developing new products and product technologies are a complex process requiring high levels of innovation and skilled research and development personnel, as well as the accurate anticipation of technological and market trends. We cannot assure you that we will be able to identify and develop new products and product technologies successfully, if at all, or on a timely basis. In addition, we cannot assure you that products will be well received by customers and gain market acceptance.

The lifestyle household goods market is affected by consumer preferences as well as changes in consumers' spending patterns, which are often difficult to predict. Consequently, our success depends on our ability to accurately identify these factors and take them into account during our product planning and manufacturing process. This requires a combination of various elements, including, without limitation, accurate analysis and prediction of market trends, timely collection of consumer feedback, strong research and development capability and flexible and cost-effective product production. If we are unable to successfully anticipate, identify or timely react to changing consumer preferences or market trends or if we misjudge the market for our products, the growth and success of our business could be materially and adversely affected, potentially resulting in significant decreases in sales. Specifically, any of the following events, among others, may have a material and adverse effect on our business, financial condition and results of operations:

- failure to remain competitive in our product design, research and development capabilities;
- inability to maintain the high-quality of our manufacturing;
- failure to maintain our efficient and cost-effective production operation;
- inability to distribute our products in a timely and efficient manner in response to customer demand; or
- failure to recruit or train sufficient product design, research and development employees.

---

## RISK FACTORS

---

**Failure by us, the e-commerce marketplaces where we sell our OBM products, or our third-party service providers to maintain data security, or any non-compliance with evolving legal requirements on data protection by us, could have a material adverse effect on our operations and profitability.**

For FY2022, FY2023 and FY2024, sales of our OBM products amounted to RMB61.4 million, RMB49.7 million and RMB41.2 million, respectively, representing 5.6%, 4.2% and 2.7% of the total revenue of our Group, respectively. We have access to personal data belonging to our customers in our day-to-day operations, including partially removed or obscured names, addresses, phone numbers and other contact information for order fulfilment in connection with the sales of our OBM products on e-commerce marketplaces. Ensuring the proper use and protection of this data is crucial to maintaining customer trust and confidence in our services. However, there are potential risks associated with data securities breaches and hacking attempts on our system or the systems of e-commerce platforms that we collaborate with. Such incidents could compromise the technology we use to safeguard personal data, making it vulnerable to illegal access by third parties, including hackers and other malicious entities. These unauthorized individuals or entities may misuse the personal data they obtained, engaging in various illegal activities. While we have adopted securities policy and measures, there remains a possibility that personal data could be misappropriated despite our efforts. Moreover, as we engage third party services provider, such as logistic service providers for order fulfilment, they also gain access to our customers' personal data. Our limited control over these third parties makes it difficult for us to ensure sufficient and effective safeguard of data security. In the event of a data breach by these third-party providers, we may also suffer reputational damage, which in turn could have a negative impact on our business operations.

Moreover, in recent years, practices regarding the collection, use, storage, transmission, and security of personal data have faced increased public scrutiny. The relevant regulatory frameworks worldwide are rapidly evolving, and new laws and regulations on data protection and policy may be adopted in different countries where we have operation. Complying with these evolving regulations may subject us to additional compliance costs, divert management attention, and potentially impact our results of operations. Any failure to adequately address data protection and security concerns, or any non-compliance with applicable laws and regulations in this area, could result in additional cost and liability to us, damage our reputation, impede sales, and adversely affect our business.

**Our sales and results of operations are subject to seasonal variations.**

There are certain seasonal patterns for purchases of our products due to holiday-driven promotions in different regions. For example, the major holidays in North America are concentrated in the latter half of the year, therefore, the peak number of sales in North America will generally coincide in the second half of the year. We expect the impact of seasonality on our business to remain in the future. The seasonality changes may cause fluctuations in our financial results and any occurrence that disrupts our product supply during our busy seasons could have a disproportionately material adverse effect on our business, financial condition and results of operations.

---

## RISK FACTORS

---

**We could be adversely affected as a result of our operations in certain countries that are subject to evolving economic sanctions of the United States government, the United Nations Security Council, the EU and other relevant sanctions authorities.**

The United States and other jurisdictions or organisations, including the EU, the United Nations and Australia, have comprehensive or broad economic sanctions targeting certain countries, or against industry sectors, groups of companies or persons, and/or organisations within such countries. During the Track Record Period, our revenue generated from sales and/or deliveries to the Relevant Countries amounted to RMB5.0 million, RMB7.4 million and RMB5.9 million, representing 0.5%, 0.6% and 0.4% of our total revenue for each of FY2022, FY2023 and FY2024, respectively. Other than our sales and/or deliveries to the Relevant Countries, we did not sell or deliver our products to any other countries subject to International Sanctions. Please see “Business – Business Activities in Countries Subject to International Sanctions” in this prospectus for further details.

We cannot predict the interpretation or implementation of government policy at the U.S. federal, state or local levels or the interpretation or implementation of any policy by the EU, the United Nations or the government of Australia or by the governments or agencies of other applicable jurisdictions with respect to any current or future activities by us or our affiliates in these countries. Our business and reputation could be adversely affected if the government of the United States, the EU, the United Nations or any governmental entities were to determine that any of our activities constitute violations of the sanctions they impose. In addition, as sanctions programmes evolve over time, new requirements or restrictions may render our business activities to be the subject of sanctions and increase our associated risks. In addition, in the event that any of our customers becomes subject to economic sanctions in the future, we may have to discontinue our business with such customers due to potential economic sanctions liability risks. In such events, our financial results may be materially and adversely affected.

**We may be have intellectual property disputes with our customers and other third parties and may be exposed to intellectual property infringement.**

Our success depends on our ability to protect the intellectual property rights of our customers and our intellectual property rights, including our self-owned brands such as “Weighmax”, “Accuteck” and “Aigoli”. Pursuant to the framework agreements we entered into with certain customers, we are bound by intellectual property-related obligations. We cannot assure you that our customers’ designs, trademarks, patents and other intellectual property rights that we have access to during the manufacturing process will not be misappropriated despite the precautions and measures that we have taken to protect those rights. While our suppliers, subcontractors and employees are subject to contractual obligations to protect intellectual property rights of our customers and us, there is no assurance that such measures will effectively prevent leakage of confidential information or infringement of intellectual property rights, or at all. As at the Latest Practicable Date, we were not aware of any incident of failure to protect the intellectual property rights of our customers. In the event that our measures and precautions we have taken do not adequately safeguard our customers’ intellectual property rights or at all, customers may initiate legal proceedings against us or even reduce or discontinue their purchase orders with us, which would have a material adverse effect on our business, financial condition and results of operations.



---

## RISK FACTORS

---

Moreover, we may be subject to claims from other parties such as industry participants and competitors alleging our infringement of their patents, trade marks and/or other intellectual property rights in the future. Any legal or administrative proceedings resulting from such allegations is likely subject us to significant liability and even to cause a declaration of invalidity of our existing intellectual property rights. These lawsuits or proceedings would be time-consuming and costly to resolve, and would divert much of our managerial attention and administrative resources. Any lawsuits or proceedings or threat of the same as instituted by other parties could necessitate us to:

- pay pecuniary damages to the claimant;
- stop selling or distributing products to which the technology or manufacturing processes bearing the allegedly infringing intellectual property apply;
- obtain from the claimant in respect of the relevant intellectual property rights a licence, which may not be available on a commercially acceptable terms or at all; and
- redesign those products that contain the allegedly infringing intellectual property with the replacement of non-infringing intellectual property, which may be technically or commercially impossible.

The outcome of a dispute arising from such kind of infringement allegations may force us to use non-infringing technology or, alternatively, negotiate and enter into royalty or licensing agreements with the owner of the intellectual property which may involve substantial time and costs. Accordingly, our business, financial condition and results of operations may be materially and adversely affected.

**If our trademarks, trade names, copyrights, patents and other intellectual property rights do not adequately protect our product design or trade secrets, we may lose market share to our competitors and be unable to operate our business profitably.**

We rely on a combination of applicable intellectual property laws as well as confidentiality agreements to protect our trademarks, trade names, copyrights, product designs and other intellectual property rights. Details of our intellectual property rights are set out in “Appendix VII – Statutory and General Information – B. Further Information about Our Business – 2. Our Material Intellectual Property Rights” to this prospectus. Our intellectual property rights may be subject to various forms of infringement. As at the Latest Practicable Date, we were not aware of any material violations or infringements of our trademarks, trade names, copyrights, patents or any other intellectual property rights.



---

## RISK FACTORS

---

Policing unauthorised use of proprietary technology is difficult and costly, and we may need to resort to litigation to enforce or defend patents issued to us or to determine the enforceability, scope and validity of our proprietary rights or those of others. Any such litigation may require significant expenditure of financial and managerial resources and could have a material adverse impact on our business, financial condition and results of operations. An adverse determination in any such litigation will impair our intellectual property rights and may harm our business, prospects and reputation. In addition, given that the enforceability and scope of protection of proprietary rights in China are uncertain and still evolving, we may choose not to litigate or spend significant resources in litigation to enforce our intellectual property rights or to defend our patents against unauthorised use by third parties.

**Our success depends largely on the continued service of our senior management and key technical personnel.**

Much of our future success depends on the continued contributions of our senior management and other key employees, many of whom are difficult to replace. The loss of the services of any of our executive officers, our senior management and other highly skilled employees could harm our business. Competition for qualified talent is intense. Our future success depends on our ability to attract a large number of qualified employees and retain existing key employees. If we are unable to do so, our business and growth may be materially and adversely affected.

Our future success therefore depends, to a significant extent, on our ability to recruit, train or retain qualified personnel, particularly technical, marketing and other operational personnel with relevant experience. Our experienced mid-level managers are instrumental in implementing our business strategies, executing our business plans and supporting our business operations and growth. We can provide no assurance that we will be able to attract or retain qualified staff or other highly skilled employees that we will need to achieve our strategic objectives.

**We may face labour shortages, increases in labour costs and labour disputes which could adversely affect our growth and results of operations.**

Our production activities are dependent on the availability of a large number of labour. For FY2022, FY2023 and FY2024, our direct labour costs included in cost of sales amounted to RMB120.8 million, RMB114.5 million and RMB145.7 million, representing 13.8%, 12.7% and 12.4% of our total cost of sales, respectively. Substantial shortage of labour, inefficient labour management or substantial number of labour disputes may result in disruption of our business operations, which may in turn have a material and adverse effect on our business, prospects, financial condition and results of operations. In addition, labour costs in China have been increasing in recent years and our labour costs in the PRC may continue to increase as well. If labour costs in the PRC continue to increase, our production costs will increase which may in turn affect competitiveness of our products. We may not be able to pass on these increased costs to consumers by increasing the selling prices of our products in light of competitive pressure in the markets where we operate. In such circumstances, our profit margin may decrease, which could have an adverse effect on our results of operations.

---

## RISK FACTORS

---

**We are subject to various regulatory and customer-imposed guidelines and may not be successful in maintaining an effective quality control system.**

In addition to PRC laws and regulations, we are subject to a variety of guidelines imposed by our customers relating to production safety, health and environmental conditions, and our customers may require us to implement an internal quality control system to perform various inspections over the course of the entire manufacturing process. In addition, most of our customers require us to comply with specific guidelines based on the U.S., EU and other international product safety and restricted and hazardous materials laws and regulations that are applicable in the jurisdictions into which they sell their products. We cannot assure you that our quality control system will continue to be effective in ensuring full compliance with our customers' stringent quality control requirements. Any significant failure or deterioration of our quality control system in respect of, among other things, our production process and product inspection, may seriously damage our product quality and have a material adverse effect on our reputation in the market among our existing or prospective customers, which may, in turn, lead to a reduction of orders or loss of customers in the future, harming our business, financial condition and results of operations.

**We may be involved in legal or other proceedings arising out of our operations, including product liability claims, from time to time and may face significant liabilities as a result.**

We may be involved from time to time in disputes with various parties involved in our business operations, including but not limited to our customers, suppliers, employees, logistics service providers, insurers and banks. These disputes may lead to legal or other proceedings, which may result in damages to our reputation, substantial costs and diversion of our resources and management's attention. In addition, we may encounter additional compliance issues in the course of our operations, which may subject us to administrative proceedings and unfavourable results, and result in liabilities and delays relating to our production or product launch schedules. Regardless of the outcome of such legal proceedings, we may incur substantial cost and divert our resources, including our management's time and attention, to handle them. We cannot assure you as to the outcome of such legal proceedings, and any negative outcome may materially and adversely affect our business, financial condition and results of operations.

We are also exposed to potential product liability claims in the event that there is any damage caused by defective products. A successful product liability claim against us could require us to pay for substantial damages. Product liability claims against us, whether or not successful, are costly and time-consuming to defend, and have a negative impact on our brand image. Though we have never recalled any of our products in the past, in the event that our products prove to be defective, we may be required to redesign or recall such products. We cannot assure you that a product liability claim will not be brought against us in the future. A product liability claim, with or without merit, could result in significant adverse publicity against us, and could have a material adverse effect on the marketability of our products and our reputation, which in turn, could have a material adverse effect on our business, financial condition and results of operations.

---

## RISK FACTORS

---

**There is no assurance that the implementation of our future plans will be successful.**

We have formulated our future plans with the view to increase our market share and sustain business growth. The future plans of our Group as described in “Business – Our Strategies” and “Future Plans and Use of Proceeds” in this prospectus are based on current intentions and assumptions.

Whether our future plans can be implemented successfully may be affected by various factors which are beyond our control, such as business environment, economic conditions, market demand and regulatory framework, and other contingencies which are beyond our control. Such uncertainties and contingencies may lead to postponement of our future plans or may increase the costs of implementation. There can be no assurance that our future plans will materialise.

**We may require additional funding to finance our operations, which may not be available on terms acceptable to us or at all, and if we are able to raise funds, the value of your investment in us may be negatively impacted.**

We believe that our current cash and cash equivalents and the anticipated cash flows from operations will be sufficient to meet our anticipated cash needs for the next 12 months. We may, however, require additional cash resources to finance our continued growth or other future developments, including any investments or acquisitions we may decide to pursue. To the extent that our funding requirements exceed our financial resources, we will be required to seek additional financing or to defer planned expenditures. There can be no assurance that we can obtain additional funds on terms acceptable to us, or at all. In addition, our ability to raise additional funds in the future is subject to a variety of uncertainties, including, but not limited to:

- our future financial condition, results of operations and cash flows;
- general market conditions for capital raising and debt financing activities; and
- economic, political and other conditions in China and elsewhere.

Furthermore, if we raise additional funds through equity or equity-linked financings, your equity interest in our Company may be diluted. Alternatively, if we raise additional funds by incurring debt obligations, we may be subject to various covenants under the relevant debt instruments that may, among other things, restrict our ability to pay dividends or obtain additional financing. Servicing such debt obligations could also be burdensome to our operations. If we fail to service such debt obligations or are unable to comply with any of these covenants, we could be in default under such debt obligations and our liquidity and financial condition could be materially and adversely affected.

---

## RISK FACTORS

---

**Our business relies on the proper operation of our information technology infrastructure.**

We depend on our information technology systems such as our ERP system to conduct our manufacturing and warehousing activities, manage risks, implement our internal control systems as well as oversee our business operations. Our ERP system enables us to monitor and exchange information on, among other aspects, our supply chain and retail network, from and among various enterprise departments. Any malfunctioning or breakdown of our information technology systems for an extended period of time may result in network disruption. Even worse, a serious dispute with our information technology service provider or termination of the service contract with such provider may materially and adversely affect our ability to give effect to a prompt and cost-effective maintenance and/or upgrade of our information technology infrastructure. We may also experience interruptions to our operations during regular upgrades or in the course of integration of new components with our existing network systems. Should any of the foregoing situation occur, our business, results of operations and growth prospects would likely be impacted to a material extent.

**Past dividend records should not be treated as indicative of future dividend payments.**

No dividend was declared and paid by our Company during the Track Record Period.

Our Board has adopted a dividend policy with a pre-determined dividend payout ratio. For details, please see “Financial Information – Dividends and Dividend Policy”. The payment and the amount of any dividends will depend on our results of operations, cash flows, financial condition, future prospects, capital expenditure, expansion plans and other factors that our Board may consider relevant. The dividend distribution record in the past may not be used as a reference or basis to determine the level of dividends that may be declared or paid by our Company in the future.

---

## RISK FACTORS

---

**We may not continue to receive preferential tax treatment currently available to us, and the increase in enterprise income tax could decrease our net income and materially and adversely affect our financial condition and results of operations.**

The rate of income tax assessable on companies in China may vary depending on the availability of preferential tax treatment or subsidies granted to the specific industries or locations. Under the Enterprise Income Tax Law of the PRC (中華人民共和國企業所得稅法) (the “EIT Law”) and its relevant regulations, PRC companies are typically subject to an income tax rate of 25% under the EIT Law. During the Track Record Period, our Company qualified as a High and New Technology Enterprise (高新技術企業) and was subject to a preferential income tax rate of 15%. For FY2022, FY2023 and FY2024, benefiting from the preferential income tax rate, our effective income tax rate, which was calculated by dividing our income tax expense of each year by our profit before tax of the corresponding year, was 12.7%, 17.2% and 12.9% in FY2022, FY2023 and FY2024, respectively. The High and New Technology Enterprise Certificate (高新技術企業證書) was first obtained in 2016 and subsequently renewed in 2019 and 2022, which will expire in 2025. For FY2022, FY2023 and FY2024, our tax savings attributable to PRC tax preferential treatments for our Company being a High and New Technology Enterprise (高新技術企業) amounted to RMB4.6 million, RMB6.3 million and RMB7.5 million, respectively. In the event that our Company fails to renew its qualification as a High and New Technology Enterprise (高新技術企業), it would not be able to enjoy the relevant preferential tax treatment. The PRC Government or provincial government could also eliminate or reduce the preferential tax treatment in the future, which, would lead to an increase in our effective tax rate. Upon the eventual lapse of any preferential tax treatments, our effective tax rate will also increase in the future. As a result, our financial condition and results of operation could be materially and adversely affected. For details of the income tax expenses during the Track Record Period, please see Note 11 to the Accountants’ Report in Appendix I to this prospectus.

**The lease agreements of our leased properties have not been registered with the relevant PRC government authorities as required by PRC law, which may expose us to potential fines.**

Under the PRC law, all lease agreements are required to be registered with the local land and real estate administration bureau. However, the enforcement of this legal requirement varies depending on the local regulations and practices. Although failure to do so does not in itself invalidate the leases, the lessees may not be able to defend these leases against bona fide third parties and may also be exposed to potential fines if they fail to rectify such non-compliance within the prescribed time frame after receiving notice from the relevant PRC government authorities. The penalty ranges from RMB1,000 to RMB10,000 for each unregistered lease, at the discretion of the relevant authority. As at the Latest Practicable Date, the lease agreements for some of our leased properties in the PRC which had been mostly used as dormitory have not been registered with the relevant PRC government authorities. Therefore, as advised by our PRC Legal Advisers, we may be subject to a maximum penalty of RMB80,000. In the event that any fine is imposed on us for our failure to register our lease agreements, we may not be able to recover such losses from the lessors. For details, please see “Business – Properties – Lease Properties – Lease Registration” in this prospectus.

---

## RISK FACTORS

---

**System interruption of e-commerce market places where our products are sold may affect our sales.**

Under our OBM business, we sell our products mainly through e-commerce market places including Amazon, JD.com (京東), Tmall (天貓) and Pinduoduo (拼多多). For FY2022, FY2023 and FY2024, our OBM sales amounted to RMB61.4 million, RMB49.7 million and RMB41.2 million, which accounted for 5.6%, 4.2% and 2.7% of our total revenue during the same year. Thus, the performance, reliability and availability of those e-commerce marketplaces may affect our OBM sales. In addition, given the prevalence of the use of e-commerce market places, our ODM/OEM customers may also sell the products that we manufacture for them on e-commerce market places. Therefore, any system interruption caused by telecommunication failures, computer viruses, hacking or other attempts to harm the systems could reduce our sales volume. In addition, traffic surge of these e-commerce marketplaces due to promotional activities and festivities, such as during the Black Friday or Christmas, may cause errors or system outage which may in turn affect our sales. Accordingly, any system interruptions, errors or failure of e-commerce market places where our products are sold may affect our business, financial condition and results of operations.

**Any catastrophe, including outbreaks of health pandemics, such as COVID-19, and other extraordinary events, could severely disrupt our business operations.**

We face various risks and potential interruptions beyond our control. In particular, public health emergencies, such as COVID-19, could affect the global economy and consumer demand. Apart from reducing demand, COVID-19 also has also caused disruptions to business activities such as cargo logistics along the supply chain of different industries. We cannot assure that any other similar public health emergencies, such as avian flu, SARS, Ebola, will not adversely affect our business, results of operations, and financial condition. We also faces risks which may be arisen from catastrophes such as fires, earthquakes, hurricanes, floods, tornadoes, and other severe weather conditions. Additionally, we are exposed to risks related to terrorist acts or disruptive global political events. The unpredictable nature of these events makes it difficult to predict their frequency, timing, and severity. Any of these occurrences could have a material and adverse impact on our business operations and financial performance.

### **RISKS RELATING TO CONDUCTING BUSINESS IN THE PRC**

**Failure to respond to development in the economic, government policies, and laws and regulations in the principal place where we operate may have a material adverse effect on our business, financial condition and results of operations.**

A substantial portion of our businesses, assets and operations are located in the PRC. Accordingly, our financial condition, results of operations and business prospects are, to a significant degree, subject to the economic, political and legal and regulatory developments in the PRC.

---

## RISK FACTORS

---

The PRC economy has experienced significant growth over the past decades since the implementation of reform and opening-up policy. In recent years, the PRC government has implemented measures emphasising the utilisation of market forces in economic reform and the establishment of sound corporate governance practices in business enterprises. These economic reform measures may be adaptively adjusted from industry to industry or across different regions of the country. Failure to respond to such development may materially and adversely affect our business in the PRC.

**The interpretation and enforcement of PRC laws and regulations may change from time to time, which may subject us to non-compliance due to unexpected changes to laws and regulations applicable to us.**

The PRC legal system is based on written statutes. Unlike common law systems, it is a system in which legal cases have limited value as precedents. In the late 1970s, the PRC government began to promulgate a comprehensive system of laws and regulations governing economic matters in general. The overall effect of legislation over the past four decades has significantly increased the protections afforded to various forms of foreign or private-sector investment in China. Our PRC subsidiaries are subject to various PRC laws and regulations generally applicable to companies in China. However, since these laws and regulations are relatively new and the PRC legal system continues to evolve, the interpretations and enforcement of many laws, regulations and rules are subject to changes from time to time.

From time to time, we may have to resort to administrative and court proceedings to enforce our legal rights. However, since PRC administrative and court authorities have a certain degree of discretion within their scope of authority in interpreting and implementing statutory and contractual terms, it may be difficult to evaluate the outcome of administrative and court proceedings and the level of legal protection we enjoy. Such uncertainties, including uncertainty over the scope and effect of our contractual, property (including intellectual property) and procedural rights, and any failure to respond to changes in the regulatory environment in China could materially and adversely affect our business and impede our ability to continue our operations, and may further affect the legal remedies and protections available to investors, which may, in turn, adversely affect the value of your investment.

**We may be subject to filing procedure and other requirements of the CSRC or other PRC governmental authorities in connection with future capital raising activities and future major events.**

On 6 July 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.



---

## RISK FACTORS

---

On 17 February 2023, the CSRC released 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》) (the “**Trial Measures**”) and five supporting guidelines, which came into effect on 31 March 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. Pursuant to the Trial Measures, domestic companies that seek to offer listing securities and list overseas, both directly and indirectly (the “**Overseas Offering and Listing**”), should fulfil the filing procedure and report relevant information to the CSRC, and in the event of subsequent offering and occurrence of certain major events, domestic companies shall also fulfil relevant filing procedures and report information to the CSRC. If a domestic company fails to complete the filing procedure, omits any material fact, falsifies any content or contains any misleading statement in its filing documents, such domestic company may be subject to administrative penalties, such as order to rectify, warnings, fines, and its controlling shareholders, actual controllers, the person directly in charge and other directly liable persons may also be subject to administrative penalties, such as warnings and fines. See “Appendix IV – Summary of Principal Legal and Regulatory Provisions – The PRC” in this prospectus.

If it is determined that we are subject to any filing or other authorisation or requirements of the CSRC or other PRC governmental authorities for future fund raising activities or other major events, and we fail to complete such filing or meet such requirements in a timely manner or at all, we could be subject to sanctions by the CSRC or other PRC regulators authorities. If we are determined not in compliance with the requirements under the Trial Measures, and thus are unable to complete the filing with the CSRC, we may need to postpone or terminate our future fund-raising activities if any. Any uncertainties or negative publicity regarding such filing or other requirements stated above could materially and adversely affect our business, prospects, financial condition, reputation, and offering and listing of the Shares.

**Fluctuations in the value of the Renminbi and other currencies may have a material adverse impact on your investment.**

During the Track Record Period, our expenditures were mainly denominated in Renminbi, while the net proceeds from the Global Offering will be in Hong Kong dollars. Fluctuations in the exchange rate between the Renminbi and the Hong Kong dollar will affect the relative purchasing power in Renminbi terms of the proceeds from the Global Offering. Fluctuations in the exchange rate may also cause us to incur foreign exchange losses and affect the relative value of any dividend issued by us.



---

## RISK FACTORS

---

Movements in Renminbi exchange rates are affected by, among other things, changes in political and economic conditions and China's foreign exchange regime and policy. With the development of the foreign exchange market and progress towards interest rate liberalisation and Renminbi internationalisation, the PRC government may in the future announce further changes to the exchange rate system, and we cannot assure you that the Renminbi will not appreciate or depreciate significantly in value against other currencies in the future. It is difficult to predict how market forces or relevant government policies may impact the exchange rate between the Renminbi and other currencies in the future.

**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.**

Currently, the conversion and remittance of foreign currencies from RMB are subject to PRC foreign exchange regulations. It cannot be guaranteed that under a certain exchange rate, we will have sufficient foreign exchange to meet our foreign exchange requirements. Under the current PRC foreign exchange regulatory system, foreign exchange transactions under the current account conducted by us, including the payment of dividends, do not require advance approval from the SAFE, but we are required to present documentary evidence of such transactions and conduct such transactions at designated foreign exchange banks within China that have the licences to carry out foreign exchange business. Foreign exchange transactions under the capital account conducted by us, however, must be approved in advance by the SAFE.

Under existing foreign exchange regulations, following the completion of the Global Offering, we will be able to pay dividends in foreign currencies without prior approval from the SAFE by complying with certain procedural requirements. However, the foreign exchange policies regarding payment of dividends in foreign currencies may change from time to time in the future. In addition, any insufficiency of foreign exchange may restrict our ability to obtain sufficient foreign exchange for dividend payments to shareholders or to satisfy any other foreign exchange requirements. If we fail to obtain approval from the SAFE to convert Renminbi into any foreign exchange for any of the above purposes, our capital expenditure plans, and even our business, operating results and financial condition, may be materially and adversely affected.

---

## RISK FACTORS

---

**Holders of our H Shares may be subject to PRC income tax on dividends from us or on any gain realised on the transfer of our H Shares.**

As is customary with all major economies, China has tax treaties or similar arrangements with jurisdictions across the world. Under the EIT Law and its implementation rules, subject to any applicable tax treaty or similar arrangement between China and your jurisdiction of residence that provides for a different income tax arrangement, PRC withholding tax at the rate of 10% is normally applicable to dividends from PRC sources payable to investors that are resident enterprises outside of the PRC, which do not have an establishment or place of business in the PRC, or which have such establishment or place of business if the relevant income is not effectively connected with the establishment or place of business. Any gain realised on the transfer of shares by such investors is subject to 10% (or a lower rate) PRC income tax if such gain is regarded as income derived from sources within the PRC unless a treaty or similar arrangement otherwise provides. Under the Individual Income Tax Law of the People's Republic of China (《中華人民共和國個人所得稅法》) and its implementation rules, dividends from sources within the PRC paid to foreign individual investors who are not residents in the PRC are generally subject to a PRC withholding tax at a rate of 20% and gains from PRC sources realised by such investors on the transfer of shares are generally subject to 20% PRC income tax, in each case, subject to any reduction or exemption set forth in applicable tax treaties and PRC laws. Although our business operations are in China, it is unclear whether dividends we pay with respect to our H Shares, or the gain realised from the transfer of our H Shares, would be treated as income derived from sources within the PRC and as a result be subject to PRC income tax. If PRC income tax is imposed on gains realised through the transfer of our H Shares or on dividends paid to our non-resident investors, the value of your investment in our Shares may be adversely affected. Furthermore, our Shareholders whose jurisdictions of residence have tax treaties or arrangements with the PRC may not qualify for benefits under such tax treaties or arrangements.

**Payment of dividends is subject to restrictions under PRC laws.**

Under the PRC laws, dividends may be paid only out of distributable profits. Our distributable profits represent our distributable net profits less appropriations to statutory surplus reserve, general reserve, and discretionary surplus reserve (as approved by our Shareholders' meeting), each such appropriation based on the unconsolidated net profit determined under PRC GAAP. Our distributable net profit referred to above represents the lowest of (i) our net profit attributable to our equity holders for a period plus distributable profits or net of accumulated losses, if any, at the beginning of such period, as determined under PRC GAAP, and (ii) our net profit attributable to our equity holders for the period plus distributable profits or net of accumulated losses, if any, at the beginning of such period, as determined under IFRS. As a result, we may not have sufficient distributable profits, if any, to make dividend distributions to our Shareholders in the future, including in respect of periods where we register an accounting profit. Any distributable profits that are not distributed in a given year are retained and available for distribution in subsequent years.

---

## RISK FACTORS

---

**It may be difficult to effect service of process upon us or our Directors, Supervisors or executive officers who reside in China or to enforce against us or them in China any judgments obtained from non-PRC courts.**

All of our executive Directors, Supervisors and executive officers reside within China, and substantially all of our assets are located within China. Similar to the difficulties faced by most of the countries around the world on effecting service of process and enforcing judgment obtained from foreign countries, it may be difficult for investors to effect service of process upon us or our executive Directors, Supervisors and officers inside China or to enforce against us or them in China any judgments obtained from non-PRC courts.

A judgment of a court of another jurisdiction may be reciprocally recognised or enforced in the PRC only if the jurisdiction has a treaty with China or if the jurisdiction has been otherwise deemed by the courts in China to satisfy the requirements for reciprocal recognition, subject to the satisfaction of other requirements. However, China does not have treaties providing for the reciprocal recognition and enforcement of judgments of courts of some other countries and regions. Therefore, recognition and enforcement in China of judgments of a court in any of these non-PRC jurisdictions in relation to any matter not subject to a binding arbitration provision may be difficult or impossible.

On 3 July 2008, the Supreme People's Court and the Government of the Hong Kong Special Administrative Region signed the Arrangement between the Mainland and the HKSAR on Reciprocal Recognition and Enforcement of the Decisions of Civil and Commercial Cases under Consensual Jurisdiction (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 **"2008 Arrangement"**). Under the 2008 Arrangement, where any designated court of mainland China or Hong Kong court has made an enforceable final judgment requiring payment of money in a civil and commercial case pursuant to a choice of court agreement, the party concerned may apply to the relevant court of mainland China or Hong Kong court for recognition and enforcement of the judgment. The 2008 Arrangement took effect on 1 August 2008, but the effectiveness of any action brought under the arrangement remains uncertain. On 18 January 2019, the Supreme People's Court and the Department of Justice under the Government of the Hong Kong Special Administrative Region signed 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"**), which became effective on 29 January 2024. The 2019 Arrangement regulates, among others, the scope and particulars of judgments, the procedures and methods of the application for recognition or enforcement, the review of the jurisdiction of the court that issued the original judgment, the circumstances where the recognition and enforcement of a judgment shall be refused, and the approaches towards remedies for the reciprocal recognition and enforcement of judgments in civil and commercial matters between the courts in mainland China and those in Hong Kong. However, the 2008 Arrangement will remain applicable to a "choice of court agreement in writing" within the meaning of 2008 Arrangement which is made before the effective date of 2019 Arrangement.

---

## RISK FACTORS

---

**If we fail to comply with anti-bribery or anti-money laundering laws, our reputation may be harmed, and we could be subject to significant penalties and expenses that could have a material adverse effect on our business, financial conditions and results of operations.**

We are subject to the laws governing anti-bribery and anti-money laundering in the PRC. In the PRC, the Anti-Unfair Competition Law, and provisions of the Criminal Code, prohibit giving and receiving money or property (which includes cash, proprietary interests and items of value) to obtain an undue benefit. Further, in the PRC, Anti-Money Laundering Law of the People's Republic of the PRC (《中華人民共和國反洗錢法》), promulgated by the Standing Committee of the National People's Congress on 31 October 2006 and effective on 1 January 2007, prohibits money laundering. Our procedures and controls to monitor anti-bribery and anti-money laundering compliance may fail to protect us from reckless or criminal acts committed by our employees. If we fail to comply with applicable anti-bribery laws and anti-money laundering laws, we may be subject to criminal and civil penalties and sanctions or incur significant expenses, and our reputation could be harmed, all of which could have a material adverse effect on our business, financial conditions and results of operations.

### **RISKS RELATING TO THE GLOBAL OFFERING**

**There has been no prior market for our H Shares.**

Prior to the completion of the Global Offering, there has been no public market for our H Shares. The Initial Offer price range for our H Shares was the result of, and the Offer Price will be the result of, negotiations among us and the Sole Sponsor-Overall Coordinator (on behalf of the Underwriters). The Offer Price may thus not be indicative of the price at which our H Shares will be traded following the completion of the Global Offering.

We have applied to list and deal in our H Shares on the Stock Exchange. However, even if approved, there can be no assurance that (i) an active trading market for our H Shares will develop, or (ii) if it does develop, that it will be sustained following the completion of the Global Offering or that the market price and liquidity of our H Shares will not be adversely affected.

**Liquidity, market price and trading volume of our H Shares may be volatile.**

The market price and trading volume of our H Shares is likely to be volatile and subject to wide fluctuations in response to one or more of the following factors, over some of which we have no control:

- Regulatory and legal developments in our target markets affecting us, our clients or our competitors;
- Announcements of market studies or reports relating to the quality of our lifestyle household goods or those of our competitors;

---

## RISK FACTORS

---

- Changes in the financial performance or market valuations of other companies that provide lifestyle household goods in the form and of the scale comparable to ours;
- Actual or anticipated fluctuations in our financial and/or operating results, as well as changes or revisions of our expected results;
- Actual or anticipated fluctuations in our cash flow;
- Changes in the securities research analysts' estimates or general market perceptions of the financial estimates of us and our competitors;
- Variations in market sentiments driven by economic or political considerations in the PRC, the United States and elsewhere in the world that could affect the contemporary as well as prospective competitive landscape of the lifestyle household goods industry;
- Announcements by us or our competitors of the launch of new products and services, changes in pricing or promotion policies, execution of business restructuring (including but not limited to significant acquisitions and dispositions) and other forms of capital commitment plans, establishment of strategic alliances or joint ventures etc.;
- Recruitment or loss of key personnel by us or our competitors;
- Fluctuations in the trading volumes or the release and/or expiration of lock-up or other share transfer restrictions on our outstanding Shares or sales of additional Shares by us;
- Sales or perceived potential sales of our H Shares in the market;
- Ability to safeguard our intellectual property rights against infringement and to keep up-to-date with the latest technologies and research methodologies with respect to the development of lifestyle household goods; and
- Valuation of publicly-traded companies that are engaged in business activities similar to ours.

We cannot give assurance as to Shareholders' ability to sell their H Shares or to achieve their desired price for, or any profit on, such H Shares. Shareholders may not be able to sell their H Shares at prices equal to or greater than the price paid for their H Shares in the Global Offering. In addition, shares of other companies listed on the Stock Exchange with significant operations and assets in the PRC have experienced in the past significant volatility in the share price and trading volume. Common to the shares of other listed companies, it is possible that our H Shares may equally be subject to changes in price for reasons which are beyond our Group's control and are unrelated or disproportionate to our operational performance.

---

## RISK FACTORS

---

**Our Controlling Shareholders has significant influence over our Company and their interests may not be aligned with the interest of our other Shareholders.**

Our Controlling Shareholders will, through their voting power at the Shareholders' meetings and delegates on the Board, have significant influence over our business and affairs, including decisions in respect of mergers or other business combinations, acquisition or disposition of assets, issuance of additional shares or other equity securities, timing and amount of dividend payments, and our management. Our Controlling Shareholders may not act in the best interests of our minority Shareholders. In addition, without the consent of our Controlling Shareholders, we could be prevented from entering into transactions that could be beneficial to us. This concentration of ownership may also discourage, delay or prevent a change in control of our Company, which could deprive our Shareholders of an opportunity to receive a premium for the H Shares as part of a sale of our Company and may significantly reduce the price of our H Shares.

**Shareholders' equity interests may be diluted.**

We may need to raise additional funds in the future to finance, inter alia, expansion or new developments relating to its existing operations. If additional funds are raised through the issue of new equity and equity-linked securities of our Company other than on a pro-rata basis to the existing Shareholders, the percentage ownership of the Shareholders in our Company may be reduced and Shareholders may experience dilution in their percentage shareholdings in our Company. In addition, any such new securities may have preferred rights, options or pre-emptive rights that make them more valuable than or senior to the Shares.

Investors of our H Shares may experience dilution in the net tangible asset book value per Share of the Shares they invested if our Company issues additional H Shares in the future at a price which is lower than the net tangible asset book value per Share.

**Future sales or issuances or perceived sales or issuances of our Shares or conversion of our Domestic Unlisted Shares into H Shares could have a material adverse effect on the prevailing market price of our H Shares.**

The market price of our H Shares could decline as a result of future sales or issuances of a substantial number of our H Shares or other securities in the public market, or the perception that such sales or issuances may occur. Moreover, such future sales or issuances or perceived sales or issuances may also adversely affect the prevailing market price of our H Shares and our ability to raise capital in the future at a favourable time and price.

The PRC Company Law provides that the Shares issued by our Company prior to the Listing Date shall not be transferred within a period of one year from the date on which trading in our H Shares commences on the Stock Exchange. We cannot assure you that the current Shareholders will not be in breach of such statutory restriction and dispose of any Shares they own now or may own in the future.

---

## RISK FACTORS

---

Our Domestic Unlisted Shares can be converted into H Shares, provided that such conversion and the trading of H Shares so converted have been duly completed pursuant to our requisite internal approval process and the approval from the relevant PRC regulatory authorities. In addition, such conversion and trading must, in all aspects, comply with the regulations promulgated by the securities regulatory authority under the State Council, as well as the regulations, requirements and procedures of the Stock Exchange. If a significant number of our Domestic Unlisted Shares are converted into H Shares, the supply of H Shares may be substantially increased, which could materially and adversely affect the prevailing market price of our H Shares.

**There may be a possible fall in price of Offer Shares below the Offer Price when trading commences due to the gap of several days between pricing and trading of our Offer Shares.**

The Offer Price of our H Shares is expected to be determined on the Price Determination Date. However, our H Shares will not commence trading on the Stock Exchange until they are delivered, which is expected to be a short period after the date of pricing. As a result, investors may not be able to sell or deal in our H Shares during that period. In view of adverse market conditions or other adverse developments, if any, that could occur between the time of sale and time at which trading begins, holders of our H Shares are accordingly subject to the risk that the price of our H Shares could fall below the Offer Price when the trading commences.

**We have no experience operating as a public company, and we may incur increased costs as a result of becoming a listed company.**

We have no experience conducting our operations as a public company. As a result of the Listing, we may face enhanced administrative and compliance requirements, which may make us incur substantial related costs and expenses that we did not incur as a private company. We expect rules and regulations applicable to public companies to increase our accounting, legal and financial compliance costs and to make certain corporate activities more time-consuming and costly. Our management may be required to devote substantial time and attention to our public reporting obligations and other compliance matters. We will evaluate and monitor developments with respect to these rules and regulations, but we cannot predict or estimate the amount of additional costs we may incur or the timing of such costs. Our reporting and other compliance obligations as a public company may place a significant strain on our management, operational and financial resources and systems for the foreseeable future.

In addition, since we are becoming a public company, our management team will need to develop the expertise necessary to comply with the numerous regulatory and other requirements applicable to public companies, including requirements relating to corporate governance, listing standards and securities and investor relationships issues. As a public company, our management will have to evaluate our internal controls system with new thresholds of materiality, and to implement necessary changes to our internal controls system. We cannot guarantee that we will be able to do so in a timely and effective manner.



---

## RISK FACTORS

---

**There is no assurance on the accuracy or completeness of certain facts, forecasts and other statistics in this prospectus obtained from publicly available sources.**

Certain facts, forecasts, indicators and other statistics contained in this prospectus relating to the PRC and other countries and regions and the lifestyle household goods industry have been derived from various sources and publicly available data, including government and official resources. We believe that the sources of the said information are appropriate sources for such information and have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading. Nevertheless, information from official government sources has not been independently verified by us, the Sole Sponsor, the Overall Coordinators, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Capital Market Intermediaries or any of the Underwriters or any of our respective directors, affiliates or advisors or any other parties involved in the Global Offering and, therefore, none of them make any representation as to its accuracy.

Further, there is no assurance that they are stated or compiled on the same basis or with the same degree of accuracy as the case may be in other jurisdictions. In all cases, you should give careful consideration as to how much weight or importance you should attach to or place on such facts, forecasts, indicators and other statistics relating to the economy and the industry. For the aforesaid reasons, you should not place undue reliance on such information as a basis for making your assessment in our Shares.

**Forward-looking statements contained in this prospectus are subject to risks and uncertainties**

This prospectus contains forward-looking statements with respect to our business strategies, operating efficiencies, competitive positions, growth opportunities for existing operations, plans and objectives of management, certain pro forma information and other matters. The words “aim”, “anticipate”, “believe”, “could”, “predict”, “potential”, “continue”, “expect”, “intend”, “may”, “might”, “plan”, “seek”, “will”, “would”, “should” and the negative of these terms and other similar expressions identify a number of these forward-looking statements. These forward looking statements, including, amongst others, those relating to our future business prospects, capital expenditure, cash flows, working capital, liquidity and capital resources are necessarily estimates reflecting the best judgement of our Directors and management and involve a number of risks and uncertainties that could cause actual results to differ materially from those suggested by the forward-looking statements. As a consequence, these forward-looking statements should be considered in light of various important factors, including those set out in the section headed “Risk Factors” in this prospectus. Accordingly, such statements are not a guarantee of future performance and investors should not place undue reliance.



---

## RISK FACTORS

---

**We strongly caution you not to place any reliance on any information contained in press articles or other media regarding us and the Global Offering.**

Our Directors wish to emphasise to potential investors that they do not accept any responsibility for the accuracy or completeness of the information contained in any press articles or other media and those information was not sourced from or authorised by us. We make no representation as to appropriateness, accuracy, completeness or reliability of any information contained by press articles or other media. To the extent that any of such information is inconsistent or in contradiction with the information contained in this prospectus, the Directors disclaim it. Accordingly, prospective investors should not place reliance on any of the information in the press articles or other media channels.

---

## WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

---

In preparation for the Listing, we have applied for the following waivers from strict compliance with the relevant provisions of the Listing Rules:

### WAIVER IN RELATION TO MANAGEMENT PRESENCE IN HONG KONG

Pursuant to Rule 8.12 of the Listing Rules, we must have sufficient management presence in Hong Kong, which normally means that at least two of our executive Directors must be ordinarily resident in Hong Kong. As at the Latest Practicable Date, none of our executive Directors resided in Hong Kong.

Pursuant to Rule 19A.15 of the Listing Rules, the requirement in Rule 8.12 may be waived by having regard to, among other considerations, the applicant's arrangements for maintaining regular communication with the Stock Exchange.

Since our headquarters and principal business operations and management of our Group are carried out in the PRC, and all of our executive Directors ordinarily reside outside Hong Kong, our Company considers that it would be practically difficult and commercially unreasonable and undesirable for our Company to arrange for two executive Directors to be ordinarily resident in Hong Kong, either by means of relocation of existing executive Directors or appointment of additional executive Directors. Therefore, we do not and, in the foreseeable future, will not have sufficient management presence in Hong Kong for the purpose of satisfying the requirements under Rule 8.12 of the Listing Rules.

Accordingly, pursuant to Rule 19A.15 of the Listing Rules, we have applied for, and the Stock Exchange has granted, a waiver from strict compliance with the requirements under Rule 8.12 of the Listing Rules, subject to the following conditions. We will ensure that there is an effective channel of communication between us and the Stock Exchange by way of the following arrangements:

1. we have appointed Ms. Hu Yan (胡彦) (“**Ms. Hu**”), our executive Director, secretary to our Board, chief financial officer and one of our joint company secretaries, and Mr. Ng Chun Hoi (吳浚鎧) (“**Mr. Ng**”), one of our joint company secretaries, as our authorised representatives (the “**Authorised Representatives**”) pursuant to Rule 3.05 of the Listing Rules. The Authorised Representatives will act as our principal channel of communication with the Stock Exchange. Each of the Authorised Representatives will be readily contactable by phone, facsimile and email to promptly deal with enquiries from the Stock Exchange, and will also be available to meet with the Stock Exchange to discuss any matter within a reasonable period of time upon request of the Stock Exchange;

---

## WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

---

2. when the Stock Exchange wishes to contact our Directors on any matter, each of the Authorised Representatives will have all necessary means to contact all of our Directors (including our independent non-executive Directors) and senior management team promptly at all times. Our Company will also inform the Stock Exchange promptly in respect of any changes in the Authorised Representatives. We have provided the Stock Exchange with the contact details (i.e., mobile phone number, office phone number, fax number and email address) of each of our Authorised Representatives and our Directors to facilitate communication with the Stock Exchange;
3. all Directors who do not ordinarily reside in Hong Kong possess or can apply for valid travel documents to visit Hong Kong and can meet with the Stock Exchange within a reasonable period of time upon request;
4. in compliance with Rules 3A.19 of the Listing Rules, we have appointed Sinolink Securities (Hong Kong) Company Limited as our compliance adviser (the “**Compliance Adviser**”), which has access at all times to our Authorised Representatives, Directors and other officers of our Company, and will act as an additional channel of communication with the Stock Exchange. Our Company will keep the Stock Exchange up to date in respect of any change to such details. Our Authorised Representatives, our Directors and other officers of our Company will provide promptly such information and assistance as the Compliance Adviser may reasonably require in connection with the performance of the Compliance Adviser’s duties as set forth in Chapter 3A of the Listing Rules. There will be adequate and efficient means of communication between our Company, our Authorised Representatives, our Directors and other officers and the Compliance Adviser, and to the extent reasonably practicable and legally permissible, our Company will keep the Compliance Adviser informed of all communications and dealings between our Company and the Stock Exchange; and
5. we shall ensure that there are adequate and efficient means of communication among our Company, our Authorised Representatives, our Directors, other officers and the Compliance Adviser, and will keep the Compliance Adviser fully informed of all communications and dealings between us and the Stock Exchange.

---

## WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

---

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

Pursuant to Rules 3.28 and 8.17 of the Listing Rules, we must appoint a company secretary who, by virtue of his/her academic or professional qualifications or relevant experience, is, in the opinion of the Stock Exchange, capable of discharging the functions of company secretary.

Note 1 to Rule 3.28 of the Listing Rules further provides that the Stock Exchange considers that 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 provides that the Stock Exchange will consider the following factors in assessing an individual's "relevant experience":

- (i) length of employment with the issuer and other issuers and the roles he/she played;
- (ii) familiarity with the Listing Rules and other relevant laws and regulations including the SFO, the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Takeovers Code;
- (iii) relevant training taken and/or to be taken in addition to the minimum requirement of taking not less than fifteen hours of relevant professional training in each financial year under Rule 3.29 of the Listing Rules; and
- (iv) professional qualifications in other jurisdictions.

We have appointed Ms. Hu, as one of our joint company secretaries. In view of her experience within our Group and her thorough understanding of the internal administration and business operations of our Group, our Directors consider that Ms. Hu is a suitable person to act as a company secretary of our Company. In addition, as the core business and operations of our Group are substantially based and conducted in the PRC, our Directors believe that it is necessary to appoint Ms. Hu as a company secretary whose presence in the headquarters of our Group enables her to attend to the day-to-day corporate secretarial matters concerning our Group.

---

## WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

---

Given Ms. Hu does not possess the qualification and sufficient relevant experience stipulated in Rule 3.28 of the Listing Rules, she is not able to solely fulfil the requirements as a company secretary of a listed issuer stipulated under Rules 3.28 and 8.17 of the Listing Rules. To provide assistance to Ms. Hu and enable her to acquire all qualifications and experience as our company secretary of our Company required under Rule 3.28 of the Listing Rules, we have also appointed Mr. Ng, a member of the Hong Kong Institute of Certified Public Accountants, who fully meets the requirements stipulated under Rules 3.28 and 8.17 of the Listing Rules to act as the other joint company secretary and to provide assistance to Ms. Hu for an initial period of three years from the Listing.

Since Ms. Hu does not possess the formal qualifications required of a company secretary under Rule 3.28 of the Listing Rules, we have applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance with the requirements under Rules 3.28 and 8.17 of the Listing Rules such that Ms. Hu may act as a joint company secretary of our Company. Pursuant to paragraph 13 of Chapter 3.10 of the Guide for New Listing Applicants published by the Stock Exchange, the waiver will be for a fixed period of time (the “**Waiver Period**”) and on the following conditions:

- (i) 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 Waiver Period; and
- (ii) the waiver can be revoked if there are material breaches of the Listing Rules by the issuer.

The waiver is valid for an initial period of three years from the Listing, and is granted on the condition that Mr. Ng, as a joint company secretary of our Company, will work closely with, and provide assistance to, Ms. Hu in the discharge of her duties as a joint company secretary and in gaining the relevant company secretary experience as required under Rule 3.28 of the Listing Rules and to become familiar with the requirements of the Listing Rules and other applicable Hong Kong laws and regulations, for an initial period of three years commencing on the Listing.

Given Mr. Ng’s professional qualifications and experience, he will be able to explain to both Ms. Hu and our Company the relevant requirements under the Listing Rules. Mr. Ng will also assist Ms. Hu in organising Board meetings and Shareholders’ meetings of our Company as well as other matters of our Company which are incidental to the duties of a company secretary. He is expected to work closely with Ms. Hu, and will maintain regular contact with Ms. Hu, our Directors, Supervisors and the senior management of our Company. The waiver will be revoked immediately if Mr. Ng ceases to provide assistance to Ms. Hu as a joint company secretary for the three-year period after the Listing or where there are material breaches of the Listing Rules by our Company.

---

## WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

---

In addition, Ms. Hu will comply with the annual professional training requirement under Rule 3.29 of the Listing Rules and will enhance her knowledge of the Listing Rules during the three-year period from the Listing. Ms. Hu will also be assisted by (a) the Compliance Adviser, particularly in relation to compliance with the Listing Rules; and (b) the Hong Kong legal advisers of our Company, on matters concerning our Company's ongoing compliance with the Listing Rules and the applicable laws and regulations.

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

For the biographical information of Ms. Hu and Mr. Ng, please see "Directors, Supervisors and Senior Management" in this prospectus.

---

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

---

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

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

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

This prospectus is published solely in connection with the Hong Kong Public Offering, which forms part of the Global Offering. For applicants under the Hong Kong Public Offering, this prospectus sets out the terms and conditions of the Hong Kong Public Offering.

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

Neither the delivery of this prospectus nor any offering, sale or delivery made in connection with the Offer Shares should, under any circumstances, constitute a representation that there has been no change or development reasonably likely to involve a change in our affairs since the date of this prospectus or imply that the information contained in this prospectus is correct as at any date subsequent to the date of this prospectus.

Details of the structure of the Global Offering, including its conditions, are set out in “Structure of the Global Offering” and the procedures for applying for the Hong Kong Offer Shares are set out in “How to Apply for Hong Kong Offer Shares”.

The Listing is sponsored by the Sole Sponsor and the Global Offering is managed by the Overall Coordinators. The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters pursuant to the Hong Kong Underwriting Agreement and is subject to us and the Sole Sponsor-Overall Coordinator (on behalf of the Underwriters) agreeing on the Offer Price. The International Underwriting Agreement relating to the International Offering is expected to be entered into on or about the Price Determination Date, subject to determination of the Offer Price.

---

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

---

### **CSRC APPROVAL**

Our filing procedures with the CSRC for the submission of the application to list our H Shares on the Stock Exchange and for the Global Offering were completed on 26 January 2025. In completing such filing, the CSRC accepts no responsibility for our financial soundness, nor for the accuracy of any of the statements made or opinions expressed in this prospectus. No other filings in the PRC are required to be completed for the listing of the H Shares on the Stock Exchange.

### **DETERMINATION OF THE OFFER PRICE**

The Offer Shares are being offered at the Offer Price which will be determined by us and the Sole Sponsor-Overall Coordinator (for itself and on behalf of the other Underwriters) on Monday, 23 June 2025.

If, for any reason, the Offer Price is not agreed among us and the Sole Sponsor-Overall Coordinator (for itself and on behalf of the other Underwriters) by 12:00 noon on Monday, 23 June 2025, the Global Offering (including the Hong Kong Public Offering) will not proceed and will lapse.

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

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

No action has been taken to permit a public offering of the Hong Kong Offer Shares or the general distribution of this prospectus in any jurisdiction other than in Hong Kong. Accordingly, without limitation to the following, this prospectus may not be used for the purposes of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorised or to any person to whom it is unlawful to make such an offer or invitation. The distribution of this prospectus and the offering and sale of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions and pursuant to registration with or authorisation by the relevant securities regulatory authorities or an exemption therefrom.

### **APPLICATION FOR LISTING OF THE H SHARES ON THE STOCK EXCHANGE**

We have applied to the Stock Exchange for the approval of the listing of, and permission to deal in, the H Shares to be issued pursuant to the Global Offering (including the H Shares which may be issued pursuant to the exercise of the Over-allotment Option).



---

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

---

No part of our share capital is listed on or dealt in on any other stock exchange and no such listing or permission to list is being or proposed to be sought on the Stock Exchange or any other stock exchange as of the date of this prospectus. All the Offer Shares will be registered on our H Share Registrar in order to enable them to be traded on the Stock Exchange.

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

### **COMMENCEMENT OF DEALINGS IN THE SHARES**

Assuming that the Hong Kong Public Offering becomes unconditional in Hong Kong at or before 8:00 a.m. in Hong Kong on Wednesday, 25 June 2025, it is expected that dealings in our H Shares on the Stock Exchange will commence on Wednesday, 25 June 2025. The H Shares will be traded in board lots of 1,000 H Shares each, and the stock code of the H Shares will be 2619.

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

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

Investors should seek the advice of their stockbrokers or other professional advisers for details of the settlement arrangements and how such arrangements will affect your rights and interests as such arrangements may affect their rights and interests.

---

## INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

---

### PROFESSIONAL TAX ADVICE RECOMMENDED

Potential investors in the Global Offering are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of subscribing to, purchasing, holding or disposing of, and/or dealing in the H Shares (or exercising rights attached thereto). None of us, the Sole Sponsor, the Overall Coordinators, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, the Capital Market Intermediaries, any of our or their respective directors, agents, employees or advisers or any other person or party involved in the Global Offering accepts responsibility for any tax effects on, or liabilities of, any person resulting from the subscription to, purchase, holding or disposal of, dealing in, or the exercise of any rights in relation to, the H Shares or exercising any rights attached to them.

### H SHARE REGISTER AND STAMP DUTY

All of the H Shares issued pursuant to applications made in the Hong Kong Public Offering will be registered on our H Share register of members to be maintained in Hong Kong by our H Share Registrar, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong. Our principal register of members will be maintained by us at our head office in the PRC.

Dealings in the H Shares registered in our H Share register of members will be subject to the Hong Kong stamp duty. Please see “Appendix VII – Statutory and General Information – E. Other Information – 8. Taxation of Holders of H Shares” to this prospectus. Investors should seek professional tax advice for further details of Hong Kong stamp duty.

Unless otherwise determined by our Board, dividends will be paid to Shareholders whose names are listed on our register of members in Hong Kong, by ordinary post, at the Shareholders’ risk in Hong Kong dollars.

### EXCHANGE RATE CONVERSION

Solely for your convenience, this prospectus contains translations among certain amounts denominated in Renminbi and Hong Kong dollars. No representation is made that the amounts denominated in one currency could actually be converted into the amounts denominated in another currency at the rates indicated or at all. Unless indicated otherwise, (i) the translations between Hong Kong dollars and Renminbi were made at the rate of RMB1.0 to HK\$1.08394; and (ii) the translations between Thai Baht and Renminbi were made the rate of THB1.0 to RMB0.21.

---

## INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

---

### LANGUAGE

If there is any inconsistency between this prospectus and the Chinese translation of this prospectus, this prospectus shall prevail. However, the translated English names of the PRC and foreign nationals, entities, departments, facilities, certificates, titles, laws, regulations (including certain of our subsidiaries) and the like included in this prospectus and for which no official English translation exists are unofficial translations for your reference only. If there is any inconsistency, the names in their original languages shall prevail.

### ROUNDING

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

---

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

---

**DIRECTORS**

<b>Names</b>	<b>Residential address</b>	<b>Nationality</b>
--------------	----------------------------	--------------------

***Executive Directors***

Mr. Pan Yun (潘允)	7-501 Tonglin Garden Haishan Road Shatoujiao Yantian District Shenzhen PRC	Chinese
Mr. Guangshe Pan	4060 Duke Dr Yorba Linda CA 92886	American
Ms. Ji Ying (吉穎)	3B202 Tonglin Garden Haishan Road Shatoujiao Yantian District Shenzhen PRC	Chinese
Ms. Li Youxiang (李友香)	Block E, Yishan Garden Phase III Shatoujiao Yantian District Shenzhen PRC	Chinese
Mr. Xu Xiping (徐細平)	Room 205, Block 1 Shangshan Wutong Garden Shenyan Road Yantian District Shenzhen PRC	Chinese
Ms. Hu Yan (胡彥)	Room 11A, Unit 2, Block 1 Jindi Meilong Town Longhua District Shenzhen PRC	Chinese

---

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

---

<b>Names</b>	<b>Residential address</b>	<b>Nationality</b>
<b><i>Independent non-executive Directors</i></b>		
Dr. Huang Hanxiong (黃漢雄)	2-801 Xixiu Village South China University of Technology Tianhe District Guangzhou PRC	Chinese
Dr. Li Jiannan (李健男)	Room 1802, Building F Lideyashe West Zhongshan Road Tianhe District Guangzhou PRC	Chinese
Dr. Gu Zhaoyang (顧朝陽)	32B, Hilltop Garden Pun Shan Chau, Tai Po New Territories Hong Kong	Chinese (Hong Kong)

**SUPERVISORS**

<b>Names</b>	<b>Residential address</b>	<b>Nationality</b>
Mr. Yip Hung Tung (葉紅東)	Flat 7, Floor 17 Wah Lun House Siu Lun Court Tuen Mun New Territories Hong Kong	Chinese (Hong Kong)
Mr. Shi Chuanlai (史傳來)	Room 208 Aisijie Shantang Industrial Zone Henggang Street Longgang District Shenzhen PRC	Chinese
Ms. Yi Hongliang (易紅良)	Junlin Haiyu No. 2 Haijing Road Shatoujiao Yantian District Shenzhen PRC	Chinese

Please see “Directors, Supervisors and Senior Management” in this prospectus for further information on our Directors and Supervisors.

**PARTIES INVOLVED IN THE GLOBAL OFFERING**

**Sole Sponsor and Sole  
Sponsor-Overall Coordinator**

**Sinolink Securities (Hong Kong) Company  
Limited**

*(a licensed corporation under the SFO to engage in type 1 (dealing in securities), type 2 (dealing in futures contracts), type 4 (advising on securities), type 6 (advising on corporate finance), and type 9 (asset management) regulated activities*

Units 3501–08  
35/F, Cosco Tower  
183 Queen’s Road Central  
Hong Kong

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

**Sinolink Securities (Hong Kong) Company  
Limited**

*(a licensed corporation under the SFO to engage in type 1 (dealing in securities), type 2 (dealing in futures contracts), type 4 (advising on securities), type 6 (advising on corporate finance), and type 9 (asset management) regulated activities*

Units 3501–08  
35/F, Cosco Tower  
183 Queen’s Road Central  
Hong Kong

**CCB International Capital Limited**

*(a licensed corporation under the SFO to engage in type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities)*

12/F, CCB Tower  
3 Connaught Road Central  
Central  
Hong Kong

**Joint Bookrunners,  
Joint Lead Managers and  
Capital Market Intermediaries**

**ABCI Capital Limited**

*(Only as a Joint Bookrunner)*

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

**ABCI Securities Company Limited**

*(Only as a Joint Lead Manager)*

10/F, Agricultural Bank of China Tower

50 Connaught Road Central

Hong Kong

**CMBC Securities Company Limited**

45/F, One Exchange Square

8 Connaught Place

Central

Hong Kong

**CMB International Capital Limited**

45/F, Champion Tower

3 Garden Road

Central

Hong Kong

**First Fidelity Capital (International)  
Limited**

36/F, Times Tower

391–407 Jaffe Road

Wanchai

Hong Kong

**Uzen Securities Limited**

8/F, EC Healthcare Tower (Central)

19–20 Connaught Road Central

Central

Hong Kong

**Valuable Capital Limited**

RM 3601–06 & 3617–19

36/F, China Merchants Tower

Shun Tak Centre

168–200 Connaught Road Central

Hong Kong

---

## DIRECTORS, SUPERVISORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

---

### Legal Advisers to our Company

*As to Hong Kong law*

**DeHeng Law Offices (Hong Kong) LLP**

28/F, Henley Building  
5 Queen's Road Central  
Central  
Hong Kong

Room 3507, 35/F  
Edinburgh Tower  
The Landmark  
15 Queen's Road Central  
Central  
Hong Kong

**Mr. Yan Kwok Wing**

Barrister-at-law, Hong Kong  
Pacific Chambers  
9th Floor, Dina House  
11 Duddell Street  
Central  
Hong Kong

*As to the PRC law*

**Zhong Lun Law Firm**

22-31/F, South Tower of CP Centre  
20 Jin He East Avenue  
Chaoyang District  
Beijing 100020  
P.R. China

*As to the U.S. law*

**Law Offices of Bin Li & Associates**

730 N. Diamond Bar Blvd  
Diamond Bar, CA 91765

*As to Indonesian law*

**SEA Law Firm**

APL Tower – Central Park  
JI. Letjen S. Parman Kav.28  
Lt.20 Unit T-5  
Grogol Petamburan  
Jakarta Barat  
Daerah Khusus Ibukota Jakarta 11470



*As to Thailand law*

**DTL Law Office**

33/4 The Ninth Tower A  
34th Floor  
Rama 9 Road  
Huaykwang Sub-District  
Huaykwang District  
Bangkok, 10310  
Thailand

*As to International Sanctions law*

**Stephen Peepels**

51 Tung Street, 1st Floor  
Meehan House  
Sheung Wan  
Hong Kong

**Legal Advisers to the Sole Sponsor  
and the Underwriters**

*As to Hong Kong law*

**Jingtian & Gongcheng LLP**

Suites 3203–3207, 32/F  
Edinburgh Tower  
The Landmark  
15 Queen's Road Central  
Central  
Hong Kong

*As to the PRC law*

**Sundial Law Firm**

11–12F., Taiping Finance Tower  
6001 Yitian Road  
Futian District, Shenzhen  
PRC

**Auditor and Reporting Accountants**

**Deloitte Touche Tohmatsu**

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

---

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

---

**Property Valuer**

**AVISTA Group**  
Suites 2401–06, 24/F  
Everbright Centre  
No 108 Gloucester Road  
Wan Chai  
Hong Kong

**Industry Consultant**

**Frost & Sullivan (Beijing) Inc.,  
Shanghai Branch Co.**  
Room 2504, Wheelock Square  
No. 1717 West Nanjing Road  
Jing'an District  
Shanghai, PRC

**Main Receiving Bank**

**DBS Bank (Hong Kong) Limited**  
16/F, The Centre  
99 Queen's Road Central  
Hong Kong

**Sub-receiving Bank**

**Industrial and Commercial Bank of China  
(Asia) Ltd.**  
33/F, ICBC Tower  
3 Garden Road  
Central, Hong Kong

---

## CORPORATE INFORMATION

---

**Registered Office in the PRC**

Kai Di Road  
Li Shi Zhen Industrial Park  
Qichun County  
Hubei Province  
PRC

**Headquarters in the PRC**

7th Floor, Building 7  
Shatoujiao Free Trade Zone  
Haishan Road, Yantian District  
Shenzhen  
PRC

**Principal Place of Business in  
Hong Kong**

Unit 2703B, 27/F  
148 Electric Road  
North Point  
Hong Kong

**Company's Website**

**<http://www.xjgroup.com>**

*(Note: the information on this website does not  
form part of this prospectus)*

**Joint Company Secretaries**

Ms. Hu Yan (胡彦)  
Room 11A, Unit 2, Block 1  
Jindi Meilong Town  
Longhua District  
Shenzhen  
PRC

Mr. Ng Chun Hoi (吳浚鎧)  
*(a member of the Hong Kong Institute of Certified  
Public Accountants)*  
28/F, Henley Building  
5 Queen Road's Central  
Central  
Hong Kong

---

## CORPORATE INFORMATION

---

**Authorised Representatives**

Ms. Hu Yan (胡彦)  
Room 11A, Unit 2, Block 1  
Jindi Meilong Town  
Longhua District  
Shenzhen  
PRC

Mr. Ng Chun Hoi (吳浚鎧)  
*(a member of the Hong Kong Institute of Certified  
Public Accountants)*  
28/F, Henley Building  
5 Queen Road's Central  
Central  
Hong Kong

**Audit Committee**

Dr. Gu Zhaoyang (*Chairman*)  
Dr. Huang Hanxiong  
Dr. Li Jiannan

**Remuneration Committee**

Dr. Li Jiannan (*Chairman*)  
Ms. Ji Ying  
Dr. Gu Zhaoyang

**Nomination Committee**

Dr. Huang Hanxiong (*Chairman*)  
Ms. Ji Ying  
Dr. Li Jiannan

**Strategic Committee**

Mr. Pan Yun (*Chairman*)  
Dr. Huang Hanxiong  
Ms. Li Youxiang

**H Share Registrar**

**Tricor Investor Services Limited**  
17/F, Far East Finance Centre  
16 Harcourt Road  
Hong Kong

---

## CORPORATE INFORMATION

---

### Compliance Adviser

**Sinolink Securities (Hong Kong)**

**Company Limited**

*(a licensed corporation under the SFO to engage in type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities)*

Units 3501–08

35/F, Cosco Tower

183 Queen's Road Central

Hong Kong

### Principal Banks

**Ping An Bank Co., Ltd.**

**Shenzhen Branch Longhua Subbranch**

1–2/F, East side of Donghe Garden Complex

Donghuan 2nd Road, Longhua Street Office

Bao'an District

Shenzhen

PRC

**DBS Bank (China) Limited**

**Shenzhen Branch**

18/F, China Resources Building

No. 5001 Shennan East Road

Luohu District

Shenzhen

PRC

---

## INDUSTRY OVERVIEW

---

*The information and statistics set out in this section and other sections of this prospectus were extracted from the Frost & Sullivan Report, which was commissioned by us, and from various official government publications and other publicly available publications. We engaged Frost & Sullivan to prepare the Frost & Sullivan Report, an independent industry report, in connection with the Global Offering. We believe that the sources of this information are appropriate sources for such information and have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading. The information from official government sources has not been independently verified by us, the Sole Sponsor, Overall Coordinators, Joint Global Coordinators, Joint Bookrunners, Joint Lead Managers, Underwriters, any of their respective directors and advisors, or any other persons or parties involved in the Global Offering, and no representation is given as to its accuracy.*

### SOURCE OF INFORMATION

We commissioned Frost & Sullivan to conduct market research on global lifestyle household goods industry, global small home appliance industry and global garden hose industry, and prepare the Frost & Sullivan Report. Frost & Sullivan is an independent global consulting firm founded in 1961 in New York that offers industry research and market strategies. We have contracted to pay RMB520,000 to Frost & Sullivan for compiling the Frost & Sullivan Report.

In preparing the Frost & Sullivan Report, Frost & Sullivan conducted detailed primary research which involved discussing the status of the industry with certain leading industry participants and conducting interviews with relevant parties. Frost & Sullivan also conducted secondary research which involved reviewing company reports, independent research reports and data based on its own research database. Frost & Sullivan obtained the figures for the estimated total market size from historical data analysis plotted against macroeconomic data as well as considered the above-mentioned industry key drivers. Its market engineering forecasting methodology integrates several forecasting techniques with the market engineering measurement-based system and relies on the expertise of the analyst team in integrating the critical market elements investigated during the research phase of the project. These elements primarily include expert-opinion forecasting methodology, integration of market drivers and restraints, integration with the market challenges, integration of the market engineering measurement trends and integration of econometric variables.

The Frost & Sullivan Report is compiled based on the following assumptions: (i) the social, economic and political environment of the globe and mainland China is likely to remain stable in the forecast period; and (ii) related industry key drivers are likely to drive the market in the forecast period.

## INDUSTRY OVERVIEW

### OVERVIEW OF GLOBAL LIFESTYLE HOUSEHOLD GOODS INDUSTRY

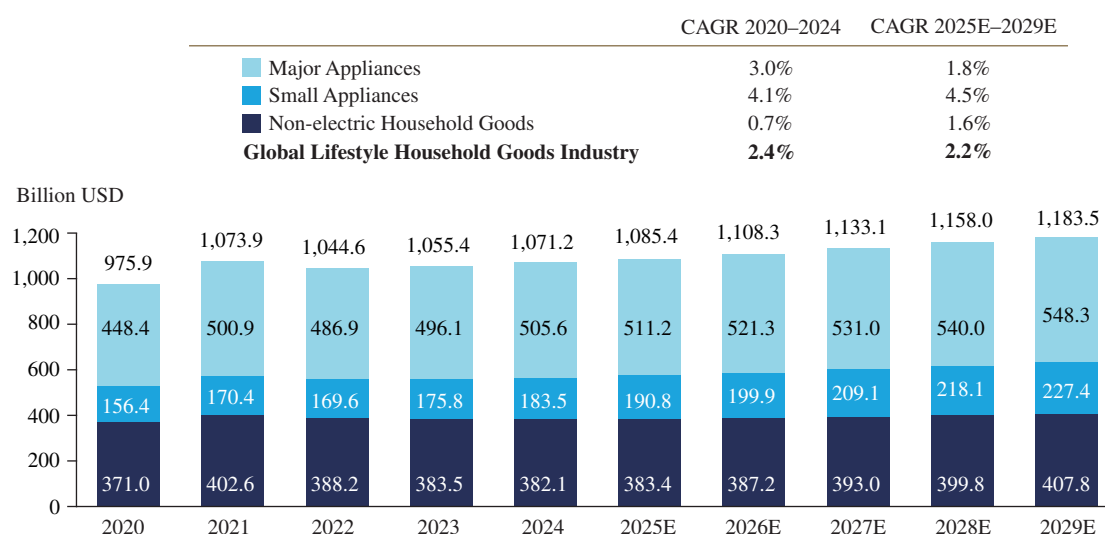
#### Definition and Classification of Lifestyle Household Goods

Lifestyle household goods encompass a range of items designed to optimise modern home environments and elevate living experiences and can be categorised into electric home appliances and non-electric household goods based on their usage characteristics and modes of operation. Electric home appliances consist of major home appliances and small home appliances. Non-electric household goods mainly consist of non-electric household items relating to gardening, bathroom, kitchen, indoor living, etc.

#### Market Size of Global Lifestyle Household Goods Industry

The following chart illustrates the historical and forecast market size of global lifestyle household goods industry by retail value from 2020 to 2029:

#### Market Size of Global Lifestyle Household Goods Industry by Retail Value, 2020–2029E



Source: Interviews with Industry Experts, Frost & Sullivan

### OVERVIEW OF GLOBAL SMALL HOME APPLIANCE INDUSTRY

#### Definition and Classification of Small Home Appliances

Small home appliances are compact household devices that consume minimal electricity, exclude high-power output, and are designed to enhance quality of life. They are integral to modern living, providing convenience and efficiency in various aspects of daily life. Small home appliances can be categorised based on their functions into small kitchen appliances, small home living and environment appliances, and small personal care appliances.

- **Small Kitchen Appliances:** Small kitchen appliances consist of small food preparation appliances and small cooking appliances. Small food preparation appliances are used for the preparation and processing of food (e.g., blender, mixer, juice extractor, food processor, etc.). Small cooking appliances are used for cooking food in the kitchen (e.g., kettle, rice cooker, electric steamer, fryer, electric grill, etc.).
- **Small Home Living and Environment Appliances:** Small home living and environment appliances are used to reduce household chores, improve living conditions and maintain cleanliness (e.g., air purifier, dehumidifier, humidifier, electric fan, vacuum, etc.).
- **Small Personal Care Appliances:** Small personal care appliances are used for personal hygiene, health and grooming (e.g., body shaver, electric toothbrush, electric facial cleanser, etc.).

#### Market Size of Global Small Home Appliance Industry

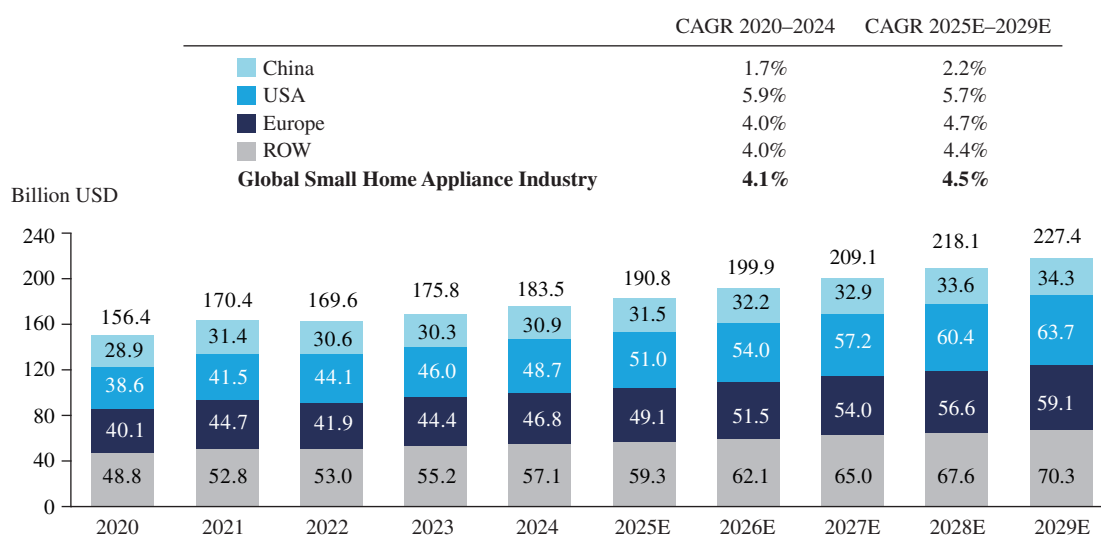
Driven by advancements in technology, increasing consumer demand for energy-efficient products and the rise of smart home solutions, the global small home appliance industry has experienced a steady growth in recent years, with its retail value increasing from USD156.4 billion in 2020 to USD183.5 billion in 2024, representing a CAGR of 4.1%. The COVID-19 pandemic led to more people staying at home and reducing social gatherings, which boosted global demand for small home appliances in 2020 and 2021. As the world transitioned into the post-pandemic period, combined with factors such as geopolitical tensions and a global macroeconomic downturn, the retail value of global small home appliance industry declined in 2022. Moving forward, with ongoing technological advancements and environmental-friendly innovations, the global small home appliance industry is expected to keep a steady growth from USD190.8 billion in 2025 to USD227.4 billion in 2029, representing a CAGR of 4.5%.



## INDUSTRY OVERVIEW

Driven by increasing demand for convenient, time-saving and energy efficient products, the market size of the small home appliance industry in the USA has experienced rapid growth in recent years, with its retail value rising from USD38.6 billion in 2020 to USD48.7 billion in 2024, with a CAGR of 5.9%. With advancements in technology and changing lifestyle preferences, increasing number of households are adopting innovative appliances. Fueled by ongoing innovation, rising disposable incomes and growing focus on sustainability, the upward trend is expected to accelerate further over the next five years, with retail value in small home appliance industry in the USA growing from USD51.0 billion in 2025 to USD63.7 billion in 2029, representing a CAGR of 5.7%.

### Market Size of Global Small Home Appliance Industry by Retail Value by Region, 2020–2029E

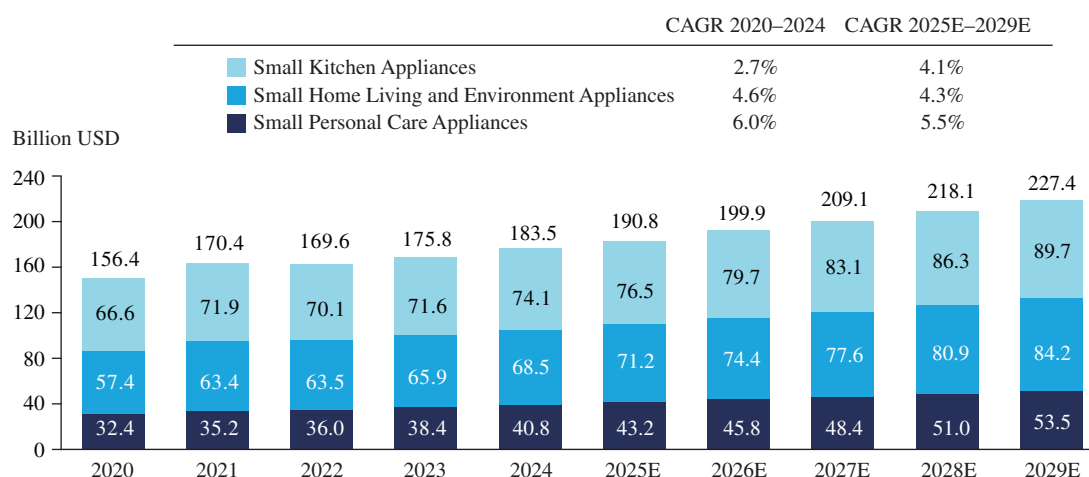


Source: Interviews with Industry Experts, Frost & Sullivan

## INDUSTRY OVERVIEW

The global small home appliance industry has undergone notable advancements with significant growth across various product types, driven by increasing consumer demand for convenience, health and sustainability. Small kitchen appliances account for the largest share of the market, with the retail value increasing from USD66.6 billion in 2020 to USD74.1 billion in 2024 at a CAGR of 2.7%. The retail value of small home living and environment appliances increased from USD57.4 billion in 2020 to USD68.5 billion in 2024, with a CAGR of 4.6%. Meanwhile, fueled by growing focus on personal wellness, beauty trends and adoption of smart, portable personal care technologies, small personal care appliances have experienced a rapid growth over the past few years, with its retail value increasing from USD32.4 billion in 2020 to USD40.8 billion in 2024 at a CAGR of 6.0%. As the industry moves forward, small kitchen appliances are expected to maintain the dominance, with the retail value increasing from USD76.5 billion in 2025 to USD89.7 billion in 2029 at a CAGR of 4.1%.

### Market Size of Global Small Home Appliance Industry by Retail Value by Type of Functions, 2020–2029E

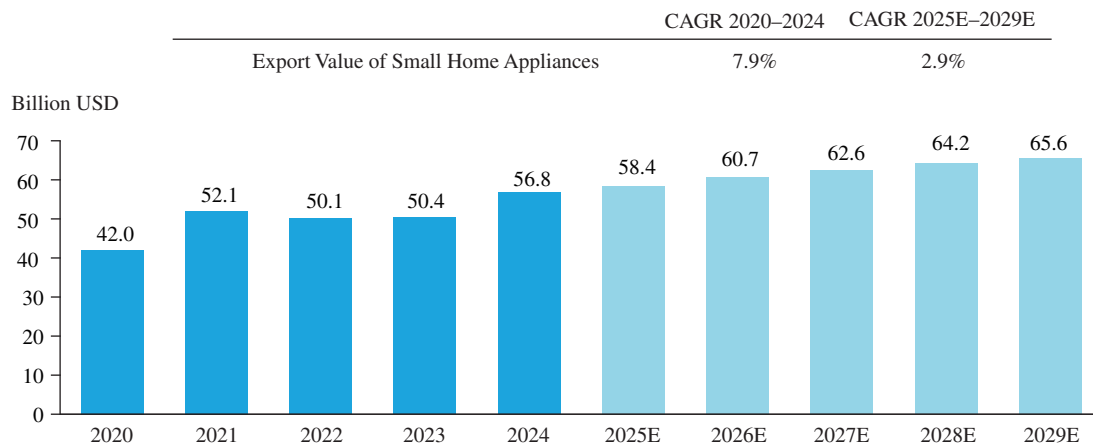


Source: Interviews with Industry Experts, Frost & Sullivan

## INDUSTRY OVERVIEW

After years of development, China's small home appliance industry has evolved from simple assembly to lean manufacturing, becoming one of the world's leading production bases. The export value of China's small home appliances increased from USD42.0 billion in 2020 to USD56.8 billion in 2024, with a CAGR of 7.9%. Looking forward, the continued recovery of the global economy, particularly the rising demand for small home appliance in developing countries, combined with China's ongoing technological innovations and diverse range of exported small home appliances, is expected to drive the export value of China's small home appliance from USD58.4 billion in 2025 to USD65.6 billion in 2029, with a CAGR of 2.9%.

### Export Value of China's Small Home Appliances, 2020–2029E



Source: China Household Electrical Appliances Association, China Chamber of Commerce for Import and Export of Machinery and Electronic Products, Frost & Sullivan

---

## INDUSTRY OVERVIEW

---

### **Market Drivers and Trends Analysis of Global Small Home Appliance Industry and Small Kitchen Appliance Industry**

#### ***Growing Demand for Small Home Appliances in the United States***

The U.S. small home appliance market has experienced rapid growth over the past few years and now holds an important position in the global landscape. As one of the largest markets in the world, it sets trends and influences manufacturing and product development across the global home appliance industry. The growing demand for small home appliances in the United States can be attributed to rising domestic consumer focus on convenience and lifestyle and decreasing trend of family size. First, in the United States, appliances that offer convenience and time-saving solutions are seeing strong demand. Smart kitchen appliances, in particular, are gaining popularity as consumers increasingly prefer efficient, user-friendly products that fit into modern lifestyles. The market size of the small kitchen appliance industry in the U.S. increased from USD17.2 billion in 2020 to USD21.2 billion in 2024, with an expectation to further increase from USD22.1 billion in 2025 to USD26.8 billion in 2029 at a CAGR of 5.0% from 2025. Among the industry, market size of some of the small kitchen appliances is expected to increase. For example, the market size of electric fryer, electric griddle and kettle in the U.S. will increase to USD2,169.5 million by a CAGR of 8.1%, USD682.3 million by a CAGR of 5.3% and USD314.2 million by a CAGR of 5.1%, respectively, in 2029. Second, the decreasing trend in family size as well as the rise of the “lazy single economy”, particularly in developed countries like the United States, has fueled growth in the small home appliance industry, as single consumers increasingly purchase small home appliances to enhance personal well-being and convenience. For example, according to data released by U.S. Census Bureau, the average number of people per household in the USA decreased from 2.6 in 2010 to 2.5 in 2024. In addition, the share of one-person households in the United States increased from 26.7% in 2010 to 29.0% in 2024. As households become smaller, consumers are looking for compact, space-efficient home appliances that cater to their individual needs. This shift in household dynamics is expected to further drive the growth in small home appliance industry, aligning with the evolving lifestyle preferences in the United States.

### ***Rising Demand for Innovative and Eco-friendly Small Home Appliances***

As global living standards continue to rise, consumers are demanding more functional small home appliances. They are no longer satisfied with basic operational capabilities and instead seek advanced performance, user-friendly designs, and greater convenience. The rise of the “lazy single economy” has fueled growth in the small home appliance industry, as single consumers increasingly purchase small home appliances to enhance personal well-being and convenience. The single population is also steadily increasing, particularly in developed countries. Therefore, innovative multifunctional small home appliances cater especially well to this demographic, offering practical and time-saving solutions for individual lifestyles. In addition, the growing demand is further influenced by increasing awareness of low-carbon and green living principles. Modern consumers prioritize products that are efficient, environmentally friendly, made from sustainable materials, and safe for personal health. For example, with a rising emphasis on hygiene, there is a growing demand for small kitchen appliances that incorporate sterilization, antibacterial, and non-toxic features. Electric griddles and skillets are preferred to be polytetrafluoroethylene (PTFE) and perfluorooctanoic acid (PFOA) free, making it safe for customers. Thus, consumers are increasingly opting for products that support a cleaner, healthier lifestyle. Consequently, small home appliance manufacturers are investing heavily in research and development to enhance product quality and functionality, aiming to meet the diverse and evolving needs of consumers. This trend signifies a significant move towards innovation and sustainability within the small home appliance industry, reflecting broader societal values and consumer expectations.

### ***Innovative Technological Advancements on Product, Manufacture and Quality Control***

Technological innovation is profoundly shaping the global small home appliance industry, driven by advanced product design, automated manufacturing technology, better quality control system, and enhanced product performance. Companies are significantly increasing their R&D investments to introduce appliances with cutting-edge features such as smart connectivity, remote control, and automated operations. For example, modern smart small kitchen appliances now feature app-based controls, voice activation, and automated heating or cooking schedules, enabling users to effortlessly customize their settings. Further, intelligent production lines are improving efficiency and product quality while reducing costs. For example, leading companies adopt modular standard designs and optimize processes to enhance traditional production lines by incorporating equipment such as temperature sensing systems and reciprocating lifts, achieving automated production. Based on the adoption of automated manufacturing technology, leading companies implement automated quality control systems for collecting production volume and quality data, achieving integrated automated testing. This reduces manual involvement, lowers the defect rate of finished products, and prevents issues such as mis-assembly, missing components, incorrect measurements, and missed tests, thereby enhancing product quality and reliability. Moreover, product performance is continuously enhanced through innovative technological advancements. For instance, some leading players in the industry are upgrading motors to reduce heat generation, extending product lifespan. Additionally, advanced product designs contribute to improved heat dissipation. Innovations in product development, manufacturing, and quality control are set to significantly elevate the performance and standards of future products.

---

## INDUSTRY OVERVIEW

---

### *Transformation of Traditional Business Model*

The global small home appliance industry is undergoing a significant shift in business models, transitioning from traditional OEM approaches to more integrated ODM and OBM models. Historically, many small home appliance manufacturers focused primarily on producing appliances for established brands. However, as product types and consumer demands diversify, companies are increasingly adopting the ODM model, where they design, produce, and sell their own products to boost market competitiveness. Especially for ODM manufacturers engaged in cross-border sales, under the ODM model, brand owners provide market demand, design requirements, brand concepts, etc. in specified regions. ODM manufacturers with professional design and manufacturing capabilities can better meet market demands and brand requirements, reducing design costs for brand owners while improving product quality and competitiveness. Additionally, enterprises with strong design capabilities and brand influence are embracing the OBM model, creating and marketing their proprietary brands. This shift enables companies to better control market channels and brand image, enhancing brand value and market share. This evolution has led to the emergence of some Chinese small home appliance brands, which are adopting a hybrid ODM/OEM+OBM approach. High quality, cost-effectiveness, superior product design, manufacturing processes and brand positioning, and excellent after-sales service have helped these emerging Chinese brands gain recognition and support from global consumers, securing a strong position in the competitive market.

### *Accelerated Path of Chinese Companies to Set up Factories in Southeast Asia*

The rapid economic growth, favorable geographical location, supportive partnerships and relatively free global trade mechanism across Southeast Asia have positioned the region as an attractive destination for Chinese companies seeking to expand their presence in overseas markets, particularly in the small home appliance sector. From 2020 to 2024, Southeast Asia's GDP grew at a robust CAGR of 6.6%, with projections indicating a rise from USD3.5 trillion in 2025 to USD4.4 trillion by 2029, achieving a CAGR of 6.0%. Southeast Asia has an increasing flow of foreign investment and trade and investment facilitated by regional economic cooperation. Besides, Southeast Asia has a well-developed network of land, sea, and air transportation that conveniently connects it to various parts of the world, such as Europe and the Americas. Furthermore, with the deepening of the China-ASEAN Free Trade Area (ACFTA), the full implementation of the "Regional Comprehensive Economic Partnership" (RCEP) and the comprehensive progress of the "Belt and Road Initiative", Chinese home appliance companies are actively pursuing opportunities in the Southeast Asian market. For example, under the "Belt and Road" initiative, the Rayong Industrial Park in Thailand is one of the first overseas economic and trade cooperation zones established by China. China is also Thailand's largest source of foreign investment. Looking ahead, in light of potential impacts from the US-China trade war, strategic positioning in Southeast Asia will enable Chinese companies, especially small home appliance manufacturers operating on an ODM/OEM basis, to ensure stable exports to the United States and other places while controlling product costs and quality. This strategy supports the implementation of a globalized industrial approach and mitigates risks associated with globalization policies for Chinese small home appliance companies.

### **Industry Barrier Analysis of Global Small Home Appliance Industry and Small Kitchen Appliance Industry**

#### ***Technological Barrier***

As consumers increasingly prioritise the functionality, aesthetics, environmental friendliness, and health attributes of products, small home appliance manufacturers must continuously innovate in technology and processes to meet rapidly evolving market demands. The application of new technologies, materials, and manufacturing techniques drives product iterations and upgrades, creating significant technological barriers for new entrants. These newcomers must invest substantial resources into research and development to keep pace with industry advancements. Additionally, they need to continuously advance their production equipment to effectively respond to market trends such as intelligent and automated manufacturing. The complexity of manufacturing processes and the precision required in production further elevate the challenges and costs for new entrants. This environment necessitates a high level of technical expertise and substantial financial investment, making it difficult for new companies to compete with established players who already possess the necessary technological capabilities and manufacturing efficiencies. Thus, the technological sophistication and innovation within the small home appliance industry act as formidable barriers, safeguarding the competitive edge of established manufacturers while deterring less-equipped newcomers from entering the market.

#### ***Customer Recognition Barrier***

The small home appliance market is characterised by high demand for quality, and the nature of the ODM/OEM industry necessitates that manufacturing enterprises gain recognition and establish stable business partnerships with overseas clients based on their long-term experience and solid reputation in the small home appliance industry. The supplier certification process for well-known international customers is typically very rigorous, involving comprehensive assessments of a manufacturer's operational qualifications, production capacity, quality management, human rights policies, anti-terrorism and factory safety measures and environmental protection practices. This thorough vetting process generally spans 2-3 years, encompassing initial client contact, factory inspections, sample trials, small-scale trial production, and finally, large-scale orders. Once a manufacturer achieves certified supplier status and begins cooperation, large clients are unlikely to switch suppliers easily due to high switching costs. This creates a significant barrier for new entrants, who find it challenging to quickly establish trust and business relationships with potential clients. Therefore, the lengthy and demanding process of gaining customer recognition, coupled with the reluctance of established clients to change suppliers, forms a formidable barrier to entry in the global small home appliance industry.

### *Qualification Barrier*

The small home appliance industry is governed by stringent requirements for production qualifications and product certifications, posing significant barriers for new entrants. To legally manufacture and sell products, newcomers must obtain relevant production licences and certifications. Various countries and regions around the world have established mandatory certification systems for electric home appliances. For example, products exported to the United States and Canada must pass safety certifications such as ETL and UL, as well as FDA food-grade certifications. Exports to Europe require CE, GS, and UKCA safety certifications, along with food-grade certifications such as Germany's LFGB, France's DGCCRF, and Italy's DM. Australian exports need SAA safety certifications, while exports to the Asia-Pacific region require PSE and CB safety certifications. Additionally, with growing environmental awareness, companies must also secure appropriate environmental qualifications to meet ecological standards. The process of obtaining these certifications is complex and time-consuming, significantly increasing the difficulty for new entrants to break into the market. These rigorous certification requirements ensure that only manufacturers who can meet high standards of safety, quality, and environmental compliance can compete in the global small home appliance industry, thereby protecting established players and maintaining industry standards.

### *Capital Barrier*

Entering the small home appliance industry demands substantial capital investment in key areas such as research and development, marketing, production line construction, and global expansion. The industry's downstream customers, particularly global well-known brands, have stringent requirements for delivery times and product quality, making supplier selection highly dependent on the supplier's capacity for large-scale production. As a result, companies must invest heavily in building standardised factories, acquiring advanced production lines, and implementing automation technologies to meet these demands. Achieving economies of scale is essential and can only be realised after reaching a certain volume of business, which necessitates ongoing capital expenditure to expand production capacity in response to growing market demand. New entrants often lack the financial resources or effective financing capabilities required to rapidly establish large-scale production facilities and deploy comprehensive resources on a global scale. This financial barrier, combined with the need for continuous investment to scale operations, makes it challenging for new competitors to establish a foothold in the market and compete with established players who already possess the necessary capital and production capabilities.



### **Major Development Challenge Analysis of Global Small Home Appliance Industry and Small Kitchen Appliance Industry**

#### ***Uncertainties in International Trade***

Ongoing trade disputes, particularly the US-China trade tensions, have heightened trade barriers between the two countries, posing significant challenges for the export and import of small home appliances. High tariffs and stringent trade restrictions are likely to increase export costs, potentially undermining the competitiveness of Chinese small home appliance companies in the U.S. market. The uncertainties in international trade may further impact the development of the small home appliance industry. In response to this international landscape, some leading Chinese small home appliance manufacturers are establishing factories in Southeast Asia to effectively deploy their production capacity on a global scale and enhance risk management capabilities. This strategic move aims to improve resilience against fluctuations in international trade policies and enhance the overall competitiveness of these companies.

#### ***Diverse Consumer Demand***

In the small home appliance industry, consumer demands are evolving rapidly. Today's customers increasingly seek products that are not only intelligent and personalised but also of the highest quality. This shift in consumer expectations calls for constant innovation in product development and marketing strategies to stay ahead of the curve. For example, some smart small kitchen appliance products have gained increasing popularity due to their ability to offer diverse options, time-saving features, and app-based controls that allow users to monitor and adjust settings remotely. Companies in the small home appliance industry need to invest in cutting-edge technologies and sophisticated design features that cater to the growing demand for smarter and more customised appliances. To succeed in a highly competitive market, small home appliance companies must ensure their products exceed evolving consumer preferences, allowing them to stand out from the competition.

#### ***Rising Environmental Standards***

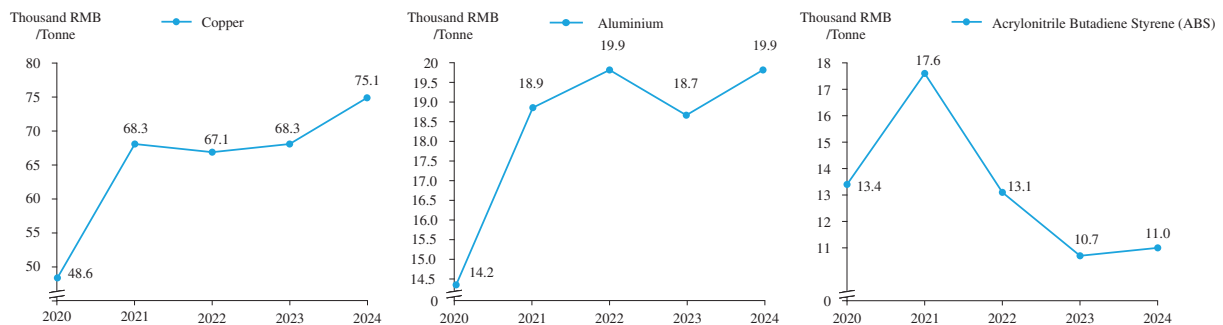
The global focus on environmental protection and sustainable development is intensifying, with countries implementing stricter environmental regulations and standards. Manufacturers of small home appliances must adhere to these regulations by integrating eco-friendly materials and technologies into their product design and production processes. This compliance increases production costs and technical challenges, forcing companies to balance environmental responsibility with economic viability. However, adopting sustainable practices not only fulfils regulatory requirements but also resonates with environmentally conscious consumers, fostering long-term brand loyalty and driving market growth.

## INDUSTRY OVERVIEW

### Raw Material Price Analysis of Global Small Home Appliance Industry and Small Kitchen Appliance Industry

The small home appliance industry faces challenges due to the fluctuating prices of key raw materials such as copper, aluminum and Acrylonitrile Butadiene Styrene (ABS). These fluctuations necessitate efficient procurement strategies and cost management practices to ensure manufacturers can maintain profitability and competitiveness in the market. Copper, a primary raw material for metal components and electronic parts, has seen its average price in China rise from RMB48.6 thousand per tonne in 2020 to RMB75.1 thousand per tonne in 2024. This increase is driven by growing demand and limited supply in the market. The high cost of copper affects various components of small home appliances such as power cords, thermostats, and PCB boards, which rely on copper for their production. Consequently, manufacturers must navigate these rising costs to maintain profitability and competitive pricing. Aluminium is a key material for various appliance components such as aluminium motors, heating pipes, etc., and its price changes directly impact manufacturing costs. Aluminium prices have also shown notable fluctuations, impacting the small home appliance sector. The average price of aluminium in China has increased from RMB14.2 thousand per tonne in 2020 to RMB19.9 thousand per tonne in 2024. This surge is driven by rising downstream demand from emerging sectors such as automotive and renewable energy, alongside supply constraints due to capacity lags and operational disruptions related to regulatory interventions and environmental concerns. The average price of ABS, a crucial plastic material for small home appliances, has experienced significant volatility over the past few years in China. The average price of ABS in China peaked at RMB17.6 thousand per tonne in 2021 then dropped to RMB11.0 thousand per tonne in 2024. The ABS industry is currently experiencing a potential oversupply due to expanding production capacity and increased supply.

**Average Prices of Copper, Aluminium,  
Acrylonitrile Butadiene Styrene (China), 2020–2024**



Source: BAIINFO, Frost & Sullivan

## INDUSTRY OVERVIEW

### Competitive Landscape Analysis of Global Small Home Appliance Industry and Small Kitchen Appliance Industry

The product categories involved in the small home appliance industry are relatively complex, and the product categories are still growing, making the industry highly fragmented and segmented. After years of development, small home appliance companies in China have primarily split into two major categories. The first category comprises brand-focused companies, which dominate the domestic market and wield significant brand influence. The second category includes OEM/ODM companies, which mainly focus on ODM/OEM models. These companies, primarily provide integrated R&D and production services to well-known international brands.

In 2024, the export value of small kitchen appliances in China reached approximately RMB141.7 billion. The top ten companies accounted for a total market share of 36.9% by export value in 2024. The export value for our Group was approximately RMB1.1 billion in 2024, ranking the 10<sup>th</sup> among the market participants in China and accounting for a market share of 0.8%.

#### Top Ten Companies in China's Small Kitchen Appliance Industry by Export Value, 2024

Ranking	Company Name	Export Value of Small Kitchen Appliances in 2024 (RMB Billion)	Market Share
1	Guangdong Galanz Electrical Appliances Manufacturing Co., Ltd.	20.0	14.1%
2	Guangdong Xinbao Electrical Appliances Holdings Co., Ltd.	9.0	6.4%
3	Midea Group Co., Ltd.	7.0	4.9%
4	Zhejiang Supor Co., Ltd.	6.0	4.2%
5	Guangdong WELLY Electrical Appliances Co, Ltd.	2.2	1.6%
6	Zhejiang Biyi Electric Appliance Co., Ltd.	1.9	1.3%
7	Ningbo careline Electric Appliance Co., Ltd.	1.8	1.3%
8	Ningbo Borine Electric Appliance Co., Ltd.	1.7	1.2%
9	Joyoung Co., Ltd.	1.6	1.1%
10	<b>Our Group</b>	<b>1.1</b>	<b>0.8%</b>
	<b>TOP 10</b>	<b>52.3</b>	<b>36.9%</b>
	<b>TOTAL</b>	<b>141.7</b>	

*Source: Annual Reports of Listed Companies, China Chamber of Commerce for Import and Export of Machinery and Electronic Products, Interviews with Industry Experts, Frost & Sullivan*

## INDUSTRY OVERVIEW

The following sets forth the profile of the companies in the ranking:

Company Name	Establish Year and Registered Place	Listed or Not	Major Types of Small Home Appliances	Major Business Model of Overseas Business
Guangdong Galanz Electrical Appliances Manufacturing Co., Ltd.	2011 Zhongshan, Guangdong	Unlisted	<ul style="list-style-type: none"> <li>• Small Kitchen Appliances</li> </ul>	OBM+OEM/ODM
Guangdong Xinbao Electrical Appliances Holdings Co., Ltd.	1995 Foshan, Guangdong	Listed (002705.SZ)	<ul style="list-style-type: none"> <li>• Small Kitchen Appliances</li> <li>• Small Home Living and Environment Appliances</li> <li>• Small Personal Care Appliances</li> </ul>	OEM/ODM
Midea Group Co., Ltd.	2000 Foshan, Guangdong	Listed (000333.SZ; 0300.HK)	<ul style="list-style-type: none"> <li>• Small Kitchen Appliances</li> <li>• Small Home Living and Environment Appliances</li> <li>• Small Personal Care Appliances</li> </ul>	OBM+OEM/ODM
Zhejiang Supor Co., Ltd.	1996 Yuhuan, Zhejiang	Listed (002032.SZ)	<ul style="list-style-type: none"> <li>• Small Kitchen Appliances</li> <li>• Small Home Living and Environment Appliances</li> </ul>	OBM+OEM/ODM
Joyoung Co., Ltd.	2002 Jinan, Shandong	Listed (002242.SZ)	<ul style="list-style-type: none"> <li>• Small Kitchen Appliances</li> <li>• Small Home Living and Environment Appliances</li> </ul>	OBM+OEM/ODM

## INDUSTRY OVERVIEW

Company Name	Establish Year and Registered Place	Listed or Not	Major Types of Small Home Appliances	Major Business Model of Overseas Business
Guangdong WELLY Electrical Appliances Co., Ltd.	2005 Zhongshan, Guangdong	Unlisted	• Small Kitchen Appliances	OEM/ODM
Ningbo careline Electric Appliance Co., Ltd.	2010 Ningbo, Zhejiang	Unlisted	• Small Kitchen Appliances	OEM/ODM
Ningbo Borine Electric Appliance Co., Ltd.	2007 Ningbo, Zhejiang	Listed (873083.NQ)	• Small Kitchen Appliances	OEM/ODM
Zhejiang Biyi Electric Appliance Co., Ltd.	2001 Yuyao, Zhejiang	Listed (603215.SH)	• Small Kitchen Appliances	OEM/ODM

According to the data released by the General Administration of Customs of PRC, the following is the proportion of the export volume of our Group's major small home appliance product series to China's export volume to the corresponding countries:

Customs Goods and HS Codes	Exporter Country	Units	China's Export Volume in 2024	Our Group's Export Volume in 2024	Our Group's Market Share in China (%)
Food grinder and blender (85094090) <sup>1</sup>	The U.S.	Piece	71,329,719	2,678,751	3.76
	Australia	Piece	5,521,711	64,602	1.17
	Netherlands	Piece	12,203,807	46,070	0.38
	Switzerland	Piece	373,038	1,196	0.32
Other electric furnace; electric pot, electric heating plate, heating ring, barbecue oven, etc. (85166090)	The U.S.	Piece	49,867,199	4,361,181	8.75
	Germany	Piece	8,045,708	116,739	1.45
	France	Piece	10,257,515	230,001	2.24
	The U.K.	Piece	9,536,980	86,684	0.91
	Switzerland	Piece	326,236	10,220	3.13

## INDUSTRY OVERVIEW

Customs Goods and HS Codes	Exporter Country	Units	China's Export Volume in 2024	Our Group's Export Volume in 2024	Our Group's Market Share in China (%)
Other electric coffee and tea maker (85167190)	The U.S.	Piece	6,428,613	1,579,649	24.57
	Canada	Piece	532,974	317,453	59.56
	France	Piece	251,169	13,252	5.28
	Sweden	Piece	45,258	1,800	3.98
Scale, including baby scale, household scale (84231000)	The U.S.	Ten Thousand Pieces	3,143	82.36	2.62

*Source: General Administration of Customs of PRC, Frost & Sullivan*

*Notes:*

1. Corresponds to our Group's products including mixer and other motor-driven products;
2. Corresponds to our Group's products including electric oven, electric fryer, electric boiler, air fryer, dried fruit machine, slow cooker, football oven, waffle machine and other electro-thermic products;
3. Corresponds to our Group's products including electric kettle;
4. Corresponds to our Group's products including electronic scale series (kitchen scale, human scale, etc.).

## OVERVIEW OF GLOBAL GARDEN HOSE INDUSTRY

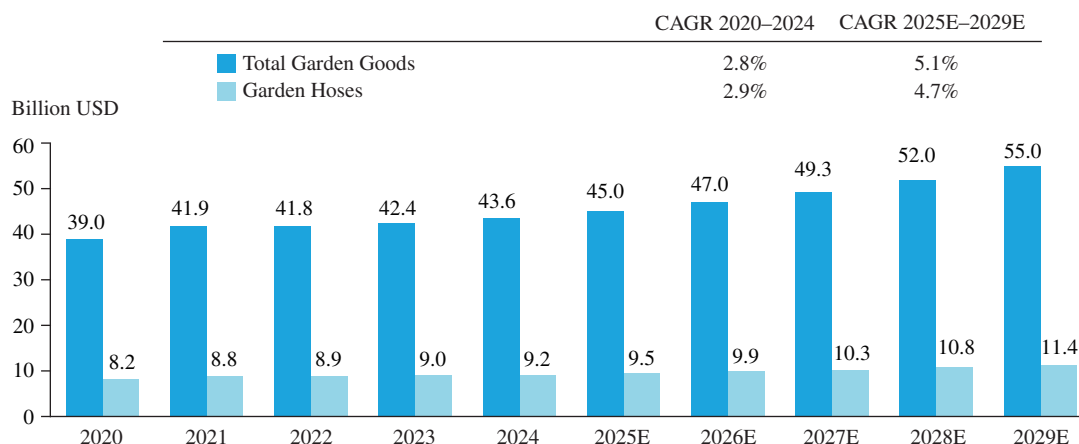
Garden goods refer to tools, machines, or devices specifically designed for gardening and outdoor maintenance. Garden hose is one of the major garden goods used for garden irrigation, cleaning, and other purposes. It is typically made of durable materials such as PVC, polyethylene, TPE (thermoplastic elastomers), latex, etc., characterised by being soft, lightweight, and durable.

### Market Size of Garden Hose and Garden Goods Industry

As the global economy expands and the demand for high-quality lifestyles rises, an increasing number of consumers are investing in personal gardens and there are ongoing shift towards outdoor living and rising popularity of gardening as a leisure activities which fueled the significant growth of the garden goods market. Within this broader market of garden goods, garden hoses represent a critical segment. The retail value of the garden hose market increased from USD8.2 billion in 2020 to USD9.2 billion in 2024, reflecting a CAGR of 2.9%. This growth is attributed to the increasing adoption of high-performance and durable garden hose products that cater to both amateur gardeners and professional landscapers. As the garden goods industry continues to expand, the market size of garden hoses is projected to grow from USD9.5 billion in 2025 to USD11.4 billion by 2029, with a CAGR of 4.7%.

## INDUSTRY OVERVIEW

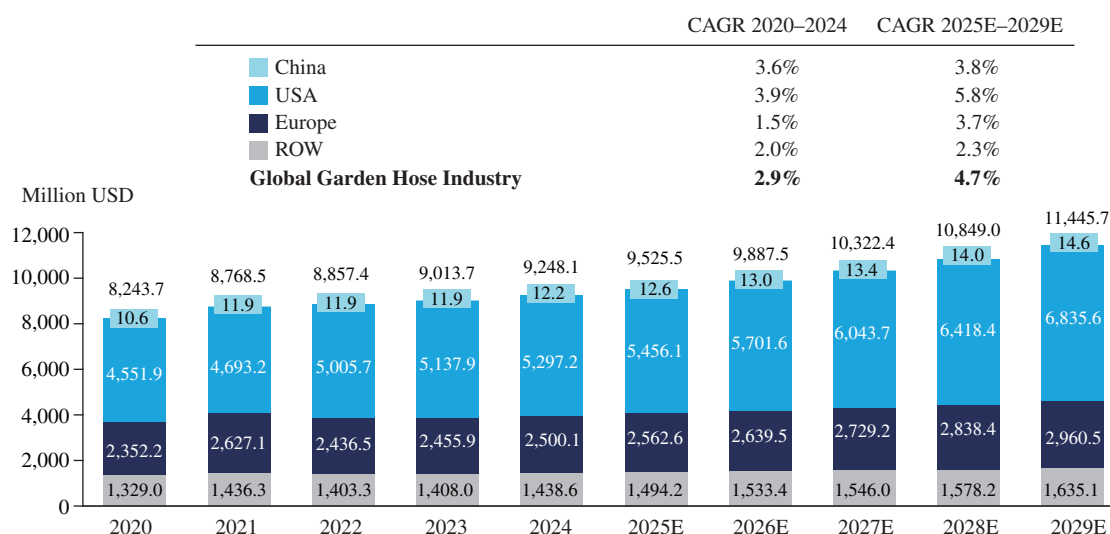
### Market Size of Garden Hose and Garden Goods Industry by Retail Value, 2020–2029E



Source: Frost & Sullivan

The United States has been the largest garden hose market in the world over the past five years, accounting for over 50% of the global market. Driven by the growing popularity of gardening, the U.S. garden hose industry has seen rapid growth in recent years, with its retail value rising from USD4.6 billion in 2020 to USD5.3 billion in 2024, with a CAGR of 3.9%. Looking ahead, the market is expected to continue its upward trajectory, fueled by rising participation in gardening activities, increased gardening spending, and ongoing innovation in garden hose products. The retail value of the U.S. garden hose industry is projected to grow from USD5.5 billion in 2025 to USD6.8 billion in 2029, representing a CAGR of 5.8%.

### Market Size of Garden Hose Industry by Retail Value by Region, 2020–2029E



Source: Frost & Sullivan

### Market Drivers and Trends Analysis of Global Garden Hose Industry

#### *Increasing Gardening Activities in Pursuit of High-quality Life*

Gardening has a rich tradition in the United States and Europe, fostering widespread participation that creates a large, stable market for garden hoses and related products. As living standards improve, gardening has gained popularity not only as a hobby but also as a means of home maintenance. This shift has led to a significant increase in demand for gardening supplies, particularly garden hoses, which are essential for maintaining garden spaces and enhancing the aesthetic appeal of living environments. In developed regions like the United States and Europe, higher average incomes enable many households to enjoy and care for their private gardens. The rising interest in gardening, coupled with the pursuit of a higher quality of life, is driving steady expansion in the garden hose market. Garden hoses, as essential tools, are well-positioned to meet consumer expectations for quality and functionality. As households continue to embrace gardening for leisure, beauty, and self-sufficiency, the garden hose industry benefits from a reliable customer base and a strong demand pipeline.

#### *Emerging Planting Demand and Rising Gardening Expenditures*

The trend toward home-grown vegetables and eco-friendly landscaping has spurred the need for high-quality, durable hoses. As urban and suburban residents expand their gardening activities, demand grows for specialized hoses, including those designed for drip irrigation, flexibility, and eco-friendly materials, making garden hoses an essential component of household gardening expenses. In addition, growing participation in gardening activities is driving increasing demand for garden hoses. The gardening household population in the United States increased from 95.8 million in 2020 to over 120.0 million in 2024. Moreover, rising expenditures on gardening activities reflect a growing trend as more consumers invest in outdoor spaces for recreation, aesthetics, and sustainable practices. The average household gardening expenditure in the U.S. rose from USD458 in 2020 to over USD700 in 2024. This growing investment in gardening is driving demand for related products, including garden hoses, and is expected to further expand the market for garden hose products as more consumers engage in outdoor home improvement and landscaping.



---

## INDUSTRY OVERVIEW

---

### *Advancements in Technology and Product Performance*

The garden hose market is undergoing substantial evolution in technology and product performance, driven by consumer demand for enhanced functionality and convenience. Automatic extension garden hoses are increasingly popular for their ease of handling, storage, and transport, making them particularly well-suited for garden spaces. Durability is a top priority, with consumers seeking hoses that resist kinking, extreme temperatures, and long-term wear. New models incorporate advanced features such as ultra-high temperature and burst tolerance, as well as the ability to function under extreme low temperatures. In addition, the industry is focusing on material innovations, utilizing soft yet resilient materials and thicker inner tube designs for added reliability. New designs featuring polyester-braided outer layers and latex inner tubes offer superior elasticity, high-temperature resilience, and freeze resistance, making them versatile for a variety of outdoor tasks. Furthermore, the growing emphasis on eco-friendly materials and sustainable production methods contributes to product longevity and safety while aligning with consumer interest in environmentally responsible gardening tools. This combination of advanced features, durability, and sustainability is driving continuous innovation in the garden hose market, ensuring that products not only meet but exceed evolving consumer expectations.

### **Impact Analysis of Sino-U.S. and the Global Trade Tension on the Global Small Home Appliances and Non-electric Household Goods Industry**

1. **Price Competitiveness of Chinese Manufacturing and Market Adaptability:** Small home appliances and non-electric household goods are typically sold at relatively low prices, with consumers showing less sensitivity to price changes. Consumers tend to be less sensitive to price changes for low-priced small home appliances and non-electric household goods due to certain key factors. Firstly, such products are often associated with convenience-oriented and routine purchasing behavior. For small kitchen appliances or garden hoses, they are replaced based on practical daily needs rather than planned spending cycles. Secondly, these items typically fall within a low-to-moderate price range, where consumers may be less inclined to conduct extensive price comparisons or delay purchases in anticipation of discounts. As a result, modest price fluctuations may not significantly affect consumer demand, particularly when the products are purchased for daily needs and use. China is one of the cheapest sources for these products to the U.S., thanks to its established supply chain and experience in manufacturing at lower costs while maintaining quality. Therefore, even though the U.S. is imposing additional tariffs on Chinese products, which could lead to price increases, this change has limited impact on consumers' purchasing decisions. With their inherent cost advantage, Chinese manufacturers are likely to maintain competitiveness in the U.S. market, even in the face of higher tariffs.

2. **The Continued Dependence of the U.S. on Imports from China:** For many years, the U.S. has been heavily reliant on imports of small home appliances and non-electric household goods from China, making China one of the largest export countries for these products to the U.S. Over the past decade, China's role as a key supplier has been firmly established. According to data from the International Trade Administration of the U.S. Department of Commerce, over the past ten years, China has consistently been the largest source of U.S. imports in the Electrical Equipment, Appliances & Components category. Imports from China have accounted for approximately 30% of the total U.S. import value in this category, highlighting the country's pivotal role in the U.S. supply chain for these products. Due to the long-term and stable relationships between U.S. importers and Chinese manufacturers, it is difficult to quickly alter this dependence in the short term. The dependence of U.S. importers on Chinese manufacturers has been built over decades, driven by cost efficiency, large-scale production capabilities, and a well-integrated industrial ecosystem spanning raw materials, manufacturing, and logistics. Long-term partnerships with Chinese suppliers have ensured reliability, quality, and competitive pricing. Shifting away from these established relationships is not simply about finding new suppliers. It involves reconfiguring entire supply chains, which demands time, investment, and strategic planning. In the short term, diversification efforts are limited by infrastructure gaps, workforce constraints, and insufficient capacity in alternative markets. Additionally, new supply chain setups may lead to higher labor costs, logistical inefficiencies, and regulatory complexities, making it difficult for U.S. importers to quickly reduce their reliance on China without facing disruptions, cost increases, or quality concerns. As a result, while the additional tariffs may increase import prices, this does not imply that the U.S. market will be able swiftly pivot to domestic supplies or other countries, not to mention when other popular manufacturing hubs, such as Vietnam, are also subject to tariff. The established supply chain and experience in manufacturing at lower costs with consistent quality continue to give Chinese manufacturers a competitive edge, even amidst the tariff challenges.
3. **China's Advantage in Global Supply Chains:** China's mature and efficient supply chain network has long been a key factor in its dominance in producing and shipping small home appliances and non-electric household goods globally at low costs. This comprehensive advantage in material procurement, production efficiency, technological accumulation and labor resources enables Chinese manufacturers to maintain a leading position in the global market, particularly in the U.S. Although manufacturers in regions such as Southeast Asia are gradually becoming more competitive in terms of price and capacity, they still lag behind China in crucial areas such as production technology, supply chain management and infrastructure development. These gaps make it difficult for U.S. importers to find viable alternatives in the short term, given that they face significant time and financial costs when switching to new suppliers due to a range of complex and interrelated factors. The process involves extensive sourcing and evaluation, including factory audits and product testing, which demand both time and investment. Legal and administrative burdens also increase as new contracts are negotiated and regulatory certifications updated. Operationally, retailers must adapt logistics, inventory systems, and shipping arrangements which also means there are risks of delays or stock outs. In addition, integrating new suppliers often requires

---

## INDUSTRY OVERVIEW

---

modifications to production processes, system upgrades and staff retraining. Compounding these challenges are reputational risks, because any lapse in quality or delivery during the transition can erode consumer trust and necessitate further spending on customer retention and brand repair. The foregoing collectively ensures China's continued dominance in the sector despite increasing competition from other countries. As a result, Chinese manufacturers are likely to remain the preferred supplier to the U.S. market in the near future.

4. **Overseas Retailers' Preference for Stable Suppliers:** Overseas retail chains and reputable brand owners tend to maintain long-term stable relationships with a limited number of approved suppliers. Switching to new suppliers involves significant time and financial costs. Despite the rising tariffs, these retailers are likely to continue their collaboration with Chinese suppliers due to the latter's reliability in terms of quality, price and supply chain stability, avoiding the risks and uncertainties of changing suppliers.
5. **International Expansion of Leading Chinese Small Home Appliance Manufacturers:** Leading Chinese small home appliance and non-electric household goods manufacturers have been actively expanding their overseas production capacity. Through international production layouts, they can better cope with the challenges brought about by trade tension. By establishing overseas production bases or partnerships, these manufacturers reduce their dependence on single markets and gain the flexibility to adjust production capacity and supply chains, thereby maintaining their competitive edge in the global market.

### Industry Barrier Analysis of Global Garden Hose Industry

#### *Technological Barrier*

In the garden hose market, technical barriers encompass the use of advanced materials and construction techniques, as well as innovative design features that complicate product development. Achieving high performance in areas such as temperature and pressure resistance, as well as freeze resistance, involves complex engineering that new entrants may find challenging to replicate without significant investment in R&D. The existing patents and intellectual property rights on these technologies present substantial hurdles, requiring new entrants to navigate legal constraints while striving to develop competitive products. In addition, the leading suppliers in the garden hose industry are continuously promoting the deployment of automated and intelligent production equipment in their manufacturing factories, which will further strengthen their competitive position in the market.

---

## INDUSTRY OVERVIEW

---

### ***Customer Network Barrier***

Established garden hose manufacturers have built extensive customer networks over time, leveraging their OEM/ODM models to secure long-term partnerships and client relationships. New entrants must navigate the complexities of establishing their own customer networks, often requiring significant effort to forge new partnerships and build credibility within the industry. Additionally, existing manufacturers benefit from established relationships and loyalty among their clientele, which new entrants must develop from the ground up.

### ***Supply Chain Barrier***

Building relationships with reliable suppliers for raw materials and components can be both challenging and time-consuming for new entrants. Effective supply chain management is essential for controlling costs and ensuring timely product delivery, which new players may initially struggle with. Furthermore, established companies often have well-developed risk management strategies to handle supply chain disruptions – a capability new entrants will need to develop to effectively mitigate potential risks.

### ***Capital Barrier***

Establishing production facilities for garden hoses requires a significant investment in machinery, equipment, and raw materials, necessitating substantial capital for infrastructure and technology. Additionally, developing innovative products demands considerable funding for research and development. New entrants must also invest heavily in marketing, advertising, and brand-building campaigns to gain market visibility and attract consumers, which can be particularly costly in the initial stages.

## **Major Development Challenge Analysis of Global Garden Hose Industry**

### ***Supply Chain Disruptions***

Managing a global supply chain for garden hoses can be complex and vulnerable to disruptions. Fluctuations in the availability and cost of raw materials, transportation delays, and geopolitical tensions can impact production schedules and cost control. Especially in today's escalating trade tensions, leading garden hose manufacturers are strategically expanding their global production networks to enhance the resilience of their supply chains and improve their capacity for global delivery. Ensuring a reliable supply of components and managing logistics effectively are critical for maintaining consistent product availability and competitive pricing.

---

## INDUSTRY OVERVIEW

---

### *Regulatory Compliance and Environmental Standards*

The industry faces increasing pressure to meet stringent environmental regulations and sustainability standards. Compliance with these regulations requires investment in eco-friendly materials and production processes, which can drive up costs. Additionally, navigating varying regulatory requirements across different regions can be challenging for global manufacturers.

### *Technological Innovation and Competition*

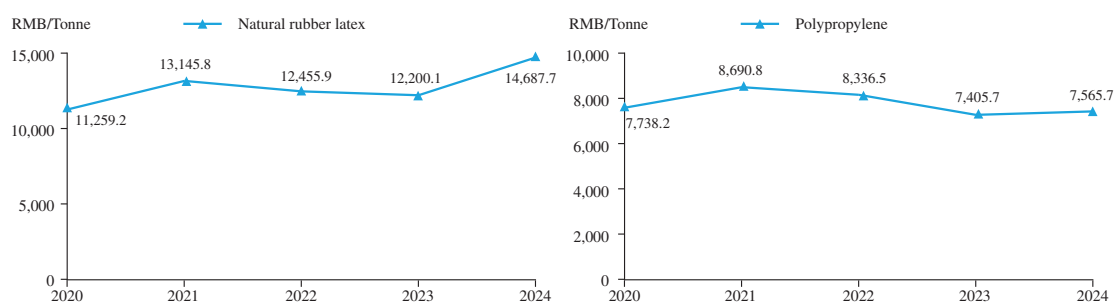
The rapid pace of technological advancements in garden hoses, such as smart technologies and energy-efficient features, requires continuous investment in research and development. Manufacturers must stay ahead of trends and incorporate the latest innovations to remain competitive. This need for ongoing innovation can be resource-intensive and requires balancing technological advancements with cost-effectiveness.

### **Raw Material Price Analysis of Global Garden Hose Industry**

Natural rubber latex is a milky fluid that is collected from the rubber tree. It is composed mainly of water along with rubber particles, proteins, lipids, sugars, and other compounds. Natural rubber latex is widely used in the production of various products such as gloves, balloons, garden hose, and other rubber products. Affected by tight supply caused by abnormal weather, the average price of rubber latex in China rose to RMB14,687.7 per tonne in 2024.

PP (Polypropylene) is a lightweight, chemically resistant material recognised for its durability and versatility. It is widely used in the production of various types of pipes and hoses, including garden hoses, due to its ability to endure harsh environmental conditions and chemical exposure. The average price of polypropylene in China has remained relatively stable, reaching RMB7,565.7 per tonne in 2024.

#### **Average Prices of Nature Rubber Latex and Polypropylene (China), 2020–2024**



Source: Wind, Frost & Sullivan

---

## INDUSTRY OVERVIEW

---

### Competitive Landscape Analysis of Global Garden Hose Industry

The global garden hose market is highly fragmented with numerous participants, especially in China. Many companies operate on a smaller scale, focusing on mid-to-low-end products, which intensifies competition. However, as technology advances and consumer preferences shift towards higher-quality and innovative products, there is increasing emphasis on product differentiation. Companies that invest in R&D to develop advanced features – such as enhanced durability and self-retracting mechanisms—can gain a competitive edge. Additionally, global competition and existing patents create barriers for new entrants, making it essential for companies in the garden hose industry to continually innovate and adapt to thrive in this dynamic market.

The total export value of garden hoses in China reaching approximately RMB10.6 billion in 2024, and the top five players holding a market share of approximately 9.5%. The export value for our Group was approximately RMB285.1 million in 2024, ranking the 1st among the market participants in China and accounting for a market share of 2.7%.

#### Top Five Companies in China's Garden Hose Industry by Export Value, 2024

Ranking	Company Name	Export Value of Garden Hoses in 2024	Market Share
		(RMB Million)	
1	<b>Our Group</b>	<b>285.1</b>	<b>2.7%</b>
2	Ningbo Daye Garden Industry Co., Ltd.	230	2.2%
3	Puning Xinhongjie Plastic Co., Ltd.	200	1.9%
4	Zhejiang Helen Garden Co., Ltd.	160	1.5%
5	Zhejiang Tianti Rubber & Plastic Technology Co., Ltd.	130	1.2%
<b>TOP 5</b>		<b>1,005.1</b>	<b>9.5%</b>
<b>TOTAL</b>		<b>10,607.5</b>	

*Source: General Administration of Customs of PRC, Interviews with Industry Experts, Frost & Sullivan*

## INDUSTRY OVERVIEW

The following sets forth the profile of the companies in the ranking:

Company Name	Established Year and Registered Place	Listed or Not	Major Business Model
Ningbo Daye Garden Industry Co., Ltd.	2001 Ningbo, Zhejiang	Unlisted	OEM/ODM
Puning Xinhongjie Plastic Co., Ltd.	2009 Puning, Guangdong	Unlisted	OEM/ODM
Zhejiang Helen Garden Co., Ltd.	2001 Taizhou, Zhejiang	Unlisted	OEM/ODM
Zhejiang Tianti Rubber & Plastic Technology Co., Ltd.	2012 Taizhou, Zhejiang	Unlisted	OEM/ODM

In 2024, the export value of our Group's garden hose series products (Customs HS Codes 39173900 and 40091200) to the U.S. accounted for 11.72% of China's total export value to the U.S.

Customs Goods and HS Codes	Exporter Country	China's Export Value in 2024 (RMB Million)	Our Group's Export Value of Garden Hose in 2024 (RMB Million)	Our Group's Market Share in China (%)
Plastic pipes, not specified (39173900) & pipes with accessories not reinforced or combined with other materials (40091200) <sup>1</sup>	The U.S.	2,348.97	275.30	11.72

Source: General Administration of Customs of PRC, Frost & Sullivan

Note: 1. The corresponding company products under "Customs HS Code (39173900)" are garden hose series (aluminum head hoses, ribbed bungee hoses etc.); the corresponding products under "Customs HS Code (40091200)" are latex garden hoses.

---

## REGULATORY OVERVIEW

---

### THE PRC

Our business operations are subject to extensive supervision and regulation by the PRC government. This section sets out: (i) an introduction to the major PRC government authorities with jurisdiction over our current operations; (ii) a summary of the major laws and regulations to which we are subject.

#### Principal Regulatory Authorities

In addition to the supervision and management by authorities that perform general regulation on companies in the PRC, our operations in the PRC are mainly subject to supervision and management under the following authorities:

##### *Ministry of Industry and Information Technology of the People's Republic of China*

Ministry of Industry and Information Technology of the People's Republic of China (the “**MIIT**”) is the department in charge of proposing strategies and policies of new industrialization development, drafting and organising the implementation of industrial plans and industrial policies, drafting and formulating regulations, formulating industrial technical specifications, formulating and implementing standards and policies of new materials and high-tech industries, promoting the development of emerging industries, and guiding relevant industries in strengthening safety production management.

##### *Ministry of Ecology and Environment of the People's Republic of China*

Ministry of Ecology and Environment of the People's Republic of China (the “**MEE**”) is the department in charge of formulating the basic system relevant to ecological environment, examining and approving fixed asset investment projects, supervising environmental pollution prevention and control, formulating and supervising the implementation of pollution prevention and control system, enforcing the law, and investigating and dealing with major ecological and environmental violations.

##### *National Development and Reform Commission of the People's Republic of China*

The National Development and Reform Commission of the People's Republic of China (the “**NDRC**”) is an authority that formulates and implements economic and social development policies, carries out overall balances and guides the overall economic system reform from an all-rounded macro perspective. It is responsible for promoting the economic and social development, formulating and implementing the national strategic emerging industries development plan, coordinating high-stake investment projects. Our Company is also subject to NDRC's supervision and management on overseas investment regarding to establishment of enterprises or acquisition of assets and shares outside China.



---

## REGULATORY OVERVIEW

---

### *Ministry of Emergency Management of the People's Republic of China*

Ministry of Emergency Management of the People's Republic of China (the “MEM”) is the department in charge of organising the preparation of the national overall emergency response plan and planning, guiding all regions' and departments' respond to emergencies, promoting the formation of the emergency response system, guiding emergency rescue on safe production, and in charge of the supervision of safe production of industrial, mining and commercial industries.

### **Regulations in Relation to Product Liability**

Pursuant to the Product Quality Law of the PRC (《中華人民共和國產品質量法》) which was promulgated by the SCNPC on 22 February 1993 and last amended on 29 December 2018, producers and sellers shall have their own proper regulations for the management of product quality, rigorously implementing post-oriented quality regulations, quality liabilities and relevant measures for their assessment. Producers and sellers are responsible for the product quality according to the provisions of the laws.

Quality of products shall pass standard examinations and no substandard products shall be used as standard ones. Industrial products which may be hazardous to the health of the people and the safety of lives and property shall conform to the state and trade standards for ensuring the health of the human body and safety of lives and property. In absence of such state or trade standards, the products shall conform to the minimum requirements for ensuring the health of the human body and the safety of lives and property. It shall be prohibited to produce or sell industrial products that do not come to the requirements and demands for physical health and safety of body and property. Producers or sellers shall be responsible for any compensation arising from their unlawful acts such as production or sales of defective, eliminated or ineffective products, faking the place of origin or quality marks, mixing or adulterating products or passing off imitations as genuine, substandard products as quality ones or non-conforming products as conforming. Proceeds from the sales may be confiscated, the business licence may be revoked and penalties may be imposed. If the case is serious, criminal responsibilities shall be investigated. Producers or sellers shall be liable for any damage to any person or property due to the defects of products resulting from the default of the producers or sellers.

### **Regulations in Relation to Consumer Production**

Law of the People's Republic of China on the Protection of Consumer Rights and Interests (《中華人民共和國消費者權益保護法》) was promulgated by the Standing Committee of the National People's Congress (the "SCNPC") on 31 October 1993, latest revised on 25 October 2013 and became effective on 15 March 2014. Business operators, when providing consumers with the commodities produced or sold by them or services, shall abide by the Law of the People's Republic of China on the Protection of Consumer Rights and Interests. Business operators that provide goods or services in any of the following circumstances shall bear civil liability in accordance with other relevant laws and regulations, except as otherwise provided in the Law: (1) there are defects in the goods or services provided; (2) the goods provided do not possess the usability they are supposed to possess with no declaration thereabout made at the time of sale; (3) the goods provided do not conform to the standards indicated on the goods or on the packages thereof; (4) the goods provided do not conform to the quality indicated by the product description or by physical samples; (5) production of goods that have been formally declared by the State to be obsolete or sales of goods that are no longer effective or have deteriorated; (6) goods are sold short of weight or quantity; (7) service contents and fees are in violation of a prior agreement; (8) deliberately delaying or unreasonably refusing consumers' demand for the repair, remake, change or return of goods, making up for any shortage in quantity, refunding the expenses for goods or services, or compensating for losses; or (9) other circumstances infringing consumer rights and interests as specified by laws and regulations. Business operators who fail to fulfil the obligation of guaranteeing the safety of consumers and cause damage to consumers shall be liable for tort. Business operators who provide goods or services in violation of the provisions of the Law of the People's Republic of China on the Protection of Consumer Rights and Interests, infringe the legitimate rights and interests of consumers and constitute crimes shall be investigated for criminal liability in accordance with the law.

### **Regulations in Relation to Safe Production**

The Work Safety Law of the People's Republic of China (《中華人民共和國安全生產法》) was promulgated by the Standing Committee of the National People's Congress (the "SCNPC") on 29 June 2002, which was implemented on 1 November 2002, and latest revised on 10 June 2021 and became effective on 1 September 2021. Production and business entities shall abide by this Law and other laws and regulations concerning work safety, strengthen work safety management, establish and improve a work safety responsibility system and work safety rules and systems for all employees, increase efforts to guarantee the input of funds, materials, technology, and personnel in work safety, improve work safety conditions, strengthen standardisation and informatisation of work safety, construct a dual prevention mechanism consisting of graded management and control of safety risks and examination and control of potential risks, improve the risk prevention and resolution mechanism, raise work safety levels, and ensure work safety. The law stipulates provisions on guarantee of safety by production and business operation entities, rights and obligations of employees relating to work safety, supervision and administration of work safety, emergency rescue, investigation, and handling of work safety accidents and legal responsibilities.

### Regulations in Relation to E-Commerce and Online Transaction

The E-commerce Law of the People's Republic of China (《中華人民共和國電子商務法》) was promulgated by the Standing Committee of the National People's Congress on 31 August 2018, which became effective on 1 January 2019. The E-commerce Law promulgated to safeguard the legitimate rights and interests of all subjects involved in electronic commerce, regulate e-commerce practices, maintain the sound market order and foster the development of the e-commerce industry in a sustainable and healthy manner. The E-commerce Law proposes a series of requirements on e-commerce operators. According to the E-commerce Law, in carrying out business activities, e-commerce operators shall comply with the principles of voluntariness, equality, fairness, and good faith, abide by laws, observe business ethics, equally participate in market competition, perform obligations regarding the protection of consumers' rights and interests, environmental protection, intellectual property protection, and the protection of cyberspace safety and personal information, take charge of the quality of products and services, and receive the supervision of the government and the general public.

Measures for the Supervision and Administration of Online Transactions (《網絡交易監督管理辦法》) was promulgated by State Administration for Market Regulation on 15 March 2021, which became effective on 1 May 2021. Measures for the Supervision and Administration of Online Transactions applies to business activities involving the sale of commodities or provision of services through information networks such as the Internet (hereinafter referred to as "online") as well as to the supervision and administration thereof by departments for market regulation within the territory of the People's Republic of China. According to Measures for the Supervision and Administration of Online Transactions, online transaction operators shall, when engaging in business activities, follow the principles of voluntariness, equality, fairness and good faith, abide by laws, regulations, rules and business ethics as well as public order and good customs, participate in market competition on an equal footing, earnestly fulfil their statutory obligations, proactively assume the primary responsibility and accept supervision from all sectors of society. No online transaction operator may, in violation of laws, regulations or decisions of the State Council, engage in business operations without a licence or permit. Except under the circumstances for exemption from registration as prescribed in Article 10 of the E-commerce Law of the People's Republic of China, online transaction operators shall go through market entity registration in accordance with the law.

### Regulations in Relation to Import and Export of Goods

According to the Foreign Trade Law of the PRC (《中華人民共和國對外貿易法》) promulgated by the SCNPC on 12 May 1994 and recently amended on 30 December 2022, and the Measures for the Record Registration of Foreign Trade Operators (《對外貿易經營者備案登記辦法》) promulgated by the MOFCOM on 25 June 2004 and last amended on 10 May 2021, foreign trade operators engaged in goods or technology import and export are required to go through the record-filing registration procedures with the competent department of foreign trade under the State Council or its entrusted institutions, except for those that are not required to complete the record-filing registration as prescribed by laws, administrative regulations and the provisions of the competent department of foreign trade under the State Council. Where a foreign trade operator fails to go through the record-filing registration formalities according to relevant provisions, the Customs are entitled to refuse to handle the formalities for declaration and clearance of goods imported or exported by the operator.

In accordance with the Provisions on the Administration of Recordation of Customs Declaration Entities of the PRC (《中華人民共和國海關報關單位備案管理規定》) published by the General Administration of Customs of the PRC on 19 November 2021, and effective from 1 January 2022, consignees or consignors of imports and exports and customs declaration enterprises applying for filing shall obtain market entity qualification; in the case of consignees or consignors of imports and exports applying for filing, they shall also complete filing formalities for foreign trade operators.

Customs Law of the People's Republic of China (《中華人民共和國海關法》) was promulgated by the Standing Committee of the National People's Congress on 22 January 1987, which became effective on 1 January 1991, latest revised on 29 April 2021 and became effective on 29 April 2021. The Customs of the People's Republic of China is the state's organ responsible for supervision and control over the activities entering and leaving the customs territory. The Customs shall, in accordance with the Customs Law and other relevant laws and administrative regulations, exercise supervision and control over the means of transport, goods, travelers' luggage, postal items and other articles entering or leaving the territory, collect customs duties and other taxes and fees, uncover and suppress smuggling, work out customs statistics and handle other customs operations. According to the Customs Law, all export goods, throughout the period from the time of customs declaration to the time of departure from the territory shall be subject to customs surveillance. Customs formalities for export goods shall be completed by the consignor at the customs office where the goods depart from the territory. The consignor of export goods shall be the obligatory customs duty payer.

---

## REGULATORY OVERVIEW

---

### Regulations in Relation to Compulsory Product Certification

Administrative Provisions on Compulsory Product Certification (《強制性產品認證管理規定》) was promulgated by the State Administration for Market Regulation on 3 July 2009, latest revised on 29 September 2022 and became effective on 1 November 2022. According to the Administrative Provisions on Compulsory Product Certification, for products that are subject to compulsory product certification, the State shall implement a unified product catalogue (the “**catalogue**”), unified compulsory requirements, standards and compliance assessment procedures in the technical specification, unified certification marks and unified charging standards. The catalogue shall be prepared and adjusted by the State Administration for Market Regulation in conjunction with relevant departments under the State Council, be issued by the State Administration for Market Regulation, and be implemented by the State Administration for Market Regulation in conjunction with other related authorities. Producers or sellers or importers of products included in the catalogue shall entrust certification authorities designated by the State Administration for Market Regulation to certify their produced, sold or imported products. Producers or sellers of products included in the catalogue shall, upon finding that a potential safety hazard in their produced or sold products may cause damage to human health and life safety, announce the relevant information to the public, proactively adopt remedying measures such as recalling the products, and report the matter to the relevant supervision and administration departments in accordance with relevant provisions.

### Regulations in Relation to Overseas Investment

The Administrative Measures for Outbound Investment Management (《境外投資管理辦法》) was promulgated by the MOFCOM on 6 September 2014 and came into effect on 6 October 2014. As defined by the Measures for Overseas Investment Management, overseas investment means that the enterprises legally incorporated in the PRC own the non-financial enterprises or obtain the ownership, control and operation management rights of the existing non-financial enterprises in foreign countries through incorporation, merger and acquisition and other means. If the overseas investments involve sensitive countries and regions or sensitive industries, they shall be subject to the approval of competent authorities. For other overseas investments, they shall be subject to filing administration. Local enterprises shall file with the provincial commercial administration authorities where they are located. The qualified enterprises will be put into record and granted with Overseas Investment Certificate for Enterprise by the relevant provincial commercial administration authorities.

---

## REGULATORY OVERVIEW

---

The Administrative Measures for Outbound Investment by Enterprises (《企業境外投資管理辦法》) was promulgated by the NDRC on 26 December 2017 and came into effect on 1 March 2018. As defined therein, overseas investment means any investment activities in which a domestic enterprise of the PRC obtains ownership, control, operation and management rights and other relevant interests directly or through its controlled overseas enterprise by way of contributing asset and/or interest or providing financing and/or guarantee. To conduct overseas investment, certain procedures shall be complied with, including approval and record-filing of overseas investment project, reporting relevant information and cooperating with the supervision and inspection. The NDRC promulgated the Catalogue of Sensitive Sectors for Outbound Investment (2018 Edition) (《境外投資敏感行業目錄(2018版)》), which was promulgated by the NDRC on 31 January 2018 and came into effect on 1 March 2018, to list the current sensitive industries in detail.

### **Regulations in Relation to Overseas Securities Offering and Listing by Domestic Companies**

According to 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》) (the “**Trial Measures**”), PRC domestic enterprises that seek to offer and list securities in overseas markets, either in direct or indirect means, are required to fulfill the filing procedure with the CSRC and submit filing reports, legal opinions, and other relevant documents. Subject to specific circumstances, the Trial Measures require that, among other things, (i) initial public offerings or listings on overseas markets shall be filed with the CSRC within three working days after the relevant application is submitted overseas, (ii) subsequent securities offerings of an issuer on the same overseas market where it has previously offered and listed securities shall be filed with the CSRC within three working days after the offering is completed, and (iii) subsequent securities offerings or listings of an issuer on other overseas markets other than where it has offered and listed securities shall be filed with the CSRC within three working days after the relevant application is submitted overseas. If a PRC company fails to complete the filing procedure or the filing documents submitted by a PRC company contain misrepresentation, misleading statement or material omission, such PRC company may be subject to order to rectify, warnings and fines, and its controlling shareholders, actual controllers, the person directly in charge and other directly responsible persons may also be subject to fines.

The Trial Measures also set forth the issuer’s reporting obligations in the event of occurrence of material events after the Overseas Offering and Listing. If the overseas offering and listing has been deemed as indirect Overseas Offering and Listing by PRC domestic enterprises, the issuer shall make a detailed report to the CSRC within 3 working days after the occurrence and public announcement of the relevant event: (i) change in controlling rights; (ii) being subject to investigation, punishment or other measures by overseas securities regulatory authorities or the relevant authorities; (iii) changing listing status or changing the listing board; or (iv) voluntary or compulsory termination of listing. Besides, if any material change in the principal business and operation of the issuer after its Overseas Offering and Listing makes the issuer no longer within the scope of record-filing, the issuer shall submit a special report and a legal opinion issued by a PRC domestic law firm to the CSRC within 3 working days after the occurrence of the relevant change to provide an explanation of the relevant situation. According



---

## REGULATORY OVERVIEW

---

to the Trial Measures, the PRC domestic enterprises engaging in Overseas Offering and Listing activities shall strictly comply with the PRC laws, administrative regulations, and relevant provisions on foreign investment, state-owned assets, industry regulation, overseas investment, etc., shall not disrupt domestic market order, and shall not harm national interests, public interests and the legitimate rights and interests of domestic investors. The PRC domestic enterprise that conducts Overseas Offering and Listing shall (i) formulate its articles of association, improve its internal control system and standardise its corporate governance, financial affairs and accounting activities in accordance with the PRC Company Law, the PRC Accounting Law and other PRC laws, administrative regulations and applicable provisions; (ii) abide by the legal system of the PRC on confidentiality and take necessary measures to implement the confidentiality responsibility, shall not divulge any state secret or the work secrets of state authorities, and shall also comply with laws, administrative regulations and the relevant provisions of the PRC where involved in the overseas provisions of personal information and important data.

According to the Trial Measures, the PRC domestic companies that seek to offer and list securities in overseas markets, either in direct or indirect means, are required to fulfil the filing procedure with the CSRC and report relevant information. The Trial Measures provide that an overseas listing or offering is explicitly prohibited, if any of the following applies: (i) such securities offering or listing is explicitly prohibited by provisions in PRC laws, administrative regulations or relevant state rules; (ii) the proposed securities offering or listing may endanger national security as reviewed and determined by competent authorities under the State Council in accordance with laws; (iii) the domestic company intending to be listed or offer securities in overseas markets, or its controlling shareholder(s) and the actual controller, have committed crimes such as corruption, bribery, embezzlement, misappropriation of property or undermining the order of the socialist market economy during the latest three years; (iv) the domestic company intending to be listed or offer securities in overseas markets is currently under investigations for suspicion of criminal offences or major violations of laws and regulations, and no conclusion has yet been made thereof; or (v) there are material ownership disputes over equity held by the domestic company's controlling shareholder(s) or by other shareholder(s) that are controlled by the controlling shareholder(s) and/or actual controller. As advised by our PRC Legal Advisers, given that (i) the proposed securities offering or listing is not prohibited by provisions in PRC laws, administrative regulations or relevant state rules; (ii) as of the Latest Practicable Date, our Group and the proposed securities offering or listing have not been determined by competent authorities under the State Council that will endanger the national security; (iii) our Group, our Controlling Shareholders and the actual controller of the Company have not committed crimes, including corruption, bribery, embezzlement, misappropriation of property or undermining the order of the socialist market economy during the last three years; (iv) our Company is not currently under any investigations for suspicion of criminal offenses or major violations of laws and regulations, and no conclusion has yet been made thereof; and (v) there are no material ownership disputes over equity held by the controlling shareholders and the actual controllers, our Company has complied with the Overseas Listing Trial Measures and relevant guidelines.

---

## REGULATORY OVERVIEW

---

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

### **Regulations in Relation to Foreign Exchange**

Foreign exchange in the PRC is mainly regulated by the Foreign Exchange Administration Regulations (《中華人民共和國外匯管理條例》), which was promulgated by the State Council on 29 January 1996 and amended on 5 August 2008. Renminbi is freely convertible for current account items, including the distribution of dividends, interest payments, trade and service-related foreign exchange transactions, but not for capital account items, such as direct investments, loans, repatriation of investments and investments in securities outside of the PRC, unless prior approval is obtained from the SAFE and/or prior registration with the SAFE is made.

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 26 December 2014, the SAFE and its branch offices and administrative offices shall oversee, regulate and inspect 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. Domestic company shall, within 15 working days upon the end of its public offering overseas, handle registration formalities for overseas listing with the foreign exchange authority at its place of registration with the required materials.



---

## REGULATORY OVERVIEW

---

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

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

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

---

## REGULATORY OVERVIEW

---

### Regulations in Relation to Environmental Protection

#### *General Provisions*

The major environmental laws applicable to our Group include the Environmental Protection Law of the PRC (《中華人民共和國環境保護法》) promulgated by the SCNPC on 26 December 1989, amended on 24 April 2014 and effective on 1 January 2015, the Law of the PRC on Prevention and Control of Atmospheric Pollution (《中華人民共和國大氣污染防治法》) promulgated by the SCNPC on 5 September 1987 and last amended on 26 October 2018, the Law of the PRC on Prevention and Control of Water Pollution (《中華人民共和國水污染防治法》) promulgated by the SCNPC on 11 May 1984, last amended on 27 June 2017 and effective on 1 January 2018, the Law of the PRC on Prevention and Control of Noise Pollution (《中華人民共和國噪聲污染防治法》) promulgated by the SCNPC on 24 December 2021 and took effect on 5 June 2022, the Law of the PRC on the Prevention and Control of Environmental Pollution Caused by Solid Wastes (《中華人民共和國固體廢物污染環境防治法》) promulgated by the SCNPC on 30 October 1995, last amended on 29 April 2020 and effective on 1 September 2020. These laws set out various standards and requirements for the prevention and control of air, water, noise and solid waste pollutions in order to protect and improve the environment, safeguard public health and promote economic and social development. Enterprises that fail to comply with these laws may be subject to warnings, fines, suspension of operations and closing-down of business, as determined by the relevant governmental authorities.

#### *Construction Project Environmental Protection*

Pursuant to the Administrative Regulations on Environmental Protection of Construction Projects (《建設項目環境保護管理條例》) promulgated by the State Council on 29 November 1998 and amended on 16 July 2017 with effect from 1 October 2017, the Environment Impact Assessment Law of the PRC (《中華人民共和國環境影響評價法》) promulgated by the SCNPC on 28 October 2002 and last amended on 29 December 2018 with effect from the same day, the Rules on the Examination and Approval of Environmental Impact Assessment Documents for Construction Projects by Authorities at Various Levels (《建設項目環境影響評價文件分級審批規定》) promulgated by the Ministry of Environmental Protection (the “MEP”, currently known as the MEE) on 16 January 2009 and became effective on 1 March 2009, and the Interim Measures on Environmental Protection Acceptance of Construction Projects (《建設項目竣工環境保護驗收暫行辦法》) promulgated by the MEP on 20 November 2017 and became effective on the same day, the PRC government implements an environmental impact assessment system for construction projects. Based on the extent of effects exerted on the environment by a construction project, the construction entity is required to prepare an environmental impact report, or an environmental impact report form, or an environmental impact registration form regarding the environmental impacts of the construction project. The report and the report form will be approved by the competent environmental protection administrative department prior to the commencement of construction, while the registration form is regulated by way of record-filing. Where a construction project needs supporting environmental protection facilities, these facilities should be designed, constructed and put into use at the same time with the main project. Furthermore, the construction entity should, upon completion of a construction project

---

## REGULATORY OVERVIEW

---

for which an environmental impact report or an environmental impact report form is formulated, conduct acceptance inspection of the constructed supporting environmental protection facilities pursuant to the standards and procedures prescribed by the environmental protection administrative department of the State Council, and formulate the acceptance inspection report.

### ***Pollutant Discharge Licensing***

Pursuant to the Administrative Measures for Pollutant Discharge Licensing (《排污許可管理辦法》) promulgated by the MEE on 1 April 2024 and became effective on 1 July 2024 and Regulations on the Administration of Pollutant Discharge Licensing (《排污許可管理條例》) promulgated by the State Council on 24 January 2021 and became effective on 1 March 2021, the MEE shall formulate and release a category-based administration catalogue of pollutant discharge licensing for stationary pollution sources, specifying the scope subject to the administration of pollutant discharge licensing and the time limit to apply for a pollutant discharge permit. Enterprises, public institutions and other producers and business operators that are included in the category-based administration catalogue are required to apply for and obtain a pollutant discharge permit within the prescribed time limit. According to the Guidelines for Registration of Stationary Pollution Sources (for Trial Implementation) (《固定污染源排污登記工作指南(試行)》) promulgated by the General Office of the MEE and implemented on 6 January 2020, where the amount of pollutants produced, discharged and the impact on the environment is slight, such enterprises do not need to apply for the pollutant discharge permit, but are required to register for the discharge of pollution of stationary sources.

### **Regulations in Relation to Labour Protection in the PRC**

#### ***Labour Contract Law***

The Labour Contract Law of the PRC (《中華人民共和國勞動合同法》, effective on 1 January 2008 and last amended on 28 December 2012 with effect from 1 July 2013) and the Regulations on Implementation of the Labour Contract Law of the PRC (《中華人民共和國勞動合同法實施條例》), effective on 18 September 2008 provide for the establishment of labour relationship between employing entities and employees, as well as the concluding, performance, dissolution and revision of the labour contracts. To establish a labour relationship, a written labour contract shall be signed. Employers are also required to pay wages no lower than the local minimum wage standards to their employees.

### *Social Insurance and Housing Provident Funds*

The Social Insurance Law of the PRC (《中華人民共和國社會保險法》), which was promulgated by the SCNPC on 28 October 2010 and amended on 29 December 2018, governs the PRC social insurance system. It requires employers and/or employees (as the case may be) to register social insurance with competent authorities and contribute required amount of social insurance funds, including funds for pension insurance, unemployment insurance, basic medical insurance, work-related injury insurance and maternity insurance. Employers who failed to complete social security registration shall be ordered by the social security administrative authorities to make correction within a stipulated period; where correction is not made within the stipulated period, the employer shall be subject to a fine ranging from one to three times the amount of the social security premiums payable, and the person(s)-in-charge who is/are directly accountable and other directly accountable personnel shall be subject to a fine ranging from RMB500 to RMB3,000. Employers who failed to promptly contribute social security premiums in full amount shall be ordered by the social security premium collection agency to make or supplement contributions within a stipulated period, and shall be subject to a late payment fine computed from the due date at the rate of 0.05% per day; where payment is not made within the stipulated period, the relevant administrative authorities shall impose a fine ranging from one to three times the amount of the amount in arrears.

Under the Regulations on the Administration of Housing Provident Fund (《住房公積金管理條例》), which was promulgated by the State Council on April 3, 1999 and last amended on March 24, 2019, an employer shall make contribution registration with the housing provident fund management and complete the formalities of opening housing provident fund accounts for its employees. Where an employer fails to undertake payment and deposit registration of housing provident fund or fails to go through the formalities of opening housing provident fund accounts for its employees, the housing provident fund management centre shall order it to go through the formalities within a prescribed time limit; where failing to do so at the expiration of the time limit, a fine of not less than RMB10,000 nor more than RMB50,000 shall be imposed. Where an employer is overdue in the payment of, or underpays, the housing provident fund, the housing provident fund management centre shall order it to make the payment within a prescribed time limit; where the payment has not been made after the expiration of the time limit, an application may be made to a people's court for compulsory enforcement.

### Regulations in Relation to Intellectual Property

#### *Patent*

The SCNPC enacted the Patent Law of the PRC (《中華人民共和國專利法》) in 12 March 1984 and last amended on 17 October 2020. A patentable invention or utility model must meet three conditions: novelty, inventiveness and practical applicability. Patents cannot be granted for scientific discoveries, rules and methods for intellectual activities, methods used to diagnose or treat diseases, animal, plant breeds or nuclear transformation method and substances obtained by means of nuclear transformation and a design which has major marking effect on the patterns or colours of graphic print products or a combination of both patterns and colours. The Patent Office under the State Intellectual Property Office is responsible for receiving, examining and approving patent applications. A patent is valid for a twenty-year term for an invention, a fifteen-year term for a design and a ten-year term for a utility model, starting from the application date. Except under certain specific circumstances provided by law, any third party user must obtain consent or a proper licence from the patent owner to use the patent, or else the use will constitute an infringement of the rights of the patent holder.

#### *Trademark*

Trademarks are protected by the Trademark Law of the PRC (《中華人民共和國商標法》) which was enacted on 23 August 1982 and last amended on 23 April 2019, as well as the Implementation Regulation of the Trademark Law of the PRC (《中華人民共和國商標法實施條例》) promulgated by the State Council on 3 August 2002 and amended on 29 April 2014. The Trademark Office handles trademark registrations and grants a term of ten years to registered trademarks and each renewal of registration shall be ten years. Trademark licence agreements must be filed with the Trademark Office for record. The Trademark Law has adopted a “first-to-file” principle with respect to trademark registration. Where a trademark for which a registration has been made is identical or similar to another trademark which has already been registered or been subject to a preliminary examination and approval for use on the same kind of or similar commodities or services, the application for registration of such trademark may be rejected. Any person applying for the registration of a trademark may not prejudice the existing right first obtained by others, nor may any person register in advance a trademark that has already been used by another party and has already gained a “sufficient degree of reputation” through such party’s use.

#### *Copyright and Software Registration*

The SCNPC promulgated the Copyright Law of the PRC (《中華人民共和國著作權法》) (the “**Copyright Law**”) in 1990 and amended it in 2001, 2010 and 2020, respectively. The Copyright Law of the PRC provides that Chinese citizens, legal persons, or other organisations shall, whether published or not, enjoy copyright in their works, including computer software. The purpose of the Copyright Law is to encourage the creation and dissemination of works which contribute to the construction of socialist spiritual and material civilisation and promote the development and prosperity of socialist cultural and scientific pursuit.

---

## REGULATORY OVERVIEW

---

The Regulation on Computers Software Protection (《計算機軟件保護條例》), which was promulgated by the State Council on 4 June 1991 and amended in 2001, 2011 and 2013, respectively, was formulated for the purposes of protecting the rights and interests of copyright owners of computer software, regulating the relationship of interests generated in the development, dissemination and use of computer software, encouraging the development and application of computer software, and promoting the development of software industry and the informatisation of national economy. According to the Regulation on Computer Software Protection, Chinese citizens, legal entities or other organisations are entitled to the copyright in the software which they have developed, whether published or not. A software copyright owner may register with the software registration institution recognised by the copyright administration department of the State Council. A registration certificate issued by the software registration institution is a preliminary proof of the registered items. The Measures for the Registration of Computer Software Copyright (《計算機軟件著作權登記辦法》), which was promulgated by the National Copyright Administration on 20 February 2002 and took effect on the same day, regulates registrations of software copyright, exclusive licensing contracts for software copyright and transfer contracts. The National Copyright Administration shall be the competent authority for the nationwide administration of software copyright registration and the Copyright Protection Centre of China (the “CPCC”) is designated as the software registration authority. The CPCC shall grant registration certificates to the computer software copyright applicants which conforms to the provisions of both the Measures for the Registration of Computer Software Copyright and the Regulation on Computers Software Protection.

### *Domain Names*

Pursuant to the Administrative Measures for Internet Domain Names (《互聯網域名管理辦法》), which was promulgated by the Ministry of Industry and Information Technology on 24 August 2017 and became effective on 1 November 2017, domain names are registered on a “first-come, first-served” basis. The domain names registered or used by an organisation or individual shall not contain any contents prohibited by laws and administrative regulations. A domain name registration applicant shall provide the domain name registration service agency with truthful, accurate and complete identity information on the domain name holder.

### *Regulations in relation to Data Privacy and security*

According to the Cybersecurity Law of the PRC (《中華人民共和國網絡安全法》) (the “Cybersecurity Law”), which was promulgated by the SCNPC and became effective from 1 June 2017, those who provide services through networks shall take technical measures and other necessary measures pursuant to the mandatory requirements of laws, regulations and national standards to safeguard the safe and stable operation of the networks, respond to network security incidents effectively, prevent illegal and criminal activities, and maintain the integrity, confidentiality and usability of network data, and the network operator shall not collect the personal information irrelevant to the services it provides or collect or use the personal information in violation of the provisions of laws or agreements between both parties.



---

## REGULATORY OVERVIEW

---

The Data Security Law of PRC (《中華人民共和國數據安全法》) (the “**Data Security Law**”) was promulgated by the SCNPC and became effective from 1 September 2021. The Data Security Law mainly sets forth specific provisions regarding establishing basic systems for data security management, including hierarchical data classification management system, risk assessment system, monitoring and early warning system, and emergency disposal system.

The Personal Information Protection Law (《個人信息保護法》) was promulgated by the SCNPC and effective from 1 November 2021. The Personal Information Protection Law requires, among others, that (i) the processing of personal information should have a clear and reasonable purpose which should be directly related to the processing purpose, using a method that has the least impact on personal rights and interests, and (ii) the collection of personal information should be limited to the minimum scope necessary to achieve the processing purpose to avoid the excessive collection of personal information.

On 24 September 2024, the State Council promulgated the Regulations on Administration of Network Data Security (網絡數據安全管理條例) (the “**Network Data Security Regulations**”) which will take effect on 1 January 2025. The Network Data Security Regulations stipulates relevant regulations on data processing activities, personal information protection, important data security, and the obligations of network platform service providers. According to Article 62 of the Network Data Security Management Regulations, important data refers to data of specific fields, specific groups, specific areas or that reaches a certain specificity and scale that once such data is tampered with, destroyed, leaked or illegally obtained or used illegally, it may directly endanger national security, economy, social stability, public health and safety. Large network platforms refer to those with more than 50 million registered users or more than 10 million monthly active users, complex business types, and network data processing activities that have a negative impact on national security, economy and people’s livelihood of the PRC.

### **Laws and Regulations in Relation to Taxation**

#### ***Enterprise Income Tax***

According to the Enterprise Income Tax Law of PRC (《中華人民共和國企業所得稅法》), which was promulgated by the NPC on 16 March 2007, implemented on 1 January 2008, and subsequently revised on 24 February 2017 and 29 December 2018 respectively, and the Implementation Rules for the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法實施條例》) enacted on 6 December 2007 by the State Council and became effective on 1 January 2008, and amended on 23 April 2019, a resident enterprise shall pay EIT on its income originating from both inside and outside PRC at an EIT rate of 25%. Foreign invested enterprises in the PRC falls into the category of resident enterprises, which shall pay EIT for the income originated from domestic and overseas sources at an EIT rate of 25%. High and new technology enterprises which are supported by the State may enjoy a reduced EIT rate of 15%. A non-resident enterprise having no office or establishment inside China, or for a non-resident enterprise whose incomes have no actual connection to its office or establishment inside China must pay enterprise income tax on the incomes derived from China at a rate of 10%.

---

## REGULATORY OVERVIEW

---

### *Value-added Tax*

According to the Interim Regulations of the PRC on Value-Added Tax (《中華人民共和國增值稅暫行條例》) which was promulgated by the State Council on 13 December 1993, and amended on 10 November 2008, 6 February 2016 and 19 November 2017, and the Detailed Rules for the Implementation of the Provisional Regulations of the PRC on Value-added Tax (《中華人民共和國增值稅暫行條例實施細則》) which was promulgated by the Ministry of Finance on 25 December 1993 and subsequently amended on 15 December 2008 and 28 October 2011, all enterprises and individuals that engage in the sale of goods, the provision of processing, repair and replacement services, sales of services, intangible assets and real estate, and the importation of goods within the territory of the PRC shall pay value-added tax at the rate of 17%, except when specified otherwise.

According to the Circular on Comprehensively Promoting the Pilot Programme of the Collection of Value-added Tax in Lieu of Business Tax (《關於全面推開營業稅改徵增值稅試點的通知》), which was promulgated on 23 March 2016 and came into effect on 1 May 2016, the pilot program of the collection of value-added tax in lieu of business tax shall be promoted nationwide in a comprehensive manner as of 1 May 2016, and all taxpayer of business tax engaged in the building industry, the real estate industry, the financial industry and the life service industry shall be included in the scope of the pilot programme with regard to payment of value-added tax instead of business tax.

According to the Circular of the Ministry of Finance and the SAT on Adjusting Value-added Tax Rates (《財政部、國家稅務總局關於調整增值稅稅率的通知》), which was promulgated on 4 April 2018 and became effective on 1 May 2018, where a taxpayer engages in value-added tax taxable sales activities or import of goods, the previous applicable value-added tax rates of 17% and 11% are adjusted to 16% and 10%, respectively.

According to the Announcement on Relevant Policies for Deepening Value-Added Tax Reform (《關於深化增值稅改革有關政策的公告》) promulgated on 20 March 2019 and became effective on 1 April 2019, with respect to VAT taxable sales or imported goods of a VAT general taxpayer, where the VAT rate of 16% applies currently, it shall be adjusted to 13%; the currently applicable VAT rate of 10% shall be adjusted to 9%.

### **HONG KONG**

There is no specific statutory requirement for our Group to obtain any licence to carry out our business in Hong Kong other than the requirement to have a business registration certificate under the Business Registration Ordinance (Chapter 310 of the Laws of Hong Kong). Our Group does not import any food, dutiable commodities under the Dutiable Commodities Ordinance (Cap. 109) or any prohibited articles under the Import and Export Ordinance (Cap. 60) in or into Hong Kong. Below is a summary of the laws and regulations in Hong Kong which are material to our Group's business.



---

## REGULATORY OVERVIEW

---

### **Sale of Goods Ordinance (Chapter 26 of the Laws of Hong Kong)**

The Sale of Goods Ordinance (Chapter 26 of the Laws of Hong Kong) governs the formation, performance and remedies of contract for the sale of goods in Hong Kong and the transfer of title of goods sold. The ordinance also sets out certain implied terms or conditions and warranties generally relating to the safety and suitability of goods supplied under a contract of sale for goods in Hong Kong, including:

- (i) where there is a sale of goods by description, the goods shall correspond with the description;
- (ii) where the seller sells goods in the course of a business, the goods shall be of a merchantable quality, i.e. (a) as fit for the purpose or purposes for which the goods of that kind are commonly bought; (b) of such standard of appearance and finish; (c) as free from defects (including minor defects); (d) as safe; and (e) as durable, as it is reasonable to expect having regard to any description applied to them, the price (if relevant) and all the other relevant circumstances; and
- (iii) where the seller sells goods in the course of a business and the buyer makes known to the seller (whether expressly or by implication) any particular purpose for which the goods are being bought, the goods supplied under the contract shall be reasonably fit for that purpose.

Under section 55 of the Sale of Goods Ordinance, where there is a breach of warranty by the seller, the buyer is not, by reason only of such breach of warranty, entitled to reject the goods, but he may set up against the seller the breach of warranty in diminution or extinction of the price, or maintain an action against the seller for damages for the breach of warranty.

### **Business Registration Ordinance (Chapter 310 of the Laws of Hong Kong)**

The Business Registration Ordinance (Chapter 310 of the Laws of Hong Kong) requires every person carrying on any business to make application to the Commissioner of Inland Revenue in the prescribed manner for the registration of that business. The Commissioner of Inland Revenue must register each business for which a business registration application is made and as soon as practicable after the prescribed business registration fee and levy are paid, and issue a business registration certificate or branch registration certificate for the relevant business or the relevant branch as the case may be.

### Laws relating to Transfer Pricing

The Inland Revenue Department (“**IRD**”) may make transfer pricing adjustments by disallowing expenses incurred by Hong Kong residents under sections 16(1), 17(1)(b) and 17(1)(c) of the Inland Revenue Ordinance (Chapter 112 of the Laws of Hong Kong) (“**IRO**”) and challenging the entire arrangement under general anti-avoidance provisions such as sections 61 and 61A of the IRO if the IRD considers that the related party transactions are not conducted on an arm’s length basis. In December 2009, the IRD released Departmental Interpretation and Practice Notes No. 46 (“**DIPN 46**”). DIPN 46 provides clarifications and guidance on the IRD’s views on transfer pricing and how it intends to apply the existing provisions of the IRO to establish whether related parties are transacting at arm’s length prices. In general the practices followed by the IRD are based on the transfer pricing methodologies recommended by the OECD Transfer Pricing Guidelines. In April 2009, the IRD released Departmental Interpretation and Practice Notes No. 45 (“**DIPN 45**”). DIPN 45 provides that where double taxation arises as a result of transfer pricing adjustments made by the tax authorities of another country, a Hong Kong taxpayer may potentially claim relief under the treaty between Hong Kong and that country (countries that entered into tax arrangements with Hong Kong includes the PRC). Furthermore, the Hong Kong Government has gazetted the Inland Revenue (Amendment) (No. 6) Ordinance 2018 (the “**Amendment Ordinance**”) on 13 July 2018. The main objectives of the Amendment Ordinance are to codify the transfer pricing principles and implement certain measures under the Base Erosion and Profit Shifting (“**BEPS**”) package promulgated by the Organisation for Economic Co-operation and Development, such as the transfer pricing documentation requirements. The BEPS package seeks to counter the exploitation of gaps and mismatches in tax rules by multinational enterprises to artificially shift profits to low or no-tax locations where there are little or no economic activity.

Section 50AAF of the IRO now codifies the arm’s-length principle and allows for an adjustment of a taxpayer’s profits upwards/losses downwards if the taxpayer has entered into transaction(s) with an associated person, and the pricing of such transaction(s) differs from that between independent persons and has created a Hong Kong tax advantage. Section 82A of the IRO stipulates that a person is liable to be assessed for penalties to additional tax of the amount of tax undercharged resulting from transfer pricing adjustments, unless it is proved that reasonable efforts have been made to determine the arm’s length price for the transaction(s). Pursuant to section 58C of the IRO, Hong Kong entities engaged in transactions with associated enterprises will be required to prepare master and local files for accounting periods beginning on or after 1 April 2018, except where they meet either one of the following exemptions in respect of business size or relevant transaction volume:

Exemption based on size of business: Taxpayers meeting any two of the following conditions are not required to prepare the master file and local files:

- (i) Total revenue for the accounting period not exceeding HK\$400 million;

---

## REGULATORY OVERVIEW

---

- (ii) Total assets at the end of the accounting period not exceeding HK\$300 million;
- (iii) No more than 100 employees on average.

Exemption based on related party transactions: If the amount of a type of controlled transactions for the relevant accounting period is below the threshold set out below, an enterprise will not be required to prepare a local file for that particular type of transactions:

- (i) Transfer of properties (other than financial assets and intangibles): HK\$220 million;
- (ii) Transaction of financial assets: HK\$110 million;
- (iii) Transfer of intangibles: HK\$110 million;
- (iv) Any other transaction (e.g., service income and royalty income): HK\$44 million.

If all types of controlled transactions for the relevant accounting period are not required to be covered in local files, neither of the following is required to be prepared or retained by a taxpayer:

- (i) Local file for the accounting period;
- (ii) Master file for the corresponding accounting period.

### **Trade Description Ordinance (Chapter 362 of the Laws of Hong Kong)**

The Trade Descriptions Ordinance (Chapter 362 of the Laws of Hong Kong) aims to prohibit false trade description, false, misleading or incomplete information, false marks and misstatements in respect of goods and services provided in the course of trade. The definition of trade description under section 2 of the ordinance covers a broad range of matters including but not limited to: quantity, method of manufacture, composition, fitness for purpose, availability, compliance with a standard specified or recognised by any person, price, approval by any person, a person by whom they have been acquired, the goods being of same kind as goods supplied to a person, place or date of manufacture, etc.

Section 2 also provides that a trade description which is false to a material degree or which, though not false, is misleading, that is to say, likely to be taken for a trade description of a kind that would be false to a material degree, would be regarded as a false trade description.

---

## REGULATORY OVERVIEW

---

Section 7 provides that it is an offence for any person who, in the course of any trade or business, applies a false trade description to any goods or supplies or offer to supply any goods to which a false description is applied. Section 7A provides that it is an offence for a trader who applies a false trade description to a service supplied or offered to be supplied to a consumer, or supplies or offers to supply to a consumer a service to which a false trade description is applied. Section 12 further prohibits any person from importing or exporting any goods to which a false trade description or forged trade mark is applied.

Sections 13E, 13F, 13G, 13H and 13I of the ordinance provide that a trader commits an offence if the trader engages, in relation to a consumer, in a commercial practice that is a misleading omission, or is aggressive, or constitutes bait advertising, or constitutes a bait and switch, or wrongly accepting payment for a product.

Any person who commits an offence under sections 7, 7A, 13E, 13F, 13G, 13H or 13I shall be liable, on conviction on indictment, to a fine of HK\$500,000 and to imprisonment for 5 years, and on summary conviction, to a level 6 fine of HK\$100,000 and imprisonment for 2 years.

### **Trade Marks Ordinance (Chapter 559 of the Laws of Hong Kong)**

The Trade Marks Ordinance (Chapter 559 of the Laws of Hong Kong) makes provision in respect of the registration of trade marks and provides for connected matters.

The ordinance provides that a person infringes a registered trade mark if he uses in the course of trade or business a sign which is:

- (a) identical to the registered trade mark in relation to goods or services which are identical to those for which it is registered;
- (b) identical to the registered trade mark in relation to goods or services which are similar to those for which it is registered and such use is likely to cause confusion on the part of the public;
- (c) similar to the registered trade mark in relation to goods or services which are identical to or similar to those for which it is registered and such use is likely to cause confusion on the part of the public; or
- (d) identical or similar to the registered trade mark in relation to goods or services which are not identical or similar to those for which the trademark is registered, and the trade mark is entitled to protection under the Paris Convention as a well-known trade mark, and such use, being without due cause, takes unfair advantage of or is detrimental to the distinctive character or repute of a trade mark.

The ordinance further provides that the owner of a trade mark may bring infringement proceedings against the infringer for damages, injunction, accounts or any other relief available in law.

---

## HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

---

### OVERVIEW

We are a manufacturer of lifestyle household goods in the PRC. We mainly operate on ODM/OEM basis and have built a customer portfolio comprising globally reputable and long standing names, such as Walmart, Telebrands, SEB, Sensio, Hamilton Beach and Philips etc. With our capability to design, develop and manufacture a range of small home appliances of over 2,400 models, we have gained recognition in our small kitchen appliances. We were the “Top 10 Small Kitchen Appliance Export Companies (十大廚房小家電出口企業)” in 2022 and 2023 recognised by China Chamber of Commerce for Import and Export of Machinery and Electronic Products (中國機電產品進出口商會). According to the F&S Report, we were the 10th largest company with a market share of 0.8% in terms of export value in 2024 in the small kitchen appliance industry in the PRC. Our electric kettles had a market share of approximately 24.6% and 59.6% in the respective category classified by the General Administration of Customs of the PRC in terms of export volume from the PRC to the U.S. and Canada, respectively, in 2024. Our motor-driven products such as mixers had a market share of approximately 3.8% in the respective category classified by the General Administration of Customs of the PRC in terms of export volume from the PRC to the U.S. in 2024. Please see “Industry Overview” in this prospectus for details.

Our history can be traced back to 2000 when we established our Yinuowei Factory in Jiangyin. In 2012, our Company was founded by Mr. Pan Yun, Ms. Ji Ying, Ms. Li Youxiang, Mr. Xu Xiping, Ms. Hu Yan and Ms. Yi Hongliang and six other former or current employees as promoters in the PRC. Since the establishment of our Company, Mr. Pan Yun has played a pivotal role as a Director, Controlling Shareholder, chairman of the Board and the general manager of our Company. For biographical details of Mr. Pan Yun, please see “Directors, Supervisors and Senior Management – Directors” in this prospectus.

---

## HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

---

### OUR KEY MILESTONES

The following table sets out the key milestone in our business development:

Year	Milestone
2000	We established our Yinuowei Factory in Jiangyin, following by the establishment of other production facilities in different parts of China
2002	We established our Aisijie Factory
2004	We established our Yuantexin Factory
2012	Mr. Pan Yun, together with other then shareholders established our Company  We established our Hubei XJ Factory in the same year
2016	We commenced our operation in the US under the brand of Weighmax
2023	We established our first overseas production facility in Indonesia
2024	We established our Thailand subsidiary, X.J. Electrics (Thailand), as our second base in Southeast Asia

---

## HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

---

### CORPORATE DEVELOPMENT

The following sets forth the corporate development and major shareholding changes of our Company and our principal subsidiaries.

#### Our Company

##### *Our incorporation*

Pursuant to the promoters' agreement dated 7 June 2012 entered into by Mr. Pan Yun, Ms. Ji Ying, Ms. Li Youxiang, Mr. Xu Xiping, Mr. Yi Jie, Mr. Hu Qingfeng, Mr. Ye Huanchun, Ms. Hu Yan, Mr. Zou Chenghou, Mr. Geng Congen, Ms. Yan Li and Ms. Yi Hongliang, our Company was established as a joint stock company with limited liability in the PRC on 23 July 2012, with an initial registered and paid-up capital of RMB30,000,000 divided into 30,000,000 Shares with a nominal value of RMB1 per Share. Upon incorporation, Mr. Pan Yun owned as to 85% of the Shares and the remaining 11 promoters owned as to 15% of the Shares in aggregate. For details of Mr. Pan Yun, Ms. Ji Ying, Ms. Li Youxiang, Mr. Xu Xiping and Ms. Hu Yan, who are our Directors, please see "Directors, Supervisors and Senior Management – Directors" in this prospectus. For details of Ms. Yi Hongliang, who is our Supervisor, please see "Directors, Supervisors and Senior Management – Supervisors" in this prospectus. As to the remaining promoters, they are either former or current employees of our Group.

The following table sets out the shareholding structure of our Company immediately upon our incorporation:

Shareholders	Number of Shares held	Percentage of shareholding (%)
Mr. Pan Yun	25,500,000	85.00
Ms. Ji Ying	600,000	2.00
Ms. Li Youxiang	600,000	2.00
Mr. Xu Xiping	600,000	2.00
Mr. Yi Jie	600,000	2.00
Mr. Hu Qingfeng	450,000	1.50
Mr. Ye Huanchun	450,000	1.50
Ms. Hu Yan	300,000	1.00
Mr. Zou Chenghou	300,000	1.00
Mr. Geng Congen	300,000	1.00
Ms. Yan Li	150,000	0.50
Ms. Yi Hongliang	150,000	0.50
<b>Total</b>	<b>30,000,000</b>	<b>100</b>

---

## HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

---

### *Our historical changes in registered capital and shareholdings*

#### *The first increase of registered capital in 2013*

On 12 April 2013, the registered capital of our Company was increased from RMB30,000,000 to RMB50,000,000. The newly increased registered capital was subscribed by the then Shareholders in proportion to their existing capital contribution at the subscription price of RMB1 per Share which was determined based on the nominal value of the Shares. The following table sets out the shareholding structure of our Company immediately upon the completion of the capital increase as mentioned above:

Shareholders	Number of Shares held	Percentage of shareholding (%)
Mr. Pan Yun	42,500,000	85.00
Ms. Ji Ying	1,000,000	2.00
Ms. Li Youxiang	1,000,000	2.00
Mr. Xu Xiping	1,000,000	2.00
Mr. Yi Jie	1,000,000	2.00
Mr. Hu Qingfeng	750,000	1.50
Mr. Ye Huanchun	750,000	1.50
Ms. Hu Yan	500,000	1.00
Mr. Zou Chenghou	500,000	1.00
Mr. Geng Congen	500,000	1.00
Ms. Yan Li	250,000	0.50
Ms. Yi Hongliang	250,000	0.50
<b>Total</b>	<b>50,000,000</b>	<b>100</b>



---

## HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

---

### *The second increase of registered capital in 2013*

On 10 December 2013, the registered capital of our Company was increased from RMB50,000,000 to RMB80,000,000. The newly increased registered capital was subscribed by the then Shareholders in proportion to their existing capital contribution at the subscription price of RMB1 per Share which was determined based on the nominal value of the Shares. The following table sets out the shareholding structure of our Company immediately upon the completion of the capital increase as mentioned above:

Shareholders	Number of Shares held	Percentage of shareholding (%)
Mr. Pan Yun	68,000,000	85.00
Ms. Ji Ying	1,600,000	2.00
Ms. Li Youxiang	1,600,000	2.00
Mr. Xu Xiping	1,600,000	2.00
Mr. Yi Jie	1,600,000	2.00
Mr. Hu Qingfeng	1,200,000	1.50
Mr. Ye Huanchun	1,200,000	1.50
Ms. Hu Yan	800,000	1.00
Mr. Zou Chenghou	800,000	1.00
Mr. Geng Congen	800,000	1.00
Ms. Yan Li	400,000	0.50
Ms. Yi Hongliang	400,000	0.50
<b>Total</b>	<b>80,000,000</b>	<b>100</b>

---

## HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

---

### *The third increase of registered capital in 2014*

On 23 June 2014, the registered capital of our Company was increased from RMB80,000,000 to RMB120,000,000. The newly increased registered capital was subscribed by the then Shareholders in proportion to their existing capital contribution at the subscription price of RMB1 per Share which was determined based on the nominal value of the Shares. The following table sets out the shareholding structure of our Company immediately upon the completion of the capital increase as mentioned above:

Shareholders	Number of Shares held	Percentage of shareholding (%)
Mr. Pan Yun	102,000,000	85.00
Ms. Ji Ying	2,400,000	2.00
Ms. Li Youxiang	2,400,000	2.00
Mr. Xu Xiping	2,400,000	2.00
Mr. Yi Jie	2,400,000	2.00
Mr. Hu Qingfeng	1,800,000	1.50
Mr. Ye Huanchun	1,800,000	1.50
Ms. Hu Yan	1,200,000	1.00
Mr. Zou Chenghou	1,200,000	1.00
Mr. Geng Congen	1,200,000	1.00
Ms. Yan Li	600,000	0.50
Ms. Yi Hongliang	600,000	0.50
<b>Total</b>	<b>120,000,000</b>	<b>100</b>

---

## HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

---

### *Transfer of shares from 11 promoters to Qichun Hengxing in 2016*

Pursuant to 11 equity transfer agreements all dated 21 October 2016, Ms. Ji Ying, Ms. Li Youxiang, Mr. Xu Xiping, Mr. Yi Jie, Mr. Hu Qingfeng, Mr. Ye Huanchun, Ms. Hu Yan, Mr. Zou Chenghou, Mr. Geng Congen, Ms. Yan Li and Ms. Yi Hongliang transferred an aggregate of 18,000,000 Shares (representing 15% of shareholding in our Company) to Qichun Hengxing at the consideration of RMB1 per Share which was determined based on the nominal value of the Shares. Qichun Hengxing was owned by the 11 promoters and their shareholdings in Qichun Hengxing were proportional to their partnership interests in our Company immediately before the share transfer. The following table sets out the shareholding structure of our Company immediately upon the completion of the share transfer as mentioned above:

Shareholders	Number of Shares held	Percentage of shareholding (%)
Mr. Pan Yun	102,000,000	85.00
Qichun Hengxing	18,000,000	15.00
<b>Total</b>	<b>120,000,000</b>	<b>100</b>

### *The fourth increase of registered capital in 2016*

Pursuant to the shareholders' resolutions dated 25 November 2016, the registered capital of our Company was increased from RMB120,000,000 to RMB200,000,000 on 5 December 2016. Such additional registered capital was contributed by X.J. Management (Qichun), Qichun Hengxing and Suizhou Yuhui Longfang Enterprise Management Consulting Centre (General Partnership)\* (隨州市裕匯隆方企業管理諮詢中心(普通合夥)) (“**Yuhui Longfang**”) as to RMB54,000,000, RMB22,000,000 and RMB4,000,000, respectively, at the consideration of RMB1 per Share which was determined based on the nominal value of the Shares. The consideration was fully settled by X.J. Management (Qichun), Qichun Hengxing and Yuhui Longfang on 8 December 2016, 8 December 2016 and 2 December 2016, respectively. At the material time, X.J. Management (Qichun) was owned by Mr. Pan Yun and Mr. Guangshe Pan as to 70.37% and 29.63%, respectively; Qichun Hengxing was owned by Mr. Pan Yun as to 25%, Ms. Ji Ying as to 10%, Ms. Li Youxiang as to 10%, Mr. Xu Xiping as to 5%, Ms. Hu Yan as to 5%, Mr. Shi Chuanlai as to 4%, Ms. Yi Hongliang as to 2.5% and Ms. Yan Li as to 1.5%, and the remaining 37% partnership interest was collectively owned by 17 partners, all of whom were our employees and Independent Third Parties; and Yuhui Longfang was ultimately beneficially owned by three individuals, all of whom were Independent Third Parties.

## HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

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

Shareholders	Number of Shares held	Percentage of shareholding (%)
Mr. Pan Yun	102,000,000	51.00
X.J. Management (Qichun)	54,000,000	27.00
Qichun Hengxing	40,000,000	20.00
Yuhui Longfang	4,000,000	2.00
<b>Total</b>	<b>200,000,000</b>	<b>100</b>

*Transfer of shares from Yuhui Longfang to Mr. Pan Yun in 2017*

On 5 December 2017, Yuhui Longfang and our Company mutually agreed to terminate our shareholding relationship and entered into an equity transfer agreement on even date, pursuant to which Yuhui Longfang transferred 4,000,000 Shares (representing 2% of shareholding in our Company) to Mr. Pan Yun at the consideration of RMB1 per Share which was determined having considered the consideration paid by Yuhui Longfang for acquiring such Shares, being the nominal value of the Shares. The consideration was fully settled by Mr. Pan Yun on 20 December 2017. The following table sets out the shareholding structure of our Company immediately upon the completion of the share transfer as mentioned above:

Shareholders	Number of Shares held	Percentage of shareholding (%)
Mr. Pan Yun	106,000,000	53.00
X.J. Management (Qichun)	54,000,000	27.00
Qichun Hengxing	40,000,000	20.00
<b>Total</b>	<b>200,000,000</b>	<b>100</b>

## HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

### *The fifth increase of registered capital in 2017*

Pursuant to a capital increase agreement dated 27 December 2017 entered into among our Company, Mr. Pan Yun, Shenzhen Huiyin Hefu No. 10 Investment Partnership (Limited Partnership)\* (深圳市匯銀合富十號投資合夥企業(有限合夥)) (“**Huiyin Hefu**”) and Shenzhen Huiyin Ruihe No. 6 Investment Partnership (Limited Partnership)\* (深圳市匯銀瑞和六號投資合夥企業(有限合夥)) (“**Huiyin Ruihe**”), Huiyin Hefu and Huiyin Ruihe agreed to invest RMB30.0 million and RMB9.0 million, respectively, in our Company. Upon the completion of the said capital increase on 28 December 2017, the registered capital of our Company was increased from RMB200,000,000 to RMB205,567,500. The consideration of RMB7.005 per Share was determined with reference to our Company’s performance and the then price-to-earnings (P/E) ratio of the industry and was fully settled by Huiyin Hefu and Huiyin Ruihe on 28 December 2017. At the material time, Shenzhen Zhongtong Huiyin Asset Management Co., Ltd.\* (深圳市中通匯銀資產管理有限公司) was the general partner of both Huiyin Hefu and Huiyin Ruihe. The ultimate beneficial owners of Huiyin Hefu and Huiyin Ruihe were Independent Third Parties.

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

Shareholders	Number of Shares held	Percentage of shareholding (%)
Mr. Pan Yun	106,000,000	51.56
X.J. Management (Qichun)	54,000,000	26.27
Qichun Hengxing	40,000,000	19.46
Huiyin Hefu	4,282,700	2.08
Huiyin Ruihe	1,284,800	0.63
<b>Total</b>	<b>205,567,500</b>	<b>100</b>

Pursuant to a supplemental capital increase agreement dated 28 December 2017 entered into among our Company, Mr. Pan Yun, Huiyin Hefu and Huiyin Ruihe, the parties agreed that in the event the A share listing attempt of our Company being not completed by 31 December 2020, our Company shall return the respective investment amount to Huiyin Hefu and Huiyin Ruihe through reduction of registered capital, with a pre-tax annual rate of return of 6% simple interest, net of any cash dividend returns received by Huiyin Hefu and Huiyin Ruihe from our Company (the “**Supplemental Agreement with Huiyin Hefu and Huiyin Ruihe**”). For further details of our A share listing attempt, please see “Previous A Share Listing Attempt” in this section below.

## HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

*The sixth increase of registered capital and subscription of registered capital by Huiyin Jiafu in 2018*

Pursuant to a capital increase agreement dated 8 August 2018 entered into among our Company, Mr. Pan Yun and Shenzhen Huiyin Jiafu Preferred Phase I Venture Capital Partnership (Limited Partnership)\* (深圳市匯銀加富優選一期創業投資合夥企業(有限合夥)) (“**Huiyin Jiafu**”), Huiyin Jiafu agreed to invest RMB29.7 million in our Company. Upon the completion of the said capital increase on 21 September 2018, the registered capital of our Company was increased from RMB205,567,500 to RMB210,227,009. The consideration of RMB6.3741 per Share was determined with reference to our Company’s then performance and the then price-to-earnings (P/E) ratio of the industry and was fully settled on 9 August 2018. At the material time, Shenzhen Zhongtong Huiyin Equity Investment Fund Management Co., Ltd.\* (深圳市中通匯銀股權投資基金管理有限公司) was the general partner of Huiyin Jiafu. The ultimate beneficial owners of Huiyin Jiafu were Independent Third Parties to our Group.

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

Shareholders	Number of Shares held	Percentage of shareholding (%)
Mr. Pan Yun	106,000,000	50.42
X.J. Management (Qichun)	54,000,000	25.69
Qichun Hengxing	40,000,000	19.03
Huiyin Jiafu	4,659,509	2.22
Huiyin Hefu	4,282,700	2.04
Huiyin Ruihe	1,284,800	0.61
<b>Total</b>	<b>210,227,009</b>	<b>100</b>

Pursuant to a supplemental capital increase agreement dated 8 August 2018 entered into between Mr. Pan Yun and Huiyin Jiafu, the parties agreed that in the event the A share purchase attempt of our Company being not completed by 31 December 2020, Mr. Pan Yun shall purchase the Shares held by Huiyin Jiafu, with a pre-tax annual rate of return of 6% simple interest, net of any cash dividend returns received by Huiyin Jiafu from our Company (the “**Supplemental Agreement with Huiyin Jiafu**”). For further details of our A share listing attempt, please see “Previous A Share Listing Attempt” in this section below.

---

## HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

---

### *Transfer of shares from Huiyin Jiafu to Mr. Pan Yun in 2019*

In view of the anticipated delay in our A share listing attempt, on 6 March 2019, pursuant to the equity transfer agreement entered into between Mr. Pan Yun and Huiyin Jiafu, Huiyin Jiafu transferred 4,659,509 Shares (representing approximately 2.22% of shareholding in our Company) to Mr. Pan Yun. The total consideration of the said equity transfer amounted to RMB30,827,000, representing the original investment cost of Huiyin Jiafu of RMB29,700,000 and the investment return of RMB1,127,000 pursuant to the Supplemental Agreement with Huiyin Jiafu, was fully settled on 10 May 2019. The following table sets out the shareholding structure of our Company upon the completion of the said equity transfer:

Shareholders	Number of Shares held	Percentage of shareholding (%)
Mr. Pan Yun	110,659,509	52.64
X.J. Management (Qichun)	54,000,000	25.69
Qichun Hengxing	40,000,000	19.03
Huiyin Hefu	4,282,700	2.04
Huiyin Ruihe	1,284,800	0.61
<b>Total</b>	<b>210,227,009</b>	<b>100</b>

---

## HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

---

### *Repurchase and cancellation of registered capital in 2019*

In or around December 2019, in view of the anticipated delay in our A share listing attempt, our Company agreed with Huiyin Hefu and Huiyin Ruihe to their early withdrawal from our Company. Pursuant to a shareholders' resolution on 12 December 2019, a total of 5,567,500 Shares held by Huiyin Hefu and Huiyin Ruihe were repurchased and cancelled by our Company. As at 2 April 2020, our Company fully settled the payments of RMB33,964,166.66 and RMB10,101,000 to Huiyin Hefu and Huiyin Ruihe, respectively, representing their respective original investment cost of RMB30,000,000 and RMB9,000,000 and their respective investment return of RMB3,964,166.66 and RMB1,101,000 pursuant to the Supplemental Agreement with Huiyin Hefu and Huiyin Ruihe. As a result, the registered capital of our Company was reduced from RMB210,227,009 to RMB204,659,509. The following table sets out the shareholding structure of our Company immediately upon the completion of the repurchase and cancellation of the registered capital as mentioned above:

Shareholders	Number of Shares held	Percentage of shareholding (%)
Mr. Pan Yun	110,659,509	54.07
X.J. Management (Qichun)	54,000,000	26.39
Qichun Hengxing	40,000,000	19.54
<b>Total</b>	<b>204,659,509</b>	<b>100</b>

As advised by our PRC Legal Advisers, all the above transfers and changes in registered capital have been properly and legally completed and settled, all necessary approvals from competent authorities have been obtained and all necessary registration or filings with the relevant local branches of the State Administration for Market Regulation of the PRC have been made.



---

## HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

---

### Our principal subsidiaries

As at the Latest Practicable Date, we had nine subsidiaries in the PRC, two subsidiaries in Hong Kong, two subsidiaries in the U.S., one subsidiary in Indonesia and one subsidiary in Thailand. The following table sets out our principal subsidiaries which made a material contribution to our performance during the Track Record Period:

Name	Date and place of incorporation	Registered share capital	Principal business activities	Equity interest held by our Group as at the Latest Practicable Date	Major shareholding changes during the Track Record Period
Innovative (Jiangyin)	5 September 2000, the PRC	RMB36,432,000	Manufacturing, processing and sales of electronic devices	100%	None
X.J. Electrics (Shenzhen)	12 August 2002, the PRC	RMB6,366,600	Research, design, production and sales of electro-thermic appliances and motor-driven appliances	100%	None
X.J. Electronics (Shenzhen)	7 June 2004, the PRC	RMB6,250,000	Research, design, production and sales of electro-thermic appliances and motor-driven appliances	100%	None
MeiNuoWei Electrics	9 March 2017, the PRC	RMB20,000,000	Research, design, production and sales of electro-thermic appliances and motor-driven appliances	100%	None

## HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

Name	Date and place of incorporation	Registered share capital	Principal business activities	Equity interest held by our Group as at the Latest Practicable Date	Major shareholding changes during the Track Record Period
X.J. Electrical Appliances	23 October 2020, the PRC	RMB200,000,000	Production and sales of electro-thermic appliances and motor-driven appliances	100%	On 21 May 2024, the registered capital of X.J. Electrical Appliances was increased from RMB50,000,000 to RMB200,000,000. As advised by our PRC Legal Advisers, the change in the registered capital of X.J. Electrical Appliances has been duly completed and is legally valid pursuant to the applicable PRC laws, regulations and rules.
X.J. Group (HK)	30 June 2014, Hong Kong	USD1,290,000	Sales of our products to international customers	100%	None
THS Industrial	26 June 2017, Hong Kong	HKD10,000	Sales of our products to international customers	100%	None

---

## HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

---

### EMPLOYEE SHAREHOLDING PLATFORM

Qichun Hengxing was established in the PRC as an employee shareholding platform of our Company, in order to align the interests of our Company and our employees. Mr. Pan Yun is the sole general partner of Qichun Hengxing and is responsible for its management. As at the Latest Practicable Date, Qichun Hengxing held approximately 19.54% shareholding in our Company.

As at the Latest Practicable Date, the partnership structure of Qichun Hengxing was as follows:

Name of partner	Position(s) in our Group	Capital subscription amount (RMB)	Partnership interest (%)
Mr. Pan Yun	<ul style="list-style-type: none"><li>• Executive Director, chairman of our Board and general manager of our Company;</li><li>• Director and chairman of the board of X.J. Electrics (Shenzhen);</li><li>• Director and chairman of the board of X.J. Electronics (Shenzhen);</li><li>• Director and chairman of the board of Innovative (Jiangyin);</li><li>• Director and chairman of the board of MeiNuoWei Electrics;</li><li>• Director of X.J. Group (HK);</li><li>• Director, the chairman of the board and the general manager of X.J. Electrical Appliances;</li><li>• Executive director and the general manager of Aigrentrading; and</li><li>• Director and the chief executive officer of PT Dingsheng</li></ul>	19,000,000	47.50

---

## HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

---

Name of partner	Position(s) in our Group	Capital subscription amount (RMB)	Partnership interest (%)
Ms. Ji Ying	<ul style="list-style-type: none"> <li>• Executive Director and vice general manager of our Company;</li> <li>• Director of X.J. Electrics (Shenzhen);</li> <li>• Director of X.J. Electronics (Shenzhen);</li> <li>• Director of Innovative (Jiangyin);</li> <li>• Director of X.J. Group (HK);</li> <li>• Director of MeiNuoWei Electrics;</li> <li>• Director of X.J. Electrical Appliances;</li> <li>• Director of PT Dingsheng;</li> <li>• Director and general manager of HNW Electronics; and</li> <li>• Director of X.J. Electrics (Thailand)</li> </ul>	4,000,000	10.00
Ms. Li Youxiang	<ul style="list-style-type: none"> <li>• Executive Director and vice general manager of our Company;</li> <li>• Director of X.J. Group (HK);</li> <li>• Director of Innovative (Jiangyin);</li> <li>• Director of MeiNuoWei Electrics;</li> <li>• Director of X.J. Electrical Appliances; and</li> <li>• Executive director and general manager of Nuocheng Electronic Commerce</li> </ul>	4,000,000	10.00
Mr. Xu Xiping	<ul style="list-style-type: none"> <li>• Executive Director of our Company;</li> <li>• Director of X.J. Electrical Appliances; and</li> <li>• Technical consultant of the outsourcing centre of Shenzhen Branch</li> </ul>	2,000,000	5.00

---

## HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

---

Name of partner	Position(s) in our Group	Capital subscription amount (RMB)	Partnership interest (%)
Ms. Hu Yan	<ul style="list-style-type: none"> <li>• Executive Director, secretary to our Board, chief financial officer and one of the joint company secretaries of our Company;</li> <li>• Director of X.J. Electronics (Shenzhen);</li> <li>• Director of THS Industrial;</li> <li>• Director of X.J. Electrical Appliances; and</li> <li>• Director of X.J. Electrics (Thailand)</li> </ul>	2,000,000	5.00
Mr. Shi Chuanlai	<ul style="list-style-type: none"> <li>• Supervisor of our Company; and</li> <li>• Director and general manager of X.J. Electrics (Shenzhen)</li> </ul>	1,600,000	4.00
Mr. Wang Chengang	<ul style="list-style-type: none"> <li>• General manager of Innovative (Jiangyin)</li> </ul>	1,400,000	3.50
Ms. Yi Hongliang	<ul style="list-style-type: none"> <li>• Supervisor of our Company;</li> <li>• Supervisor of MeiNuoWei Electrics;</li> <li>• Supervisor of X.J. Electrical Appliances; and</li> <li>• President of the outsourcing centre of Shenzhen Branch</li> </ul>	1,000,000	2.50
Mr. Liang Changhong	<ul style="list-style-type: none"> <li>• Vice president of R&amp;D centre of our Company</li> </ul>	1,000,000	2.50
Ms. Su Jingjing	<ul style="list-style-type: none"> <li>• Sales manager of our Company</li> </ul>	800,000	2.00
Mr. Huang Haitao	<ul style="list-style-type: none"> <li>• Executive director and general manager of Nawu Technology; and</li> <li>• Sales manager of our Company</li> </ul>	800,000	2.00

## HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

Name of partner	Position(s) in our Group	Capital subscription amount (RMB)	Partnership interest (%)
Ms. Yan Li	<ul style="list-style-type: none"> <li>Director of THS Industrial; and</li> <li>Audit manager of our Company</li> </ul>	600,000	1.50
Mr. Hu Qingfeng	<ul style="list-style-type: none"> <li>Staff of administrative department of Shenzhen Branch</li> </ul>	400,000	1.00
Mr. Ye Huanchun	<ul style="list-style-type: none"> <li>Vice general manager of HNW Electronics</li> </ul>	400,000	1.00
Mr. Zhong Dingan	<ul style="list-style-type: none"> <li>Supervisor of Nuocheng Electronic Commerce; and</li> <li>Sales manager of our Company</li> </ul>	400,000	1.00
Mr. Hu Jianfeng	<ul style="list-style-type: none"> <li>Vice general manager of the general manager office of our Company</li> </ul>	400,000	1.00
Mr. Geng Congen	<ul style="list-style-type: none"> <li>Vice president of the general manager office of our Company</li> </ul>	200,000	0.50
<b>Total</b>		<b><u>40,000,000</u></b>	<b><u>100</u></b>

### MAJOR ACQUISITIONS, DISPOSALS AND MERGERS

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

### PREVIOUS A SHARE LISTING ATTEMPT

Our Company previously considered the possibility of seeking an initial public offering in the PRC (“**A Share Listing Attempt**”). On 3 May 2017, our Company engaged a tutoring agency (“**Tutoring Agency A**”) to provide tutoring and preliminary compliance advice in relation to the requirements of the CSRC. Due to high turnover of personnel of Tutoring Agency A and upon mutual agreement, our Company terminated the engagement with Tutoring Agency A on 30 October 2020 and the termination was reported to Hubei Commissioner Office of the CSRC (“**Hubei CSRC**”) on 2 November 2020.

---

## HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

---

On 18 November 2020, we engaged a financial adviser to provide financial advice to us, and engaged it as our tutoring agency (“**Tutoring Agency B**”) to provide tutoring in relation to our A Share Listing Attempt on 25 January 2021. In view of Tutoring Agency B’s failure to adhere to the agreed listing timetable and upon mutual agreement, our Company terminated the engagement with Tutoring Agency B on 29 March 2021 and the termination was reported to Hubei CSRC on the same date.

On 30 August 2021, our Company engaged Sinolink Securities Co., Ltd. as the tutoring agency and filed the pre-listing tutoring with Hubei CSRC on 1 September 2021. On 21 June 2022, our Company filed an application for A share listing with the CSRC. We received one round of comments from the CSRC in September 2022 and submitted our response in December 2022. In March 2023, our application was transferred to the SZSE (the “**A Share Listing Application**”). We received two rounds of comments from the SZSE in March and September 2023. In relation to the first round of comments raised by the SZSE, our Company submitted our initial response in August 2023 for addressing the first round of comments and an updated response in September 2023 for updating the financial information therein to cover the stub financial period from 1 January 2023 to 30 June 2023. In December 2023, our Company submitted our response to the second round of comments. As confirmed by our Directors, no key outstanding comments from the SZSE or the CSRC remained unresolved. Our Directors are of the view, and the Sole Sponsor concurs, that none of such comments raised by the CSRC and the SZSE will render our Group not suitable for Listing, and all information that is relevant to the Listing and reasonably necessary for the potential investors to make an informed assessment of our Group has been included in this prospectus.

Back in 2017, we considered that seeking a listing on the A-Share market was suitable and aligned with our business position as a manufacturer of lifestyle household goods in the PRC. At that time, we had no overseas production facilities and did not have plans to establish overseas manufacturing facilities. To diversify and expand our Group’s manufacturing capability and enhance our global presence, we began to strategically establish our production facilities in Southeast Asia since 2023. In view of the robust foundation of Hong Kong as a hub for international investors, our Directors considered that a listing status on the Stock Exchange would be able to facilitate our strategic goal of overseas expansion and elevate international visibility. Hence, our Company voluntarily withdrew our A share listing application on 29 April 2024.

To the best of our Directors’ knowledge, our Directors are not aware of (i) any other matters in relation to the A Share Listing Application which are relevant to the Listing and should be reasonably highlighted in this prospectus for prospective investors to form an informed assessment of our Company or to be brought to the attention of the Stock Exchange; (ii) any enquiries from the CSRC or the SZSE in relation to the A Share Listing Application that would affect our Company’s suitability for listing on the Stock Exchange; and (iii) any other matters relating to the A Share Listing Application that may have implications on our Company’s suitability for listing on the Stock Exchange or on the truthfulness, accuracy and completeness of information disclosed in this prospectus.

---

## **HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE**

---

Based on the Sole Sponsor's due diligence work including, amongst others, (a) reviewing materials submitted to the CSRC on the previous A-share Listing Attempts; (b) reviewing publicly available information relating to the previous A-share Listing Attempts; and (c) conducting interviews with certain professional parties engaged in connection with the previous A-share Listing Attempts, the Sole Sponsor is not aware of any other matters in relation to the A Share Listing Application that need to be brought to the attention of the Stock Exchange.

Save as disclosed above, the Sole Sponsor is not aware of any material matters relating to the A share Listing Application which need to be brought to the attention of the investors and the Stock Exchange based on the independent due diligence work performed by the Sole Sponsor.

### **REASONS FOR THE LISTING**

Our Directors believe that the listing of our H Shares on the Stock Exchange benefits our Group and our Shareholders considering that the Stock Exchange offers an international platform for accessing foreign capital and promoting our Group to global investors, which in turn provides further capital to bolster our business development and expansion efforts, and to strengthen our Group's working capital. For details of our application of proceeds from the Listing, please see "Future Plans and Use of Proceeds" in this prospectus.

### **PUBLIC FLOAT**

The 204,659,509 Domestic Unlisted Shares collectively held by Mr. Pan Yun, Mr. Guangshe Pan, Qichun Hengxing and X.J. Management (Qichun), our Controlling Shareholders, representing approximately 75.00% of our total issued Shares immediately following the completion of the Global Offering (assuming the Over-allotment Option is not exercised), will not be counted towards the public float as (i) these Shareholders will constitute core connected persons of our Company; and (ii) these shares are unlisted which would not be converted to H Shares and listed following the completion of the Global Offering.

To the best knowledge of our Directors, save as disclosed above, upon the completion of the Global Offering (assuming that the Over-allotment Option is not exercised), 68,220,000 H Shares held or controlled by our Shareholders who are not our core connected persons, representing approximately 25.00% of our total issued Shares, will be counted towards the public float, which is in compliance with the requirement under Rule 8.08 of the Listing Rules.

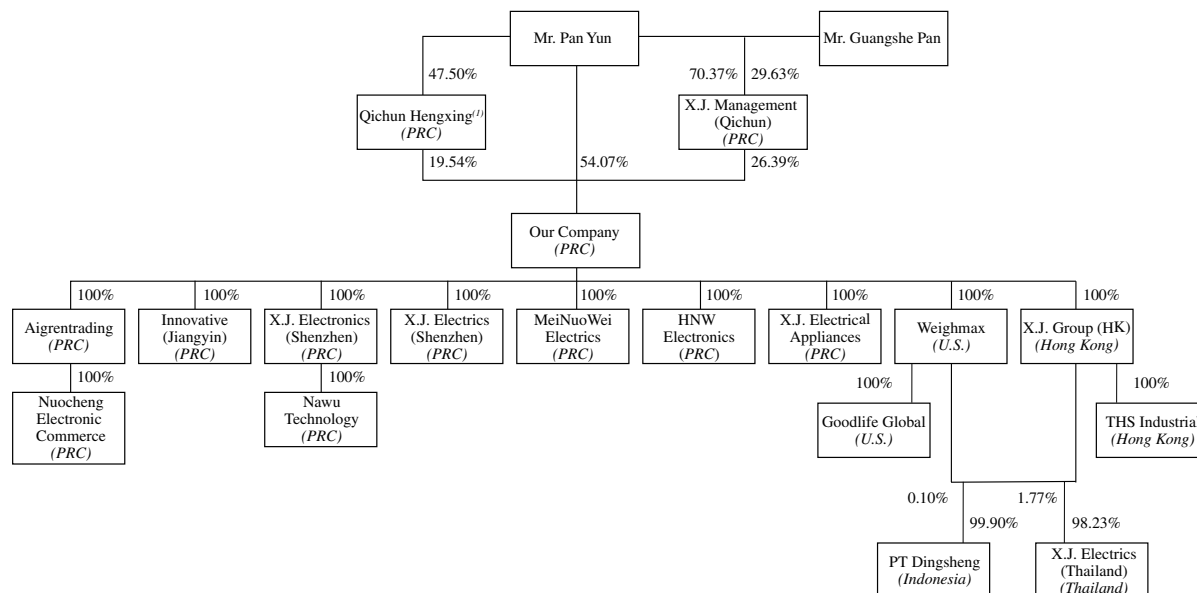
Taking into account the Shares to be issued to other Shareholders pursuant to the Global Offering, our Directors are of the view that our Company will be able to satisfy the public float requirement under Rule 8.08 of the Listing Rules.



## HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

### SHAREHOLDING STRUCTURE OF OUR COMPANY

The following chart sets forth our corporate structure as at the Latest Practicable Date and immediately before completion of the Global Offering:

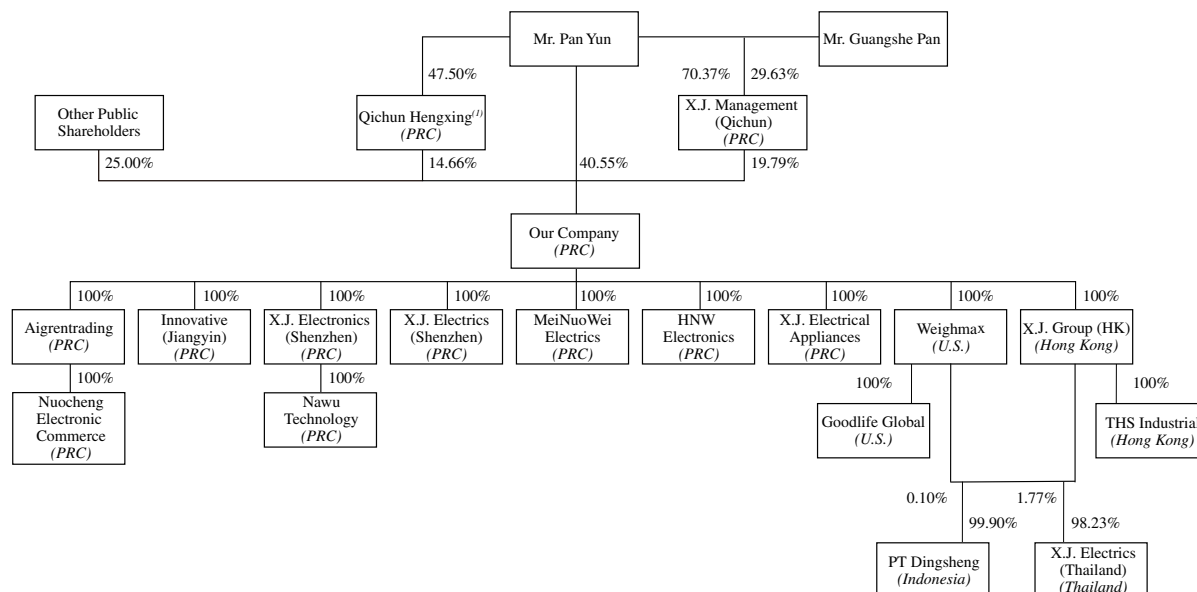


*Note:*

- Mr. Pan Yun is the sole general partner of Qichun Hengxing, the employee shareholding platform of our Company. Mr. Pan Yun is interested in 47.5% partnership interest in Qichun Hengxing. The remaining 52.5% partnership interest is held by 16 limited partners, including our Directors, Ms. Ji Ying, Ms. Li Youxiang, Mr. Xu Xiping and Ms. Hu Yan as to 10%, 10%, 5% and 5%, respectively, our Supervisors, Mr. Shi Chuanlai and Ms. Yi Hongliang as to 4% and 2.5%, respectively, director of THS Industrial, Ms. Yan Li as to 1.5% and other nine current employees of our Group who were Independent Third Parties. The range of partnership interest held by these nine employees ranged from 0.5% to 3.5%. For further details, please see “Employee Shareholding Platform” in this section above.

## HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

The following chart sets forth our corporate structure immediately after the Global Offering (assuming that the Over-allotment Option is not exercised):



*Note:*

1. Mr. Pan Yun is the sole general partner of Qichun Hengxing, the employee shareholding platform of our Company. Mr. Pan Yun is interested in 47.5% partnership interest in Qichun Hengxing. The remaining 52.5% partnership interest is held by 16 limited partners, including our Directors, Ms. Ji Ying, Ms. Li Youxiang, Mr. Xu Xiping and Ms. Hu Yan as to 10%, 10%, 5% and 5%, respectively, our Supervisors, Mr. Shi Chuanlai and Ms. Yi Hongliang as to 4% and 2.5%, respectively, director of THS Industrial, Ms. Yan Li as to 1.5% and other nine current employees of our Group who were Independent Third Parties. The range of partnership interest held by these nine employees ranged from 0.5% to 3.5%. For further details, please see “Employee Shareholding Platform” in this section above.

**OVERVIEW**

We are a manufacturer of lifestyle household goods in the PRC. We mainly operate on ODM/OEM basis and have built a customer portfolio comprising globally reputable and long standing names, such as Walmart, Telebrands, SEB, Sensio, Hamilton Beach and Philips etc. With our capability to design, develop and manufacture a range of small home appliances, we have gained recognition in our small kitchen appliances. We were the “Top 10 Small Kitchen Appliance Export Companies (十大廚房小家電出口企業)” in 2022 and 2023 recognised by China Chamber of Commerce for Import and Export of Machinery and Electronic Products (中國機電產品進出口商會). During the Track Record Period, a major portion of our revenue came from our sales of small kitchen appliances.<sup>(1)</sup> According to the F&S Report, we were the 10th largest company with a market share of 0.8% in terms of export value in 2024 in the small kitchen appliance industry in the PRC.<sup>(2)</sup> Our electric kettles had a market share of approximately 24.6% and 59.6% in the respective category classified by the General Administration of Customs of the PRC in terms of export volume from the PRC to the U.S. and Canada, respectively, in 2024. Our motor-driven products such as mixers had a market share of approximately 3.8% in the respective category classified by the General Administration of Customs of the PRC in terms of export volume from the PRC to the U.S. in 2024. Please see “Industry Overview” in this prospectus for details.

We focus on research and development, design, manufacturing and sales of electric home appliances and non-electric household goods. Our electric home appliances consist of three categories, namely (i) electro-thermic appliances, such as electric griddle, air fryer and kettle; (ii) motor-driven appliances, such as blender, mixer and electric can opener; and (iii) electronic appliances such as digital scale, humidifier and laser projector light. We also offer non-electric household goods such as garden hose and cookware. As at 14 March 2025, we had over 10 ODM/OEM products that made Amazon’s “best-sellers” list of respective categories, among which our steamer, rice cooker, electric griddle and electric skillet were in the top 10 of the Amazon’s “best-sellers” list of respective categories.

<sup>(1)</sup> For FY2022, FY2023 and FY2024, revenue contributed by sales of small kitchen appliances represented 73.9%, 72.1% and 72.7% of our total revenue, respectively.

<sup>(2)</sup> According to Frost & Sullivan, small kitchen appliance accounted for the largest share of the global small home appliance industry.

## BUSINESS

The table below sets out a breakdown of our total revenue by product type during the Track Record Period:

	FY2022		FY2023		FY2024	
	RMB'000	%	RMB'000	%	RMB'000	%
<b>Electric home appliances</b>						
– Electro-thermic appliances	459,013	41.8	499,099	42.0	757,883	50.5
– Motor-driven appliances	317,623	29.0	321,937	27.1	315,560	21.0
– Electronic appliances	122,997	11.2	111,570	9.4	115,066	7.7
<b>Subtotal</b>	<b>899,633</b>	<b>82.0</b>	<b>932,606</b>	<b>78.5</b>	<b>1,188,509</b>	<b>79.2</b>
<b>Non-electric household goods</b>						
– Garden hose	181,460	16.5	221,788	18.7	285,118	19.0
– Others <sup>(Note)</sup>	15,872	1.5	33,927	2.8	27,883	1.8
<b>Subtotal</b>	<b>197,332</b>	<b>18.0</b>	<b>255,715</b>	<b>21.5</b>	<b>313,001</b>	<b>20.8</b>
<b>Total</b>	<b>1,096,965</b>	<b>100.0</b>	<b>1,188,321</b>	<b>100.0</b>	<b>1,501,510</b>	<b>100.0</b>

*Note:* Others include cookware, cleaning tools and other household goods etc.

During the Track Record Period, we primarily manufactured and sold our products to our ODM/OEM customers under their respective brands. Leveraging our experience and knowledge in the industry and capabilities we have developed throughout the last two decades, as a strategic approach, in 2016, we started our OBM business to design, develop, manufacture and sell home appliances under our own brands  (“Weighmax”),  (“Accuteck”) and  (“Aigoli”). We sell our OBM products mainly on e-commerce market place including Amazon, JD.com (京東), Tmall (天貓) and Pinduoduo (拼多多).

## BUSINESS

The following table sets forth the breakdown of the revenue of our Group by business model during the Track Record Period:

	<b>FY2022</b>		<b>FY2023</b>		<b>FY2024</b>	
	<i>RMB'000</i>	<i>%</i>	<i>RMB'000</i>	<i>%</i>	<i>RMB'000</i>	<i>%</i>
ODM	938,536	85.6	1,056,623	88.9	1,289,950	86.0
OEM	97,056	8.8	81,992	6.9	170,407	11.3
OBM	61,373	5.6	49,706	4.2	41,153	2.7
<b>Total</b>	<b><u>1,096,965</u></b>	<b><u>100.0</u></b>	<b><u>1,188,321</u></b>	<b><u>100.0</u></b>	<b><u>1,501,510</u></b>	<b><u>100.0</u></b>

*Note:* Revenue from our OBM business represents revenue generated from Aigrentrading, Nawu Technology, Nuocheng E-Commerce and Weighmax. Revenue from our ODM and OEM business represents revenue generated from other subsidiaries of our Group.

Since 2000, we have established different production facilities in different parts of China. Currently, we have established seven manufacturing bases in the PRC with a total construction area of approximately 367,000 sq.m. To establish our overseas presence outside of the PRC, we have established a production base in Indonesia, which is expected to commence production in the second quarter of 2025, and we plan to establish another production base with a site area of 43,436.8 sq.m. in Thailand, which is expected to commence production in the second half of 2025. For details of our production facilities, please see “– Our Production Facilities” in this section.

## BUSINESS

A majority of our products are exported to overseas customers. During the Track Record Period, our products were shipped to over 70 countries and regions covering six continents. For details of our relationship with our overseas customers, please see “– Our Customers” in this section. The table below sets out a breakdown of our total revenue by shipping destination of our products during the Track Record Period:

	FY2022		FY2023		FY2024	
	RMB'000	%	RMB'000	%	RMB'000	%
North America						
The U.S.	755,142	68.8	958,315	80.6	1,148,669	76.5
Others <sup>(Note)</sup>	25,987	2.4	35,634	3.0	107,647	7.2
Europe	227,672	20.8	111,730	9.4	139,551	9.3
Oceania	44,073	4.0	28,834	2.4	57,219	3.8
Asia (excluding mainland China)	26,331	2.4	35,833	3.0	34,258	2.3
South America	8,527	0.8	12,228	1.0	7,369	0.5
Africa	552	0.1	759	0.1	476	0.0
Mainland China	8,681	0.7	4,988	0.5	6,321	0.4
<b>Total</b>	<b><u>1,096,965</u></b>	<b><u>100.0</u></b>	<b><u>1,188,321</u></b>	<b><u>100.0</u></b>	<b><u>1,501,510</u></b>	<b><u>100.0</u></b>

*Note:* Others include Canada and Mexico.

We consider our R&D capabilities as one of our core competitive advantages. As at the Latest Practicable Date, we had obtained approximately 440 registered patents worldwide, including 19 invention patents. We have been awarded “High and New Technology Enterprise” (高新技術企業) since 2016. For details, please see “– Research and Development” in this section.

For FY2022, FY2023 and FY2024, our revenue was RMB1,097.0 million, RMB1,188.3 million, and RMB1,501.5 million respectively, and our net profit was RMB80.3 million, RMB121.5 million and RMB140.4 million, respectively. For details, please see “Financial Information – Results of Operations” in this prospectus.

### OUR COMPETITIVE STRENGTHS

We believe that the following strengths position us well to capitalise on future opportunities and deliver continued growth.

#### **Established relationships with internationally reputable customers, including some of the world's famous brand names**

We have maintained long-term business relationships with various large-scale customers for over nine years and our products are shipped to more than 70 countries and regions worldwide. Harnessing our ability to design, develop, manufacture and sell, we have established long-term business relationship with global brand names, including (i) Walmart, one of the world's largest retail companies; (ii) Philips, one of the long standing consumer electronics companies in the world; (iii) SEB, a member of the world's leading small home appliances manufacturing consortium and the holding company of which is listed on Euronext Paris with a market capitalisation of over USD5 billion as of the Latest Practicable Date; (iv) Telebrands, a long standing U.S. company; (v) Sensio, a leading kitchen appliances brand owner and (vi) Hamilton Beach, a leading designer, marketer and distributor of branded small electric household and specialty house wares appliances. To become a qualified supplier of these well-known brands, we are required to undergo in-depth inspection of our production capacity, quality management, factory safety and other aspects. We believe that our long-term relationships testified our capabilities and quality.

Moreover, we maintain close interactions with our customers. Through constant communication with our customers, we collect valuable feedback and statistics of our products, for improvement of our existing products and development of new products to address our customers and consumers' unmet needs. We assign a dedicated account manager to each key customer and our sales team conduct regular meeting with our customer to thoroughly understand its needs in order to explore new product development opportunities and timely address customer's feedback. As we continuously serve our internationally reputable customers, we are able to obtain first-hand industry information and the global market trend which provides pivotal direction for R&D of our product and manufacture. Our customer interactions drive product upgrades and new product development, therefore enhancing our customers loyalty, achieving a virtuous cycle and propelling our business growth. For details, please see "– Our Business Model" in this section. We believe that such long-term relationships with our customers, including internationally reputable customers, accentuates our business sustainability and capabilities which distinguish us from our competitors.

**Reputation as a supplier of lifestyle household goods with decades of track record**

We established our Yinuowei Factory in Jiangyin in 2000. Throughout the years, we have grown into a notable manufacturer of lifestyle household goods in the PRC. In FY2023, our revenue reached RMB1,188.3 million, representing a growth of 8.3% from FY2022. We are a member of the China Household Electrical Appliances Association (中國家用電器協會), the China Chamber of Commerce for Import and Export of Machinery and Electronic Products (中國機電產品進出口商會), and the vice-president unit of the Shenzhen Chamber of Commerce for Import and Export (深圳市進出口商會). Our reputation has been attested by the various awards and certificates including, “Top 10 Small Kitchen Appliance Export Companies (十大廚房小家電出口企業)” in 2022 and 2023, “Class I Enterprise Certificate for Exporting Industrial Products (出口工業產品一類企業證書)”, “Top 10 Green Innovative Enterprise in 2018 (2018年度綠色創新企業Top 10)” from China Council for International Investment Promotion (中國國際投資促進會) and “Leading Enterprise in High-quality Foreign Trade Development (外貿高品質發展領軍企業)”. For details, please see “– Awards and Recognitions” in this section.

We offer a wide array of lifestyle household goods. According to the F&S Report, we were the 10th largest company with a market share of 0.8% in terms of export value in 2024 in the small kitchen appliance industry in the PRC. Our electric kettles had a market share of approximately 24.6% and 59.6% in the respective category classified by the General Administration of Customs of the PRC in terms of the export volume from the PRC to the U.S. and Canada, respectively, in 2024. Our motor-driven appliances such as mixers had a market share of approximately 3.8% in the respective category classified by the General Administration of Customs of the PRC in terms of export volume exported from the PRC to the U.S. in 2024. We had over 10 ODM/OEM products that made Amazon’s “best-sellers” list of respective categories on 14 May 2025, among which our steamer, rice cooker, electric griddle and electric skillet were in the top 10 of the Amazon’s “best-sellers” list of respective categories.

**Strategically positioned overseas manufacturing bases and production operation**

As part of our overall business strategy to diversify our manufacturing beyond the PRC, we have also established our manufacturing facility in Indonesia, which is expected to commence production in the second quarter of 2025. We will allocate our purchase orders between the PRC production facilities and Indonesian production facility to mitigate potential geopolitical risks. We also plan to establish a production facility in Thailand which is targeted to commence production in the second half of 2025. Together with our seven manufacturing bases in the PRC with a total construction area of approximately 367,000 sq.m., we are well-positioned to capture the growing opportunities in lifestyle household goods in a global context.



Our production lines are flexible that they are capable of manufacturing different products with different specifications by adjusting configurations of our machines and equipment. Our manufacturing capability does not only allow us to respond promptly to sudden upsurge in demand and purchase orders by our customers, but they are also capable of switching into production of different products. During the Track Record Period, we produced over 2,400 models of products in different categories. We believe that our flexible production facilities will continue to drive our growth and success.

We also adopt modular manufacturing in our production processes. We subdivide our manufacturing into smaller modules which are individual, standardised and interchangeable components that can be later assembled into a complete product. Modular manufacturing allows us to manufacture simultaneously, instead of creating a product in a sequential manner. We are able to streamline the production process by breaking down a product into its basic parts and components, thus reducing lead times and enhancing productivity and flexibility.

In Meinuowei Factory, we have established automated production systems which automate critical production stages with precision. We integrate machines for production and systems for inspection and quality control to realise the integration of automated production and testing. Such automation will reduce manual participation and enhance product performance.

By leveraging on our worldwide presence and production capability to provide regional support to our customers, we are well-positioned to seize new opportunities in the ever-changing market and excelling in this competitive industry.

### **R&D capabilities enabling continual product upgrade and development**

We have a professional and experienced R&D team. For FY2022, FY2023 and FY2024, we incurred R&D expenses of RMB32.0 million, RMB34.4 million and RMB36.4 million, respectively. As at 31 December 2024, we had a R&D team of more than 170 members. As at the Latest Practicable Date, we had approximately 440 registered patents, including 19 invention patents. As our success is centred around our understanding of customer needs, we insist on serving customers with technological breakthroughs and determine the direction of product development based on customer demand. In addition to improvement of production process mentioned in the last paragraph, our R&D efforts have resulted in technological breakthroughs and development in products.

We have strong capability to develop moulds, which are the important tools to transform our R&D achievements into products. In order to effectively control the development progress and quality of moulds, we have established a dedicated mould department in our Yuantexin Factory. As at 31 December 2024, we have mastered a series of mould development technologies and developed over 13,000 moulds. Efficient mould development ensures our rapid response to customers' requirements.

We also conduct customised R&D on the core components of our products. For example, we have mastered several technologies to improve the performance of motors, the critical components of our motor-driven products. By conducting electromagnetic simulation and analysis, we effectively modify our motors to reduce heat generation while improving their efficiency and product lifetime. We also adopt special internal structure to improve heat dissipation performance and reduce wind resistance. For example, the electromagnetic induction technology in automatic adjustment of motor speed developed by us have been applied across the different models of blender to improve grinding efficiency and effectively prevent damage of motor. As at the Latest Practicable Date, we have obtained 50 registered patents in relation to motors. We insist on product development and attach importance to fundamental R&D activities.

Our garden hoses feature automatic extension with ultra-high temperature, burst and pressure tolerance that function under extreme temperature from -40°C to 60°C. Our R&D effort is widely recognised and converted into commercial success in Europe and North America. Since 2023, our garden hoses have been the top 50 best sellers on Amazon, the largest e-commerce marketplace in the United States.

### **Highly experienced and stable management team and a functional organisational structure with effective internal control system**

Our senior management team has extensive experience in the production and supply of lifestyle household goods. Our business has experienced an impressive growth under the leadership of our senior management team. Mr. Pan Yun (潘允), an executive Director and general manager of our Company has over 35 years of experience in business management and over 24 years of experience in the electrical home appliances manufacturing industry. He is primarily responsible for overall strategic planning, business direction and management of our Group. Mr. Guangshe Pan, an executive Director, has over nine years of experience in business management and in the electrical home appliances manufacturing industry, in particular in overseas market. He is mainly responsible for the management and operation of our U.S. sales and has participated in the overall strategic planning, business direction and management of our Group. The keen industry insight and rich management experience of Mr. Pan Yun and Mr. Guangshe Pan have proven to be valuable to us, allowing us to precisely capture market dynamics and optimise strategic planning.

In addition to Mr. Pan Yun and Mr. Guangshe Pan, we have a stable and experienced management team who has been with us for over 12 years and has more than 20 years of experience in our industry. Our management team has accumulated in-depth knowledge of the lifestyle household goods industry and played an important role in maintaining a strong relationship with key market participants. We believe that we will continue to be well-positioned to excel in the competition within our industry. For details of the background of our senior management, please see “Directors, Supervisors and Senior management” in this prospectus.

We have a functional organisational structure designed to support our strategic development. Each of our departments deeply understands the dynamics of the relevant function it operates and nimbly responds to achieve rapid growth. Our management have maintained a comprehensive and stringent internal control system to regulate our operational activities and implemented various policies such as production management policy, procurement management policy and after-sales and complaint management policy. Ensuring competence at the level of each department and the synergistic operations across different business units through the leadership of our experienced management team and the effective internal control system, we are able to pursue our business vision.

### OUR STRATEGIES

The four pillars of our management policy are “customer oriented, quality first, be practically innovative and be unique” (客戶至上、品質第一、創新求實、獨樹一幟). We are abide by this motto and committed to becoming a leading manufacturer of quality lifestyle household goods and offer our customers with unique lifestyle household goods. In our pursuit, we plan to implement the following strategies to foster the development of our Group.

#### **Set up our Thailand Factory to enhance our global presence**

In light of the increasing demand of lifestyle household goods and to enhance our global presence, we intend to set up a production site in Rayong Province, Thailand (“**Thailand Factory**”).

#### ***Reasons for setting up the Thailand Factory***

##### **1. Industry landscape presenting opportunities that we are poised to capture**

The industry presents growth potential and prospect. According to Frost & Sullivan, the market size of the small kitchen appliance industry in the U.S., our major shipping destination, increased from USD17.2 billion in 2020 to USD21.2 billion in 2024, with an expectation to further increase to USD 26.8 billion in 2029 by a CAGR of 5.0% from 2025. In particular, the market size of some small kitchen appliances which were our major products during the Track Record Period is expected to increase. For example, the market size of electric fryer, electric griddle and kettle in the U.S. is expected to increase to USD2,169.5 million by a CAGR of 8.1%, USD682.3 million by a CAGR of 5.3% and USD314.2 million by a CAGR of 5.1%, respectively, in 2029. Moreover, the demand for China’s small home appliance is expected to continue growing that the export value of China’s small home appliance is expected to increase from USD58.4 billion in 2025 to USD65.6 billion in 2029, with a CAGR of 2.9%. For garden hoses, the market size of garden hoses is projected to grow from USD9.5 billion in 2025 to USD11.4 billion by 2029, with a CAGR of 4.7%. Moreover, the total export value of garden hoses of China reached RMB10.6 billion in 2024. For details, please see “Industry Overview”.

---

## BUSINESS

---

We experienced a growth by 27.4% for our electric home appliances in FY2024 as compared to FY2023. In particular, we recorded an increase of 19.6% for our electric home appliances shipped to the U.S. in the same period. Such growth outperforms the year-on-year growth rate in the same period of (i) the global small kitchen appliance market, which was only 3.5%, (ii) the small kitchen appliance industry in the U.S, which was 5.1% and (iii) the export value of China's small home appliance, which was 9.3%. For garden hoses, our year-on-year growth in FY2024 significantly outpaces the growth of the garden hose market in the same period. In FY2024, sales of our garden hoses rose by 28.6% while the growth of the garden hose market in the same period was only 2.6% and the export value for our Group was approximately RMB285.1 million in 2024, ranking the first among the market participants in China and accounting for a market share of 2.7%. We believe that these figures demonstrate our competitiveness against non-PRC and PRC ODM/OEM suppliers to capture business opportunities emerging from the favourable industry landscape.

From a macro perspective, according to Frost & Sullivan, China's small home appliance industry has become the world's leading production bases for decades. In the course of China's advancement to be the world's production hub of small home appliances, not only a supply chain network that is internationally recognised and approved has been developed, but an abundance of talents and caliber in different manufacturing disciplines has also been nurtured. Such has brought PRC manufacturing companies advantages on various aspects, such as technologies, know-how, knowledge of supply chain management and cost control, understanding of international brands and experience of serving these brands, over non-PRC manufacturing companies. More importantly, according to Frost & Sullivan, these advantages of PRC manufacturing companies over non-PRC manufacturing companies take years to develop and therefore are expected to remain. Leveraging these intangible advantages that we can apply in our overseas factories, we believe that we will be able to capture the demand and compete with non-PRC manufacturing companies.

On the other hand, according to Frost & Sullivan, a key competitive advantage of manufacturing companies with non-PRC production facilities over their counterparts with only PRC production facilities is the ongoing Sino-U.S. trade tensions which give manufacturing companies with non-PRC production facilities business opportunities to capture demand from international brands seeking to diversify their supply chains and shift production out of China to mitigate tariff impacts. Although the U.S. government had also announced tariff on certain East Asian countries, such as Indonesia and Thailand, tariff rates applicable to certain East Asian countries are lower than that of the PRC. Moreover, as at the Latest Practicable Date, some East Asian countries had expressed their willingness to negotiate with the U.S. government for a reduction of tariff in such countries. Additionally, manufacturing companies with non-PRC production facilities may benefit from shorter shipping times and lower logistical costs if they are geographically closer to target markets, improving delivery efficiency. Their established distribution networks in regions like Southeast Asia may also enable manufacturing companies with non-PRC production facilities to better compete on supply chain resilience, further appealing to international clients seeking stability in a shifting trade environment. We consider that this justifies our expansion plan in Thailand. With the overseas production facilities in Thailand and Indonesia, coupled with our track record of working with international customers,

we believe that we provide U.S. importers a procurement alternative that is reliable and mitigates their tariff impact at the same time. Based on the foregoing, we consider that there would be sufficient demand that justifies our expansion plan and use of proceeds.

## 2. Enhancing our global presence

According to Frost & Sullivan, Chinese small kitchen appliance manufacturing companies are establishing overseas production facilities and as at the Latest Practicable Date, six (excluding us) out of the top 10 companies in China's small kitchen appliance industry in terms of export value in 2024 have established or have plans to establish their overseas production facilities in Southeast Asia to diversify their supply chain in this mature manufacturing hub. The global conglomerates are adjusting their procurement strategies to reduce the risks associated with reliance on "made in China" supply chain particularly after the supply chain disruption caused by COVID-19 but not reducing reliance on Chinese manufacturing companies given the strengths of Chinese manufacturing companies which cannot be easily replicated by non-Chinese manufacturing companies as aforementioned. To echo with the customers' purchase strategies, some of the PRC manufacturing companies maintain their production in the PRC but start to allocate parts of the production to other countries. Such trend is evidenced by China's increasing investment in Southeast Asia. According to Frost & Sullivan, China has been investing in Southeast Asia, particularly in the manufacturing sector, that China's foreign direct investment in the manufacturing sector in Southeast Asia reached USD9.16 billion in 2023, representing an increase of 11.4% from 2022. In light of the trend of the establishment of overseas production bases and the expected growth in the small home appliances market, we believe that having production facilities and capacity overseas is crucial to the long-term sustainable growth of our business and to maintain our market competitiveness in a global context.

## 3. Mitigating geopolitical risks by diversifying our product origins

During the Track Record Period, a significant portion of our revenue was derived from the sale of our products to the United States as shipment destination, while all of our products are manufactured in the PRC. While we, being the exporter, were not directly affected by tariff during the Track Record Period, it is uncertain that whether any further trade restrictions as a result of the Sino-U.S. trade tension will adversely and materially affect us in the future. For details of the impact of the Sino-U.S. trade tension, please see "Business – Sino U.S. and Global Trade Tension" and "Risk Factor – The Sino-U.S and global trade tension may adversely affect our business, financial conditions and results of operation" in this prospectus.

We believe that building up a multi-jurisdiction manufacturing network will enable us to respond to changes in global trade policies and mitigate geopolitical risks. By setting up the Thailand Factory, our Group can diversify our product origins and offer goods made outside the PRC which may mitigate exposure of trade restrictions to a certain extent under Sino-U.S. trade tension for our OEM/ODM customers, thus enhance our competitiveness over other home appliance PRC manufacturing companies, in particular those do not have overseas production facilities. As at the Latest Practicable Date, although Thailand had also become a subject of the U.S. tariff, tariff rate applicable to imports from Thailand to the U.S. was 10% which is lower than the tariff of 30% imposed on imports from China to the U.S. Also, our production facilities layout with overseas and PRC coverage will also offer our customers flexibility to choose according to their needs. We believe that the establishment of the Thailand Factory will also bring us other intangible benefits including strengthening our image as a sizable manufacturer with overseas facilities, reducing disruption risks due to incidents similar to COVID-19 in the future, as well as demonstrating our production stability and reliability to be explained in the paragraph below which are crucial for our long term growth.

The unpredictable U.S. tariff policy may affect our customer's choice of production location. Contemplating such uncertainty, some major customers have already approached us to designate production of their products in our Indonesia Factory. Several customers have already conducted factory inspection in order to start production of their orders as soon as possible; and for the major customer who requested inspection of our Indonesia Factory, we have passed such inspection. We therefore foresee the necessity to set up another overseas production facilities in Thailand.

#### 4. Demonstrating the stability and reliability in the production and delivery of products

We consider that it is necessary to expand our production capacity taking into account the utilisation rate of production capacity during the Track Record Period. For example, the utilisation rate of production capacity for electric home appliances was close to or exceeded 90% for four months and six months for FY2023 and FY2024, respectively whereas that for non-electric household goods was close to or exceeded 110% for five months and six months for FY2023 and FY2024, respectively. Therefore, we intend to expand our production capacity to capture opportunities arisen from the favourable landscape as explained above. Our Directors consider that it would not be optimal for our production facilities to achieve full utilisation rate with no spare production capacity for taking up urgent and/or bulk orders received from time to time and cater for potential market growth. To maintain customer satisfaction, we plan and allocate our production resources to satisfy the needs of our customers so far as we can. With the capacity across our different production facilities, during the Track Record Period, we did not need to reject bulk or urgent orders due to limitation of our production capacity.

For illustrative purpose only, the expected annual designed capacity of electric home appliances and non-electric household goods would be 44.3 million units and 8.6 million units, respectively, upon the completion of the setting up of all production facilities (including Thailand Factory and XJ Intelligence Factory both of which will involve use of net proceeds from the Global Offering). Taking into account (i) that our historical growth rate outpaced industry growth as demonstrated above, (ii) the benefits and reasons of our future plan as explained in this section, in particular, the increasingly imminent geopolitical risks due to intensifying tension between US and China as well as cost savings may be achieved by owning a factory in Thailand, and (iii) that the future plan is a long-term plan and it would not be commercially sensible or practicable to carry out construction for expansion in a piecemeal manner only when demand materialised, we believe that our future plan to build our own Thailand Factory is justified. Also, we will assess the overall utilisation of our production facilities from time to time on a continuous and rolling basis and consider whether integration and reorganisation of our production facilities is necessary. For details of the utilisation rate during the Track Record Period and expected annual utilisation rate upon completion of the set up of all production facilities and underlying assumptions, please see “– Our Production Facilities – Production capacity and utilisation rate” in this section.

In addition, suppliers’ stability and reliability in the production and delivery of products are important for our international ODM/OEM customers. Any delays in the delivery of products or if the products delivered are not of an acceptable quality will cause material detrimental and negative impact on the reputation and publicity of the ODM/OEM customers. As such, the global brands take into account various factors in selecting and approving their suppliers including the supplier’s stability and reliability. The manufacturer’s dedication and financial commitment to its business and financial strength are attributes of a business’ stability and reliability, which can be evidenced by establishing a new overseas manufacturing basis.



---

## BUSINESS

---

### 5. Benefits of owning a factory instead of leasing a factory

We also consider that it is more cost-efficient for us to build our own a factory than leasing a factory. The following table sets forth a cost saving analysis for a five-year period that compares owning a factory and leasing a factory:

	Year 1	Year 2	Year 3	Year 4	Year 5
	<i>RMB'000</i>				
<b>(1) Own a factory</b>					
Estimated yearly depreciation on land <sup>(Note 1)</sup>	4,884	4,884	4,884	4,884	4,884
<b>(2) Lease a factory</b>					
Estimated yearly rental costs <sup>(Note 2)</sup>	10,734	10,949	11,168	11,391	11,619
<b>Cost saving of owning a property</b>	5,850	6,065	6,284	6,507	6,735

*Notes:*

1. The estimated depreciation charges are determined in accordance with our depreciation policy that depreciate the estimated total cost of land (i.e. RMB31.4 million) and buildings (i.e. RMB66.3 million) of the proposed Thailand Factory by an estimated useful life of 50 and 20 years, respectively, on a straight-line basis.
2. The estimated yearly rental costs are determined with reference to the present average market rental price of comparable properties in the same district as the Thailand Factory and an estimated annual growth in rental cost.

In addition to the aforementioned cost saving, we believe that owning a factory will also have other qualitative benefits that leasing a factory will not provide:

- *Earlier mitigation of geopolitical risks* – In light of increasing imminent geopolitical risks due to uncertainties in China-US relationships and potential trade tension against China, we consider that there is an imminent need for an overseas operation earlier. However, as Thailand is a one of the highly sought-after locations in South-east Asia for Chinese manufacturers to set up their overseas production facilities, such trend has led to a rising demand in properties for factory use for rent while there is a lack of new supply for such properties. It follows that finding a suitable factory for rent in Thailand has become increasingly difficult and time-consuming. Given that we have already identified a location in Thailand and also entered into an agreement for the purchase of land, we believe that proceeding with our plan of building our own factory would be the better option than leasing a factory which would involve the search and negotiation for suitable properties at suitable price that may take months.



---

## BUSINESS

---

- *Design and use flexibility* – With our own factories, we would be able to tailor the design of the factory for our use and have more flexibilities to upgrade our facilities or install new equipment which suits our business needs better.
- *Operational stability* – Owning a factory will also provide us production and financial stability that we can also avoid rent increases, spending time and effort on finding new suitable site and incurring relocation costs when lease expires or is terminated.
- *Assets for financial leveraging* – acquiring a new plot of land can strengthen our asset base which may be beneficial for obtaining debt financing at more preferential terms from banks for our future use.

Although we expect that we will have to incur additional transportation costs for importing the work-in-progress or raw materials from the PRC to Thailand, it is expected that our Thailand Factory will incur similar production cost as compared to the production in the PRC due to the lower labour cost. According to Frost & Sullivan, the minimum wage of Rayong, Thailand, where our Thailand Factory is located, is approximately RMB76.5 per day (which is about 47% of the labour cost we paid in the PRC). The additional increase in the transportation costs is expected to be offset by the lower labour cost in Thailand, leading to a similar total production cost. Also, by reference to the land acquisition cost of XJ Intelligence Factory, the cost of land acquisition in Thailand and the PRC is similar. Given the aforementioned cost saving and other benefits of owning a factory in Thailand, we believe that our plan of building our Thailand Factory is justified.

### **Production Plan**

We plan to construct the new production facilities in Thailand with an aggregate construction area of approximately 25,000 sq.m. in which we will build new automated assembly lines for the manufacturing of mainly motor-driven products and garden hoses. In light of the expanded capacity, we will assess the overall utilisation of our production facilities from time to time on a continuous and rolling basis to maintain the utilisation of our production facilities at an optimal level. When we consider our assembly lines being under-utilised which are almost idle for six months or above, we will integrate and reorganise our production facilities and dispose obsolete assembly lines. We may also prioritise disposing assembly lines in factories we leased from third-parties to better utilise our self-owned factories.

### **Timetable**

As at the Latest Practicable Date, we had entered into a sale and purchase agreement with an Independent Third Party to acquire a parcel of land in Thailand with a site area of 43,436.8 sq.m. for a consideration of THB149,314,000 (equivalent to approximately RMB31.4 million) for the establishment of our Thailand Factory. As at the Latest Practicable Date, we had paid the first two instalments of the land price in an aggregate of RMB15.7 million and the construction fee of RMB47.7 million.

---

## BUSINESS

---

Below are the key stages and expected timing for establishment of our Thailand Factory upon Listing:

Key stages	Expected timeline
Continue the construction and renovation of production space	May 2025
Acquire and install machines and equipment	May 2025
Commence production	The second half of 2025
Conduct acceptance testing	September 2026

### Estimated capital expenditure for setting up our Thailand Factory

We plan to utilise an aggregate of approximately RMB139.2 million for establishing the Thailand Factory, of which RMB66.4 million will be paid by the net proceeds from the Global Offering, representing 41.9% of such net proceeds, and the remaining sum of RMB72.8 million will be financed by our internal resources and/or bank loans.

Below is our planned allocation of capital expenditure of RMB139.2 million for establishing our Thailand Factory:

Use	Estimated capital expenditure (RMB million)	%
Land acquisition cost	31.4	22.5
Construction and renovation of production space	66.3	47.7
Acquisition and installation of machines and equipment	41.5	29.8
Total	<u>139.2</u>	<u>100.0</u>

We plan to spend a total of RMB66.3 million on the construction and renovation of production space of Thailand Factory, based on the planned construction area of approximately 25,000 sq.m. and the estimated construction cost of approximately RMB2,500 per sq.m. according to the preliminary discussion with construction contractors.

---

## BUSINESS

---

Based on the historical purchase cost of similar machines and equipment, we plan to spend a total of RMB41.5 million on acquiring and installing the machines and equipment for Thailand Factory. The table below sets out details of the machines and equipment we plan to install for Thailand Factory:

<b>Machinery and equipment to be acquired and installed</b>	<b>Estimated cost (RMB' million)</b>
Injection moulding machines and auxiliary equipment	14.2
Metal processing facilities	6.6
Automated assembly lines and auxiliary equipment	16.7
Office equipment	4.0
<b>Total</b>	<b>41.5</b>

### **Breakeven and payback period**

Breakeven is considered to have been achieved once the revenue generated by our Thailand Factory covers its operating costs and expenses (excluding depreciation charge and after tax) incurred in the same year on an accounting basis. Time required for achieving breakeven depends on various factors, such as general economic and market conditions, market demand, utilisation rate of our production lines, market competition and costs of production. Investment payback is considered to be achieved once the total future net cash flow generated from operating activities of our Thailand Factory covers its total investment amount including land acquisition cost, construction cost and machinery and equipment acquisition cost. The time required to achieve investment payback also depends on various factors, including those mentioned above and the actual capital expenditure such as costs of machinery and equipment. Based on our knowledge and experience, we estimate that the payback period for our Thailand Factory will be approximately 60 months and that breakeven could be achieved within approximately 20 months.

### **Increase the level of automation and digitalisation**

In recent years, the PRC government has shown strong support and placed emphasis on revving up and transforming the manufacturing sector in China which was once characterised by bustling assembly lines and labour intensiveness. Series of smart manufacturing pilot initiatives had been launched by the PRC government including the artificial intelligence plus initiative. To stay at the forefront of the competition and to embrace the digital trend, we launched our smart manufacturing initiative and established our XJ Intelligence Factory in Huizhou, Guangdong Province, the PRC. As at the Latest Practicable Date, we had completed the construction of our XJ Intelligence Factory with a construction area of approximately 147,069 sq.m. and completed the first-phase setting up with 20 basic and automated assembly lines built. The annual designed capacity of our XJ Intelligence Factory upon the completion of the first-phase setting up is 11.3 million units. Our XJ Intelligence Factory has commenced operation since June 2024. Our next

---

## BUSINESS

---

step is to continue the setting up of our XJ Intelligence Factory and purchase additional equipment and machines with higher automation level for our smart manufacturing lines. We currently mainly produce electro-thermic products in XJ Intelligence Factory. To complete the setting up, we will equip our XJ Intelligence Factory with computerised manufacturing execution system, supported by comprehensive IT infrastructure, which works as real time monitoring system to control the overall operation of the production of XJ Intelligence Factory. Coupled with the automated production line and equipment, we believe that the modernised and digitalised production in XJ Intelligence Factory will facilitate our sustainable growth.

We plan to spend an aggregate of RMB42.9 million on acquiring and installing new machinery and equipment for our XJ Intelligence Factory, of which RMB25.1 million will be paid by the net proceeds from the Global Offering, representing 15.8% of such net proceeds, and the remaining RMB17.8 million will be financed by our internal resources and/or bank loan. The table below sets out details of the machineries and equipment we plan to purchase for our XJ Intelligence Factory:

<b>Machinery and equipment to be acquired</b>	<b>Functions and use</b>	<b>Estimated cost (RMB million)</b>
<u>Manufacturing line</u>		
– Motorised curve roller conveyors	Automated and continuous transporting of products	5.4
– Automated production line of motor stator	Automated manufacturing of stator, major components of motor	2.6
– Other machines and equipment and installation		3.3
<u>Machines</u>		
– Six-axis robots	Automated welding, handling and removing materials and painting	4.8
– Numerically-controlled hydraulic press	Moulding, punching and clinching	3.0
– Other machines and equipment and installation		3.8
<u>Assembly line</u>		
– Multi-functional automated production line	Automated manufacturing, electrical testing and quality control	9.0

---

## BUSINESS

---

Machinery and equipment to be acquired	Functions and use	Estimated cost (RMB million)
<u>System</u>		
– Manufacturing execution system	Monitoring, tracing and documenting the manufacturing process	4.0
– IT infrastructure	Optimising the operation and manufacturing process through the network of computers, software and storage devices	2.0
<u>Automated pallet shuttle</u>	Automated loading and unloading pallets from racking	5.0
<b>Total</b>		<b>42.9</b>

Breakeven is considered to have been achieved once the revenue generated by our XJ Intelligence Factory covers its operating costs and expenses (excluding depreciation charge and after tax) incurred in the same year on an accounting basis. Time required for achieving breakeven depends on various factors, such as general economic and market conditions, market demand, utilisation rate of our production lines, market competition and costs of production. Investment payback is considered to be achieved once the total future net cash flow generated from operating activities covers its total investment amount including land acquisition cost, construction cost and machinery and equipment acquisition cost. The time required to achieve investment payback also depends on various factors, including those mentioned above and the actual capital expenditure such as costs of machinery and equipment. Based on our knowledge and experience, it is estimated that the payback period for our XJ Intelligence Factory will be approximately 60 months and that breakeven could be achieved within approximately 15 months.

### Set up a new R&D Centre

To facilitate the R&D of home appliances and as part of our plan to expand our product offerings, we intend to build a R&D centre in Qichun County, Hubei Province (the “**New R&D Centre**”) which occupies an aggregate construction area of approximately 6,000 sq.m for R&D of new products, and testing laboratory. The New R&D Centre will be located in the same site as the Hubei XJ Factory.

***Reasons for setting up the New R&D Centre***

In recent years, the PRC government has shown strong support and placed emphasis on the development of energy-conserving, environmentally-friendly and smart home appliances. In June 2019, the National Development and Reform Commission, the Ministry of Ecology and Environment, and the Ministry of Commerce jointly released “Implementation Plan for Promoting the Updating, Upgrading and Facilitating Resource Recycling of Key Consumer Products (2019–2020)\* 《推動重點消費品更新升級暢通資源循環利用實施方案(2019–2020年)》”. The plan aimed to promote and support the research, development and industrialisation of eco-friendly and smart home appliances. It also encouraged the innovation of home appliances based on the use of IT and AI to manufacture integrated products. In 2021, the China Household Electrical Appliances Association subsequently released “The Guiding Opinions for the 14th Five-Year Plan by the China Household Electrical Appliances Association\* 《中國家電工業「十四五」發展指導意見》”, proposing China to become a pioneer in technological innovation of global home appliances. In response to favourable government policies, we are dedicated to devote more resources on R&D.

We will purchase a series of advanced R&D testing software and hardware equipment such as spectrum analyser and 3D printers and hire the relevant experienced talents specialising in the research and development of small home appliances. In order to develop new products, for both our existing customers and under our own brands, we believe that investing in a more advanced R&D centre, which will be equipped with software and hardware for computerising conceptual designs of new products and a testing laboratory for testing life functionality of the prototypes, we will be able to modify existing products and develop new products and product technologies. We intend to carry out 15 R&D projects in the New R&D Centre, including the development of new products such as high-power mixer, intelligent electric dumpling pan frying machine and intelligent multi-layer oven and the upgrading of our existing motor-driven products and electro-thermic products. In addition to hardware, for our R&D activities, we will need to recruit high calibre with knowledge and expertise in empirical and holistic sciences with wide industrial applications.

---

## BUSINESS

---

### *Timetable*

Below are the key stages and expected timing for the establishment of the New R&D Centre upon Listing:

<b>Key stages</b>	<b>Expected timeline</b>
Commence tendering process for renovation and equipment	August 2025
Commence construction of the New R&D Centre	
(i) Construct and renovate laboratories	October 2025
(ii) Acquire and install facilities and equipment	April 2026
Recruit 59 R&D personnel	June 2026
Commence operation	June 2026

### *Estimated capital expenditure expenses for setting up the New R&D Centre*

We plan to utilise an aggregate of RMB59.1 million for establishing the New R&D Centre, which will be paid by the net proceeds from the Global Offering, representing 37.3% of such net proceeds.

Below is our planned allocation of capital expenditure of RMB33.5 million for establishing our New R&D Centre:

<b>Use</b>	<b>Estimated capital expenditure (RMB' million)</b>	<b>Approximate % of net proceeds used for establishing the new R&amp;D Centre</b>
Construction and renovation of laboratories	16.2	27.4
Acquisition and installation of facilities and equipment	17.3	29.3
<b>Total</b>	<b>33.5</b>	<b>56.7</b>

---

## BUSINESS

---

Below is our planned allocation of other expenses of RMB25.6 million for establishing our New R&D Centre:

Use	Estimated expenses (RMB' million)	Approximate % of net proceeds used for establishing the new R&D Centre
Procurement of materials and consumables of R&D	14.6	24.7
Recruitment of 59 staff	11.0	18.6
	<hr/>	<hr/>
Total	25.6	43.3
	<hr/> <hr/>	<hr/> <hr/>

### Enlist new brands to enhance our OBM business

According to Frost & Sullivan, the global small home appliance industry is undergoing a significant shift in business models, transitioning from traditional OEM approaches to more integrated ODM + OBM models. A mix of the business models allow these manufacturers to diversify their source of revenue and attain market recognition, expanding market position in the industry. Leveraging our strong R&D capabilities and our experience in ODM model to keep up with industry development, we intend to enhance our OBM business.

In general, on OBM model, we may have control over product design, quality, and branding, as well as its marketing and sales; and therefore, we were able to generate higher profit margins than running ODM/OEM model. Accordingly, for a sustainable growth and diversification of our business, we consider that it is necessary to maintain and enhance our OBM business. However, OBM incurs marketing cost in brand building and it takes time for new brands to gain market reception and sales volume. As a strategic approach to have our own brand and to manage potential risks and costs associated with building a new brand at the same time, we plan to explore and pursue investment and acquisition opportunities in existing brand owner(s) on the market with potential for growth and offer synergies that complement our existing brand portfolio to save our initial cost and mitigate our risks in brand building, mainly through acquisition of majority equity interests of target companies.



---

## BUSINESS

---

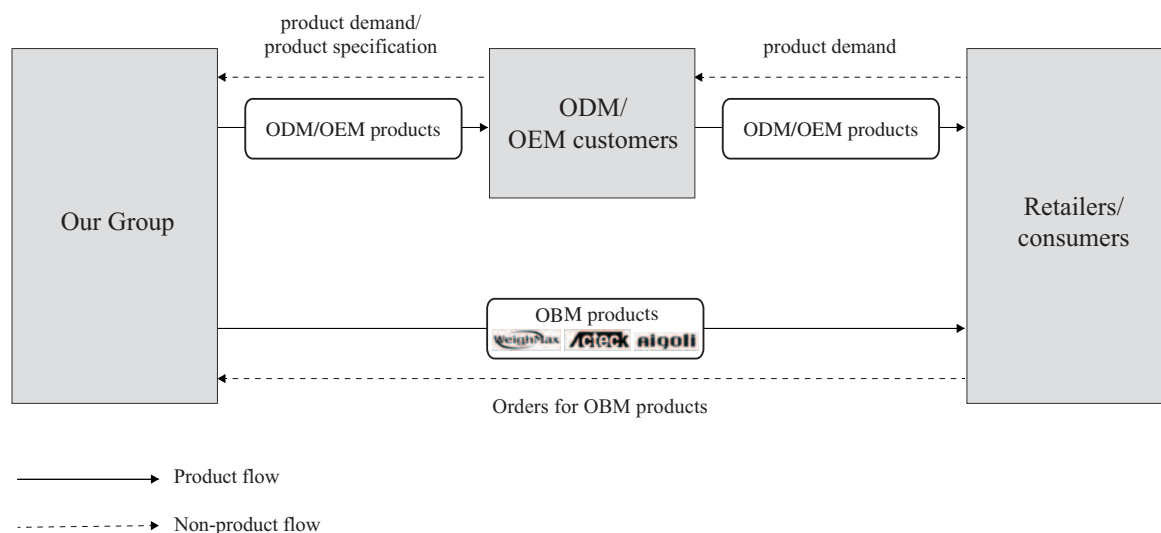
We will mainly look for brand owner(s) selling lifestyle household goods, including electro-thermic appliances and motor-driven appliances, such as kettles, air fryers, slow cookers and mixers. We will target companies or businesses with established market position as evidenced by the business relationship with customers and sales volume. We may look for target(s) that have proven track record in offering lifestyle household goods with an annual revenue of at least USD50 million. We intend to look for brand owners which offer popular products and/or have a great variety of product types in their offerings. We believe that companies which fulfil these criteria will be able to continue its business operation shortly upon our acquisition so that we may save our time and cost. As advised by Frost & Sullivan, it is estimated that there are around 100 brand owners of small home appliances in the U.S. that had an annual revenue of at least USD50 million.

As to geographical and sales channel coverage, we plan to explore targets which are U.S. brands that distribute products through both online and offline channels with a focus on the latter. We target to acquire brand owner(s) which offers lifestyle household goods focusing in the U.S. and European market.

We intend to utilise an aggregate of RMB100 million for enlisting new brands to our brand portfolio to enhance our OBM business, which will be financed by our internal resources and/or bank loans. As at the Latest Practicable Date, we had not identified any potential investment or acquisition targets or entered into any agreements in this regard.

### OUR BUSINESS MODEL

The following diagramme sets out our main business model:






## BUSINESS

### ODM and OEM Business

We are a manufacturer of lifestyle household goods in the PRC. We mainly operate on ODM/OEM basis with a customer portfolio comprising globally reputable and long standing names. ODM and OEM models are distinguished based on the degree of our design input, in other words, whether product designs are provided by customers or developed by our in-house staff. It follows that, in essence, under ODM model, we collaborate with our customers to develop designs of products and then we manufacture; whereas under OEM model, our customers provide us their designs and we are only responsible for manufacturing. Finished products under ODM and OEM models are affixed with our customers' brand labels and shipped to ports designated by customers. During the Track Record Period, our products are delivered to more than 70 countries and regions covering six continents while a majority of our ODM/OEM products are shipped to North America during the Track Record Period. From an operation perspective, except that ODM involves conceptualisation of designs, ODM and OEM models go through similar stages in our general business operations.

### OBM Business

In addition to our ODM/OEM operations, since 2016, we have started our OBM operation that we design, develop, manufacture and sell our products under our self-owned brands, unlike ODM and OEM models under which we affix customers' labels. As at the Latest Practicable Date, we had three self-owned brands, namely,  (“Weighmax”),  (“Accuteck”) and  (“Aigoli”). Our OBM products are mainly sold on major e-commerce market places including Amazon, JD.com (京東), Tmall (天貓) and Pinduoduo (拼多多). From an operation perspective, except that OBM involves conceptualisation of designs and marketing and distribution of our self-branded products by our own, given that products we sold under OBM model are of the same nature (i.e. electric home appliances), certain stages of business operation, such as procurement, manufacturing process and quality control, are similar to OEM/ODM model.

The following table sets forth the breakdown of the revenue of our Group by ODM, OEM and OBM basis during the Track Record Period:

	FY2022		FY2023		FY2024	
	RMB'000	%	RMB'000	%	RMB'000	%
ODM	938,536	85.6	1,056,623	88.9	1,289,950	86.0
OEM	97,056	8.8	81,992	6.9	170,407	11.3
OBM	61,373	5.6	49,706	4.2	41,153	2.7
<b>Total</b>	<b>1,096,965</b>	<b>100.0</b>	<b>1,188,321</b>	<b>100.0</b>	<b>1,501,510</b>	<b>100.0</b>

*Note:* Revenue from our OBM business represents revenue generated from Aigrent trading, Nawu Technology, Nuocheng E-Commerce and Weighmax. Revenue from our ODM and OEM business represents revenue generated from other subsidiaries of our Group.

## BUSINESS

### OUR PRODUCTS

Under our ODM/OEM business, we offer a range of electric and non-electric household goods. Our electric home appliances comprise three major categories, namely, (i) electro-thermic appliances, such as electric griddle, air fryer and kettle; (ii) motor-driven appliances, such as blender, mixer and electric can opener; and (iii) electronic appliances such as digital scale, humidifier and laser projector light. We also offer non-electric household goods such as garden hose and cookware.

Under our OBM business, we mainly sell different models of digital scales.

The table below sets forth the breakdown of our total revenue by product category during the Track Record Period:

	<b>FY2022</b>		<b>FY2023</b>		<b>FY2024</b>	
	<i>RMB'000</i>	<i>%</i>	<i>RMB'000</i>	<i>%</i>	<i>RMB'000</i>	<i>%</i>
<b>Electric home appliances</b>						
– Electro-thermic appliances	459,013	41.8	499,099	42.0	757,883	50.5
– Motor-driven appliances	317,623	29.0	321,937	27.1	315,560	21.0
– Electronic appliances	122,997	11.2	111,570	9.4	115,066	7.7
<b>Non-electric household goods</b>						
– Garden hose	181,460	16.5	221,788	18.7	285,118	19.0
– Others <sup>(Note)</sup>	15,872	1.5	33,927	2.8	27,883	1.8
<b>Total</b>	<b>1,096,965</b>	<b>100.0</b>	<b>1,188,321</b>	<b>100.0</b>	<b>1,501,510</b>	<b>100.0</b>

*Note:* Others include cookware, cleaning tools and other household goods etc.

---

## BUSINESS

---

The pictures below are some of our products under our ODM/OEM model:

### *Electro-thermic appliances*

**Electric griddle**



**Air fryer**



**Kettle**



### *Motor-driven appliances*

**Blender**



**Mixer**



**Electric can opener**



### *Electronic appliances*

**Digital scale**



**Humidifier**



**Laser projector light**



---

## BUSINESS

---

The pictures below are some of the non-electric household goods manufactured and sold by us:

### *Garden hose*



### *Others*



Cookware

## BUSINESS

### Average selling price and sale volume

The table below sets out the breakdown of average selling price and sales volume by product category for FY2022, FY2023 and FY2024:

	FY2022		FY2023		FY2024	
	Average selling price	Volume	Average selling price	Volume	Average selling price	Volume
	(per unit)	(units)	(per unit)	(units)	(per unit)	(units)
	RMB	('000)	RMB	('000)	RMB	('000)
<b>Electric home appliances</b>						
– Electro-thermic appliances	91.6	5,012	80.3	6,215	74.7	10,139
– Motor-driven appliances	60.6	5,241	55.5	5,802	55.5	5,687
– Electronic appliances	49.5	2,484	55.0	2,028	57.8	1,992
<b>Non-electric household goods</b>						
– Garden hose	58.9	3,082	59.7	3,713	57.6	4,951
– Others ( <i>Note 1</i> )	4.5	3,497	8.9	3,818	12.7	2,197

*Notes:*

- Others include cookware, cleaning tools and other household goods etc.
- In FY2023, considering the trend of appreciation of the USD against RMB, our customers negotiated with us to reduce the selling price of our major products and therefore the average selling price of our major products, except for electronic appliances and garden hoses, decreased in FY2023. The average selling price of electronic appliances increased in FY2023, primarily due to the increase in the price of laser lights and postal scales. The average selling price of garden hoses increased in FY2023, primarily due to the decrease in sales of lower-priced models. For FY2024, the average selling price of different product categories remained relatively stable, except for electro-thermic appliances and others. The average selling price of electro-thermic appliances decreased in FY2024, which was primarily attributable to the decrease in the average selling price of certain products, including electric kettles, electric griddles and slow cookers. The average selling price of others increased in FY2024, which was mainly due to the increase in the average price of some of our cleaning tools.
- In FY2023, considering the trend of appreciation of the USD against RMB, our customers negotiated with us to reduce the selling price of our electro-thermic appliances and motor-driven appliances. Such price reduction had promoted the sales volume of our electro-thermic appliances and motor-driven appliances in FY2023. The decrease in the sales volume of electronic appliances in FY2023 was mainly due to the decrease in sales volume of card scales and knife sharpeners. In relation to garden hoses, the increase in sales volume in FY2023 was due to the success of product upgrade initiated in FY2022. In FY2024, the sales volume of most product categories remained stable, except for electro-thermic appliances and garden hoses. The sales volume of garden hoses continued to grow in FY2024, especially for the upgraded versions. The sales volume of electro-thermic appliances also increased in FY2024, mainly driven by higher sales of slow cookers and electric kettles.

---

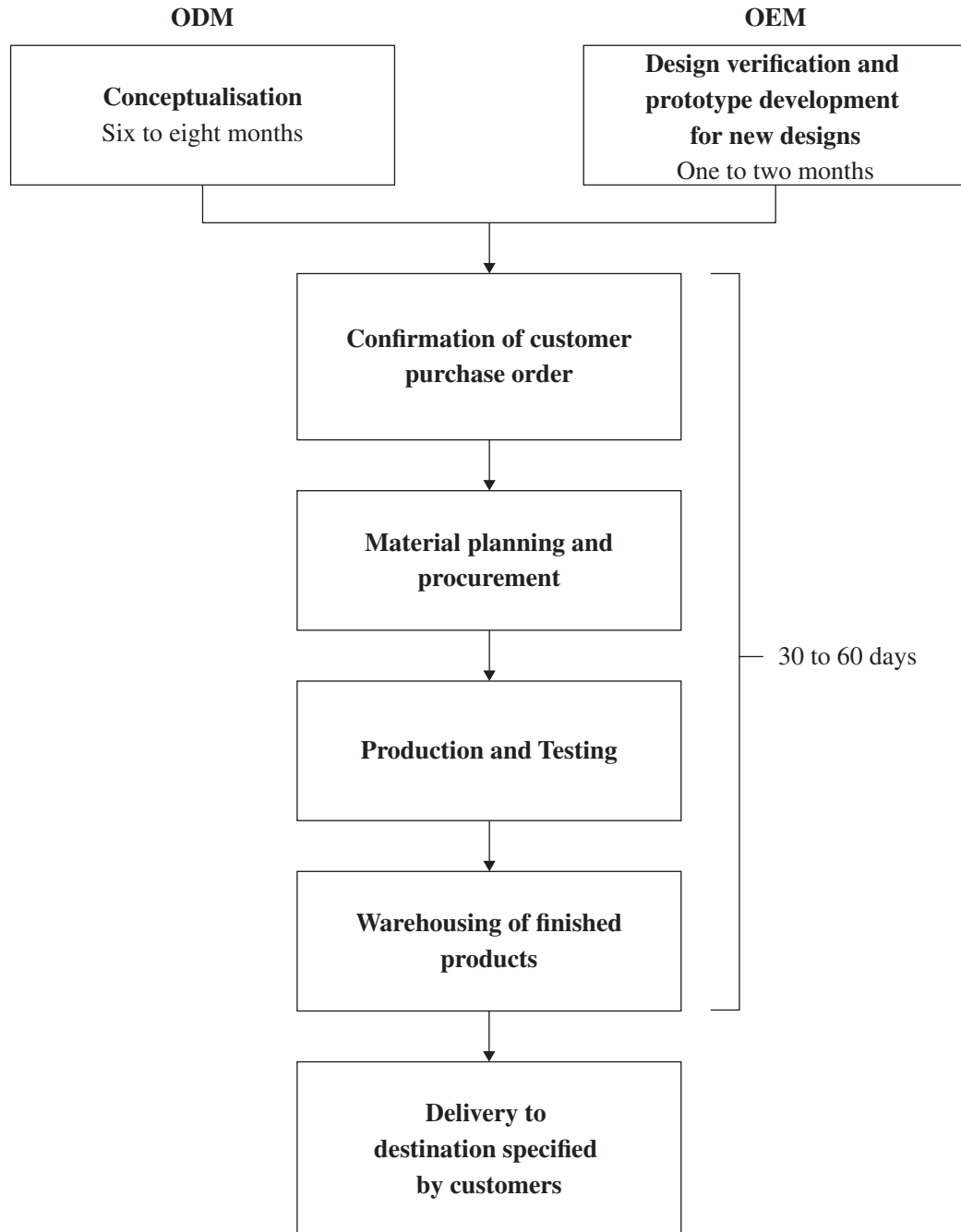
## BUSINESS

---

### OUR OPERATION FLOW

#### ODM and OEM Business

Our business operations involves several key stages. The flowchart below illustrates our general business operations and time generally needed for each stage:



We mainly serve our customers on an ODM or OEM basis. On an OEM basis, we manufacture according to designs developed by our customers; whereas we collaborate with our customers to develop designs according to their requirements when we are serving our customers on ODM basis.

It usually takes 30 to 60 days from receiving the purchase orders to delivering the finished products to our customers, depending on the complexity of product designs and specifications, volume of the purchase order and the lead time in our supply chain.

### **Conceptualisation and Design Verification**

A project is usually initiated by a customer enquiry. For ODM orders, our business development team personnel communicates with our customers to understand their needs. We will then make proposal with price estimate according to our customers' specifications. We work closely with our customers to modify and finalise our designs and if our customers agrees with our proposal, our customers will place an order with us. For OEM orders, designs and technical drawings are provided by customers and we will verify and review to ensure that all specifications and requirements of customers can be met, upon satisfaction of which we will accept the purchase order.

### **Confirmation of Customer Purchase Order**

For OEM orders, our customers will provide us with a purchase order and delivery requirements, together with information package generally comprising bill of materials (which is a schedule of components and parts required), technical drawings for the mechanical parts and components. A project team, comprising engineers and members from the quality assurance team production and materials team, will be formed to be responsible for each order. For ODM orders, during this stage, our engineering team will provide our bills of materials and drawings for our customers' approval. Where necessary, we will produce prototype for customer's approval.

### **Material Planning and Procurement**

With the use of the ERP system, our procurement department works with our suppliers closely to ensure that there are sufficient production materials to meet our customers' purchase orders within the requisite timeframe. Upon arrival of production materials, we will conduct quality inspection of the materials.



### Production and Testing

We adopt flexible manufacturing systems comprising machines and computerised systems which can be configured to manufacture a wide range of parts and components. For details of key stages of our manufacturing process, please see “– Our Manufacturing Process” in this section. Where necessary, we outsource certain non-core processes to our subcontractors. For details of our outsourcing to subcontractors, please see “– Outsourcing” in this section. To maintain our quality standard, we conduct in-line quality inspection with the aid of our quality control technologies. Fully assembled products will undergo a series of tests and inspections to ensure that our customers’ specifications are met.




### Warehousing and delivery

Upon passing our quality control, products will be packed and stored in our warehouse pending delivery by third-party logistics companies.

### OBM Business

Similar to our ODM model, we develop our own design under our OBM model. Unlike ODM/OEM model, we are in control of the timing of the launch of new products and we manufacture in anticipation of orders to be placed by our customers. Upon receiving orders from customers via e-commerce marketplaces, we ship our products to their designated addresses.

### OUR CUSTOMERS

During the Track Record Period, we generated our revenue mostly from ODM/OEM customers which represent 94.4%, 95.8% and 97.3% of our total revenue. Our ODM/OEM customers mainly comprise international brand owners and their procurement service providers. The remaining portion of our revenue came from our OBM business including direct sales of our self-branded products (i.e. products under  (“Weighmax”),  (“Accuteck”) and  (“Aigoli”)) to end consumers through ecommerce marketplaces, including Amazon, JD.com (京東), Tmall (天貓) and Pinduoduo (拼多多), and sales to distributors, the latter of which represented less than 0.1% of our total revenue for each year during the Track Record Period.

## BUSINESS

The following table sets forth the breakdown of the revenue of our Group by business model during the Track Record Period:

	FY2022		FY2023		FY2024	
	RMB'000	%	RMB'000	%	RMB'000	%
ODM	938,536	85.6	1,056,623	88.9	1,289,950	86.0
OEM	97,056	8.8	81,992	6.9	170,407	11.3
OBM	61,373	5.6	49,706	4.2	41,153	2.7
<b>Total</b>	<b>1,096,965</b>	<b>100.0</b>	<b>1,188,321</b>	<b>100.0</b>	<b>1,501,510</b>	<b>100.0</b>

*Note:* Revenue from our OBM business represents revenue generated from Aigrentrading, Nawu Technology, Nuocheng E-Commerce and Weighmax. Revenue from our ODM and OEM business represents revenue generated from other subsidiaries of our Group.

### Our shipping destinations

Based on the delivery destinations of our products requested by our customers, our products were exported to more than 70 countries and regions worldwide during the Track Record Period. The table below sets out the breakdown of our total revenue by shipping destination of our products during the Track Record Period:

	FY2022		FY2023		FY2024	
	RMB'000	%	RMB'000	%	RMB'000	%
North America						
The U.S.	755,142	68.8	958,315	80.6	1,148,669	76.5
Others <sup>(Note)</sup>	25,987	2.4	35,634	3.0	107,647	7.2
Europe	227,672	20.8	111,730	9.4	139,551	9.3
Oceania	44,073	4.0	28,834	2.4	57,219	3.8
Asia (excluding						
Mainland China)	26,331	2.4	35,833	3.0	34,258	2.3
South America	8,527	0.8	12,228	1.0	7,369	0.5
Africa	552	0.1	759	0.1	476	0.0
Mainland China	8,681	0.7	4,988	0.5	6,321	0.4
<b>Total</b>	<b>1,096,965</b>	<b>100.0</b>	<b>1,188,321</b>	<b>100.0</b>	<b>1,501,510</b>	<b>100.0</b>

*Note:* Others include Canada and Mexico.

## BUSINESS

### Top five customers

Our five largest customers in each year during the Track Record Period accounted for 62.4%, 72.4% and 77.9% of our total revenue for FY2022, FY2023 and FY2024, respectively; and our largest customer in each year during the Track Record Period accounted for 21.3%, 28.5% and 24.1% of our total revenue for FY2022, FY2023 and FY2024, respectively.

### FY2022

Customer	Background	Products purchased from us	Years of relationship with us (approximate)	Credit terms	Payment method	Revenue contribution (RMB'000)	% of our total revenue
Walmart Stores, Inc. ("Walmart")	Walmart is an American multinational retail corporation that operates a chain of hypermarkets, discount department stores and grocery stores in the United States. Walmart is one of the largest corporations in the global retail industry. As of 31 July 2024, Walmart has over 10,000 stores in the United States and other countries.	Electro-thermic appliances, motor-driven appliances	13	60 days	Telegraphic transfer	233,389.5 ODM: 230,892.5 OEM: 2,497.0	21.3
Telebrands Corp. ("Telebrands")	Founded in 1983, Telebrands is a long standing American company, which is engaged in, among others, designing and selling consumer products with international locations in 70 countries worldwide.	Garden hose, electronic appliances and other non-electric household goods	11	30% deposit advance payment, 90-120 days for the balance	Telegraphic transfer	223,746.4 ODM: 223,746.4 OEM: Nil	20.4
Sensio Inc. ("Sensio")	Sensio is an American brand owner with a history of 17 years focused on the kitchen appliances sector which owns brands including Bella and Crux.	Electro-thermic appliances, motor-driven appliances	10	45-90 days	Telegraphic transfer	92,272.1 ODM: 66,919.5 OEM: 25,352.6	8.4

## BUSINESS

Customer	Background	Products purchased from us	Years of relationship with us (approximate)	Credit terms	Payment method	Revenue contribution (RMB'000)	% of our total revenue
Hamilton Beach Brands, Inc. ("Hamilton Beach")	Hamilton Beach is an American brand owner of home appliances and commercial restaurant equipment marketed primarily in the United States, Canada and Mexico. Its holding company is listed on the New York Stock Exchange with a market capitalisation of over US\$400 million.	Electro-thermic appliances, motor-driven appliances	10	60-90 days	Telegraphic transfer	79,032.8 ODM: 78,526.6 OEM: 506.2	7.2
TGI (FAR EAST) Limited ("TGI")	TGI primarily engages in the import and export of small home appliances, with its business footprint primarily in Europe. It is the procurement service provider for an European international discount retailer chain that operates over 10,000 stores worldwide.	Electro-thermic appliances, motor-driven appliances	9	10% deposit advance payment, balance against bill of lading	Telegraphic transfer	56,182.1 ODM: 56,182.1 OEM: Nil	5.1
<b>Total</b>						<b>684,622.9</b>	<b>62.4</b>

## BUSINESS

***FY2023***

Customer	Background	Products purchased from us	Years of relationship with us (approximate)	Credit terms	Payment method	Revenue contribution (RMB'000)	% of our total revenue
Walmart	Walmart is an American multinational retail corporation that operates a chain of hypermarkets, discount department stores and grocery stores in the United States. Walmart is one of the largest corporations in the global retail industry. As of 31 July 2024, Walmart has over 10,000 stores in the United States and other countries.	Electro-thermic appliances, motor-driven appliances	13	60 days	Telegraphic transfer	338,166.5 ODM: 338,166.5 OEM: Nil	28.5
Telebrands	Founded in 1983, Telebrands is a American company, which is engaged in, among others, designing and selling consumer products with international locations in 70 countries worldwide.	Garden hose, electronic appliances and other non-electric household goods	11	30% deposit advance payment, 90-120 days for the balance	Telegraphic transfer	282,147.6 ODM: 280,471.8 OEM: 1,675.8	23.7
Sensio	Sensio primarily is an American brand owner with a history of 17 years focused on the kitchen appliances sector which owns brands including Bella and Crux.	Electro-thermic appliances, motor-driven appliances	10	45-90 days	Telegraphic transfer	100,927.0 ODM: 82,654.8 OEM: 18,272.2	8.5
Hamilton Beach	Hamilton Beach is an American brand owner of home appliances and commercial restaurant equipment marketed primarily in the United States, Canada and Mexico. Its holding company is listed on the New York Stock Exchange with a market capitalisation of over US\$400 million.	Electro-thermic appliances, motor-driven appliances	10	60-90 days	Telegraphic transfer	83,055.6 ODM: 80,822.1 OEM: 2,233.5	7.0
RJ Brands, LLC ("RJ")	RJ is an American kitchen equipment brand owner. RJ owns brands including Chefman with different customers including Tesco, Target and other large retailers.	Electro-thermic appliances, motor-driven appliances	11	60-90 days	Telegraphic transfer	55,454.1 ODM: 54,310.3 OEM: 1,143.8	4.7
<b>Total</b>						<b>859,750.8</b>	<b>72.4</b>

## BUSINESS

***FY2024***

Customer	Background	Products purchased from us	Years of relationship with us (approximate)	Credit terms	Payment method	Revenue contribution (RMB'000)	% of our total revenue
Telebrands	Founded in 1983, Telebrands is a long standing American company, which is engaged in, among others, designing and selling consumer products with international locations in 70 countries worldwide.	Garden hose, electronic appliances and other non-electric household goods	11	90–120 days	Telegraphic transfer	361,741.4 ODM: 351,616.0 OEM: 10,125.4	24.1
Walmart	Walmart is an American multinational retail corporation that operates a chain of hypermarkets, discount department stores, and grocery stores in the United States. Walmart is one of the largest corporations in the global retail industry. As of 31 July 2024, Walmart has over 10,000 stores in the United States and other countries.	Electro-thermic appliances, motor-driven appliances	13	60 days	Telegraphic transfer	316,678.8 ODM: 316,678.8 OEM: Nil	21.1
Sensio	Sensio is an American brand owner with a history of 17 years focused on the kitchen appliances sector which owns brands including Bella and Crux.	Electro-thermic appliances, motor-driven appliances	10	45–90 days	Telegraphic transfer	269,047.4 ODM: 171,497.8 OEM: 97,549.6	17.9
RJ	RJ is an American kitchen equipment brand owner. RJ owns brands including Chefman with different customers including Tesco, Target and other large retailers.	Electro-thermic appliances, motor-driven appliances	11	60–90 days	Telegraphic transfer	134,253.8 ODM: 131,507.7 OEM: 2,746.1	8.9
Hamilton Beach	Hamilton Beach is an American brand owner of home appliances and commercial restaurant equipment marketed primarily in the United States, Canada and Mexico. Its holding company is listed on the New York Stock Exchange with a market capitalisation of over US\$400 million.	Electro-thermic appliances, motor-driven appliances	10	60–90 days	Telegraphic transfer	87,930.0 ODM: 83,764.7 OEM: 4,165.3	5.9
<b>Total</b>						<b>1,169,651.4</b>	<b>77.9</b>

---

## BUSINESS

---

During the Track Record Period, all of our five largest customers in each year during the Track Record Period were Independent Third Parties. To the best knowledge and belief of our Directors, none of the Directors, their close associates; or any Shareholder (which to the knowledge of the directors owns more than 5% of the number of issued Shares of the issuer) had any interest in the aforementioned top five customers in each year during the Track Record Period.

During the Track Record Period, none of the major customers as aforementioned was also a supplier.

### **ODM/OEM customers**

For FY2022, FY2023 and FY2024, we had 177, 168 and 183 ODM/OEM customers, respectively. Our ODM/OEM customers mainly comprise international brand owners and their procurement service providers who act as outsourced procurement function of brand owners and place their orders with us in a similar manner as a brand owner. We have entered into framework agreements with our ODM/OEM customers, including most of our top five customers in each year during the Track Record Period for the sales of our products. Thereafter, sales will be placed through separate purchase orders. For customers who have not enter into framework agreement with us, sales will be placed through purchase orders. Key terms such as the quantity, price, time and destination of delivery, product specifications and payment terms are set out in purchase orders.

### ***Framework agreements***

A summary of the key commercial terms of our framework agreements with our major customers is set forth below:

Term	No specific term specified or for a term of one to two years which will be automatically renewed for another term upon expiry unless written notice of termination is served.
Product quality & returns	<p>We are required to deliver products in accordance with customer's specifications and/or production samples.</p> <p>Generally, defective allowance of 2%–5% is provided. If actual return exceeds the defective allowance, we will make corresponding refund.</p>
Minimum purchase commitment	We do not impose minimum purchase amount on our customers.

---

## BUSINESS

---

Prices, payment and credit terms	Prices shall be set out in separate purchase orders which shall be mutually agreed by both parties and we may receive deposits of 30% of order amount.  Credit terms of 60 to 120 days after the shipment/receipt of shipping documents and generally payment shall be made by bank or telegraphic transfer.
Confidentiality	We shall keep information, including designs, know-how and manufacturing data of our customers in confidence.
Termination	(i) Either party may terminate framework agreement by giving 30–90 days' notice to the other; or (ii) if we fail to deliver or remedy the default on time, our customer is entitled to terminate the framework agreement.

Pursuant to our framework agreement with Telebrands, one of our major customers, we exclusively manufacture and sell garden hoses to Telebrands. During the Track Record Period, apart from garden hoses, we also sold other non-electric household goods such as mop buckets and seat liners to Telebrands. We have maintained long-term and stable relationships with Telebrands for 11 years and Telebrands had placed orders with us each year during the Track Record Period. Moreover, given that (i) during the Track Record Period and up to the Latest Practicable Date, we did not have any material disputes with Telebrands and (ii) currently there is no indication from Telebrands that our existing relationship will change materially and adversely, or terminate, in the near future, our Directors are of the view that there is no indication or sign from Telebrands that our relationship with Telebrands is likely to change materially and adversely, or terminate, in the near future.

In relation to the major customers who had entered into framework agreements with us, (i) we have maintained long-term and stable relationships for over nine years with each of these major customers, (ii) each of them had placed orders with us each year during the Track Record Period, (iii) our framework agreements remain effective until either party intends to terminate or is automatically renewed at expiration whereas none of these major customers had notified us or requested for termination of their framework agreements, (iv) during the Track Record Period and up to the Latest Practicable Date, we did not have any material disputes with them and (v) we have maintained stable business relationship, our Directors are of the view that there is no indication or sign from these major customers that our existing relationship with them is likely to change materially and adversely, or terminate, in the near future.



### OBM customers

Our OBM customer base is primarily composed of retail customers who purchase our products either directly ecommerce market places such as Amazon, JD.com (京東), Tmall (天貓) and Pinduoduo (拼多多). Our OBM customers also include distributors, such as online and offline shop owners, the sales of which represented less than 0.1% for each year during the Track Record Period.

During the Track Record Period, sales to our five largest customers in each year during the Track Record Period accounted for 62.4%, 72.4% and 77.9% of our total revenue, respectively and sales to our largest customer in each year during the Track Record Period accounted for 21.3%, 28.5% and 24.1% of our total revenue of the relevant year, respectively. Our Directors are of view that our reliance on our customers, in particular, Walmart and Telebrands (being the single largest customer of different year during the Track Record Period), would not have a material adverse impact on our business sustainability, given that (i) we have maintained long-term and stable collaboration relationships with them, (ii) our framework agreements remains effective until either party intends to terminate or is automatically renewed at expiration, (iii) during the Track Record Period and up to the Latest Practicable Date, we did not have any material disputes with them, and (iv) we have maintained good business relationships, and currently, there is no indication or sign from them that our existing relationship will materially adversely change in the near future. Please also see “Risk Factors – Risks Relating to our Industry and Business – We rely on a few major customers, which, in aggregate, accounted for more than 60% of our total revenue during the Track Record Period” in this prospectus.

During the Track Record Period and up to the Latest Practicable Date, we did not have any dispute with our major customers or major breach of the framework agreements we entered into with our customers which would have a material impact on our business, financial condition or results of operations.

During the Track Record Period, since most of our sales of products are export sales, such sales were mainly denominated in US\$. For domestic sales in the PRC, our sales were denominated in RMB. Accordingly, we are exposed to foreign exchange risks. For details, please see “Risk Factors – Our Group is exposed to currency risk” in this prospectus.

We typically offer credit period 30 to 135 days to our customers. We regularly review the credit standing and payment status of our customers. During the Track Record Period, we did not experience any material delay in settlement by customers that would have a material impact on our business, financial condition or results of operations.

### SEASONALITY

From our experience, we generally record relatively higher revenue in the second half of each year which coincides with higher sales of our customers resulted from festivities around the Black Friday, Thanksgiving and Christmas time and year-end promotion events in the second half of a year. According to the F&S Report, this seasonality trend is consistent with the industry norm.

### IMPACT OF COVID-19

While the outbreak of COVID-19 had affected various sectors widely in a global context and overall market sentiment, the pandemic also brought opportunities to a number of industries including the household good industry due to change of lifestyle and consumer habits. According to the F&S Report, the COVID-19 pandemic led to more people staying at home and reducing social gatherings, which boosted global demand for small home appliances. While the COVID-19 pandemic might have disrupted sea and freight logistics globally, since we mainly deliver on FOB basis (i.e. our products were only required to be delivered to the designated local ports) and we mainly make procurement in the PRC, our delivery of products to customers and procurement of materials had not been materially and adversely affected during COVID-19. Moreover, while COVID-19 had caused suspension of our production facilities, such suspensions were not longer than 20 days. Accordingly, there had been no significant delay in the delivery to our customers nor material disruption of our production due to COVID-19. Based on the foregoing, COVID-19 did not have a material adverse effect on our operations.

### SINO-U.S. AND GLOBAL TRADE TENSION

In recent years, the U.S. government had imposed tariff and trade restrictions on imports from China; and recently, such trade tension has escalated further to a global context that does not only affect China but also other countries. On 1 February 2025, the U.S. government announced a blanket tariff on Canada, Mexico and China, among which, all imports from China to the US would be subject to a 10% tariff, with a few exceptions. Since then, the U.S. government has raised tariff imposed on imports from China by stage and once reached 145% (on top of other tariff and duties which had already been implemented before 1 February 2025). On 12 May 2025, after their trade meeting in Geneva, the Chinese and the US government released a joint statement (the “**512 Joint Announcement**”) announcing, among others, the removal of the 91% tariff announced on 7 April 2025 and 9 April 2025 and a 90-day pause, coming into effect on 14 May 2025, of 24% (out of 34%) tariff announced on 2 April 2025, meaning the effective tariffs on imports from China will become 30%, down from 145%; and China will reduce tariff imposed on imports from the US since 2 April 2025 to 10%, down from 125% (tariff as imposed and adjusted by the U.S. government on China from time to time since 1 February 2025 and up to the Latest Practicable Date, “**New Tariff on China**”).

## BUSINESS

In addition to China, the U.S. government also announced tariffs in a global context, including East Asian countries such as Vietnam, Thailand and Indonesia, which have become popular manufacturing locations in recent years. In particular, on 2 April 2025, the U.S. government announced a reciprocal tariff of 36% and 32% (which comprise a baseline tariff of 10%) on imports from Thailand and Indonesia. Subsequently, on 9 April 2025, the U.S. government announced a pause of 90 days for the reciprocal tariff on Thailand and Indonesia (and other countries, except for China). Accordingly, as at the Latest Practicable Date, Thailand and Indonesia are subject to the baseline tariff of 10% (together with New Tariff on China, the “2025 Tariff”).

During the Track Record Period, sales of our products with the U.S. as the shipping destination accounted for 68.8%, 80.6% and 76.5% of our total revenue, respectively. Certain of our major products, such as electric griddles, kettles, blenders and garden hoses, had been subject to tariff during the Track Record Period while there had been no fluctuation in most of the tariff applicable to our major products during the Track Record Period. The table below set out (i) the respective revenue contribution of major products which had been subject to tariff during the Track Record Period, (ii) the applicable tariff rates during the Track Record Period and (iii) the applicable tariff rates announced by the U.S. government as at the Latest Practicable Date:

	FY2022		FY2023		FY2024		Applicable tariff during the Track Record Period	Applicable tariff rates as at the Latest Practicable Date
	<i>RMB'000</i>	<i>% of total revenue</i>	<i>RMB'000</i>	<i>% of total revenue</i>	<i>RMB'000</i>	<i>% of total revenue</i>		
Electric griddles	103,503	9.4	98,867	8.3	107,180	7.1	Nil or 2.7% <i>(Note 2)</i>	30% or 32.7% <i>(Note 2)</i>
Kettles	64,611	5.9	94,926	8.0	123,894	8.3	3.7% or 11.2% <i>(Note 2)</i>	33.7% or 41.2% <i>(Note 2)</i>
Blenders	150,220	13.7	207,975	17.5	186,524	12.4	4.2%	34.2%
Garden hoses	181,460	16.5	221,788	18.7	285,118	19.0	10.0% or 28.1% <i>(Note 2)</i>	40% or 58.1% <i>(Note 2)</i>

*Notes:*

1. The aforementioned products, together with air fryers, are our major products in terms of their revenue contribution during the Track Record Period. For details of tariff applicable to air fryers, please refer to the paragraph immediately following this table.
2. Applicable tariff for different models of the same product varied.

---

## BUSINESS

---

To the best knowledge of our Directors, save for air fryers, which represented less than 8% of our total revenue for each of FY2022, FY2023 and FY2024, respectively, there was no material fluctuation of the rate of U.S. tariff applicable to our other major products during the Track Record Period. For air fryers, an applicable tariff of 25% was exempted between 1 January 2022 and 14 June 2024, which has been resumed since 15 June 2024; and therefore, as at the Latest Practicable Date, the applicable tariff rate for our air fryers had become 55%.

### **Party responsible for paying U.S. tariff (including the 2025 Tariff)**

As advised by our U.S. Legal Advisers, the liability for payment for the U.S. import duties and tariffs belongs to the importer of the goods. When we sell our products as an exporter, as our products are sold and delivered to the U.S. on a FOB Chinese ports arrangement, we are not responsible for customs clearance within the jurisdiction of the U.S. and we are not responsible for the payment of any such tariffs for products imported into the U.S.

### **Risks associated with the Sino-U.S. and the global trade tension**

Subsequent to announcement of a 34% tariff on Chinese goods, the Chinese government announced the imposition of tariff on U.S. goods in response. Tariff applicable to Chinese goods once reached 145%, yet subsequently reduced to 30% after the meeting between the two countries on 12 May 2025. Other countries such as Vietnam and Indonesia have expressed their willingness to negotiate. As at the Latest Practicable Date, there was a sign of easing of the Sino-U.S. tension, but it remained uncertain how the Sino-U.S. and the global trade tension will develop.

If the Sino-U.S. and the global trade tension persists or escalates further, macro-economy and demand of the U.S. for lifestyle household goods imported from non-U.S. countries in general may be adversely affected; and in turn, our business will be adversely and materially affected, particularly given that U.S. had been the shipping destination to which we shipped more than 70% of our products for each year during the Track Record Period and, as at the Latest Practicable Date, we produced our products in China only.

While our Indonesia Factory is expected to commence operation in the second quarter of 2025 and our Thailand Factory is expected to commence operation by the end of 2025, and Thailand and Indonesia are subject to tariffs at a lower rate (i.e. 10% as at the Latest Practicable Date) than that imposed on China, it is unpredictable how the trade relationship between the U.S. and Thailand and Indonesia will develop. In the event that trade tension between the U.S. and Thailand and Indonesia persists or escalates further, or Indonesia and Thailand both becoming subject to the same tariff as China, we may lose the benefit of the planned expansion in Thailand and Indonesia as we may not be able to mitigate geopolitical risks due to the Sino-U.S. trade tension effectively or at all. Please see “Risk Factors – The Sino-U.S and global trade tension may adversely affect our business, financial conditions and results of operation”.

### **Impact of the Sino-U.S. and global trade tension on our business**

According to Frost & Sullivan, consumers tend to be less sensitive to price changes for low-priced small home appliances and non-electric household goods due to certain key factors. Firstly, such products are often associated with convenience-oriented and routine purchasing behavior. Secondly, these items typically fall within a low-to-moderate price range, where consumers may be less inclined to conduct extensive price comparisons or delay purchases in anticipation of discounts. Therefore, our Directors believe that the potential pressure on the pricing of our products resulting from the 2025 Tariff could be partially passed on to the end consumers. Moreover, according to the F&S Report, overseas retail chains and reputable brand owners generally have higher pricing power over the end consumers, especially for lower-priced consumer goods such as small home appliances and non-electric household goods; and it is relatively easier for overseas retail chains and reputable brand owners to pass on the economic burden due to tariff to the end consumers. Therefore, we believe that, our customers, many of which are overseas retail chains and reputable brand owners, may increase their retail prices to partially mitigate the impact of the 2025 Tariff. However, if the applicable tariff continue to climb up, it may be inevitable that our customers would require their suppliers, including us, to reduce our prices in order to share the burden of tariff. On the other hand, in general, overseas retail chains and reputable brand owners may have relatively stronger pricing leverage in their supplier relationships, especially when they possess well-established sales channels, brand influence and scale advantages. However, the actual pricing power can vary depending on factors including the uniqueness and competitiveness of the supplier’s products, supply-demand dynamics as well as the depth and stability of the cooperation between the two parties. Considering that (i) small home appliances and non-electric household goods manufactured in the PRC are expected to remain competitive in the U.S. market as compared with non-PRC products; (ii) we have long business relationship with customers which are reputable companies and they have high quality requirements on suppliers; (iii) our competitiveness over non-PRC manufacturing companies is expected to remain and (iv) we have non-PRC production facilities in Indonesia and Thailand which will commence operation in near future, we believe that our competitive advantages over our competitors would remain.

---

## BUSINESS

---

Since 1 January 2025, up to the Latest Practicable Date, we had not received any request from our customers which may cause significant pricing pressure as a result of the imposition of the 2025 Tariff and none of our customers, including major customers, had cancelled their existing orders or request re-negotiation of prices for existing orders as a result of the 2025 Tariff. While we had received request from four customers (including three major customers during the Track Record Period) to suspend delivery, after the Sino-US trade tension relaxed with the release of the 512 Joint Announcement, delivery of approximately 79.9% of such suspended orders had been confirmed to resume normal for shipment from China, and the remaining will be transferred to the Indonesia Factory for shipment from Indonesia. As confirmed by our Directors, given that (i) delivery was resumed shortly after the request for temporary suspension and (ii) most of such suspended orders were produced after resumption of delivery and their production will stay in China, no material additional cost had been incurred due to the temporary suspension of delivery of orders nor the resumption. Moreover, our Directors confirmed that our Group had not received request from Walmart to postpone delivery, although it is reported by the media that Walmart had requested other suppliers to temporarily suspend delivery in early April which, reportedly, had resumed in late April. Furthermore, since the imposition of the New Tariff on China, we have been closely communicating with our customers, including major customers, and our customers had expressed interest in relocating production of some of their orders to our Indonesia Factory which is expected to commence operation in the second quarter of 2025. Eight customers, including four major customers during the Track Record Period, have already conducted factory inspection in order to start production of their orders as soon as possible; and where necessary, factory audit had been completed. As at the Latest Practicable Date, four major customers had placed orders to be produced in the Indonesia Factory. Also, since the imposition of the 2025 Tariff and up to 30 April 2025, our major customers had continued to place orders with us with no material change in product prices and payment terms as a result of the 2025 Tariff. In terms of order amount, there had been no material adverse change in April 2025 as compared with April 2024.

Given the unpredictability of the development of the Sino-U.S. and the global trade tension, we cannot assure you that our customers will not raise request for change in prices or other contract terms, or reduce their orders, in the future, be such due to the tariffs, a decrease in overall demand of lifestyle household goods, replacing us with U.S. local manufacturing companies or other manufacturing companies in other countries, or downturn of the macro-economy. Please see “Risk factors – The Sino-U.S and global trade tension may adversely affect our business, financial conditions and results of operation”. As to impact of the Sino-U.S. trade tension and tariff imposed by the Chinese government on imports from the U.S. in response on our supply, during the Track Record Period, we did not rely on supplies from the U.S. for our production and a majority of our suppliers are based in the PRC. Therefore, at present, our Directors consider that the Sino-U.S. and the global trade tension would not have a material and adverse impact on our procurement.

---

## BUSINESS

---

Our Directors are of the view, and the Sole Sponsor concurred, that the 2025 Tariff had not had a material and adverse impact on our Group as at the Latest Practicable Date. Based on the information currently available and subject to changes and development of the Sino-U.S. and global trade tension which is highly unpredictable and associated risks as detailed in “Risk Factors”, as at the Latest Practicable Date, our Directors are of the view, and the Sole Sponsor concurred, that 2025 Tariff is not expected to have a material and adverse impact on our Group. In spite of the foregoing, we consider that our competitive advantages would remain for the reasons below:

***1. Small home appliances and non-electric household goods from China are expected to remain competitive in the U.S. market as compared with those from non-PRC countries***

According to the F&S Report, the U.S. has been heavily relying on the import of small home appliances and non-electric household goods from China, making China one of the largest export countries for these products to the U.S. for many years. China is one of the cheapest sources for small home appliances and non-electric household goods to the U.S., thanks to its established supply chain and experience in manufacturing at lower costs while maintaining quality. In particular, the comprehensive advantage of China in material procurement, production efficiency, technological accumulation and labor resources enables Chinese manufacturing companies to maintain a leading position in the global market, particularly in the U.S. Although manufacturing companies in regions such as Southeast Asia are gradually becoming more competitive in terms of price and capacity, they still lag behind China in crucial areas such as production technology, supply chain management and infrastructure development. These advantages of PRC manufacturing companies over non-PRC manufacturing companies take years to develop and therefore are expected to remain. This implies significant challenges for U.S. importers to find alternative manufacturing companies of other countries to match PRC manufacturing companies’ prices and cost effectiveness, and to reduce its reliance on imports from China. For an impact analysis of Sino-U.S. trade tension on the global small home appliances and non-electric household goods industry, please refer to “Industry Overview – Impact Analysis of Sino-U.S. and Global Trade Tension on the Global Small Home Appliances and Non-electric Household Goods Industry” in this prospectus. In light of the above, at present, we consider that small home appliances from China including our products are expected to remain competitive in the U.S. market in the future despite the recent development of the Sino-U.S. and global trade tension.



***2. We have long business relationship with major customers which are reputable companies/brands, and our customers have stronger pricing power over end consumers and higher quality requirements on suppliers***

We have maintained a long term relationship with our top five customers for each year during the Track Record Period, ranging from nine to 13 years. In particular, we have established a long business relationship with US-based reputable brand owners and retail companies such as Walmart, Telebrands, Sensio and Hamilton Beach, each of them having a business relationship with us for more than a decade. According to the F&S Report, overseas retail chains and reputable brand owners, including our customers, generally have higher pricing power over end consumers, especially for lower-priced consumer goods such as small home appliances and non-electric household goods; and it is relatively easier for overseas retail chains and reputable brand owners to pass on the economic burden due to tariff to the end consumers. Moreover, they tend to source their supplies from a limited number of suppliers as price is not the only factor they consider when choosing suppliers but they also place strong emphasis on other attributes unrelated to price such as quality and stability. As a result, they normally maintain a stable and long term business relationship with their approved suppliers as switching to new suppliers incurs substantial costs due to their rigorous and stringent procedures in supplier selection. We believe that the stable and growing business relationship between us and these top five customers pronounced our capabilities and competitive advantages. We consider our long relationships between our reputable customers and us would also allow us to attract further sales order from non-U.S.-based customers.

***3. Our competitiveness over non-PRC manufacturing companies is expected to remain***

Since 1 January 2025 and up to the Latest Practicable Date, (i) none of our customers, including major customers, had cancelled their orders or request re-negotiation of prices for existing orders as a result of the 2025 Tariff and (ii) our major customers had continued to place orders with us with no material change in product prices and payment terms. Moreover, since the imposition of the New Tariff on China, we have been closely communicating with our customers, including major customers, and our customers had expressed interest in relocating production of some of their orders to our Indonesia Factory which is expected to commence operation in the second quarter of 2025. Several customers have already conducted factory inspection in order to start production of their orders as soon as possible. We believe these indicated that, taking into account factors such as manufacturing experience, stability, scale, quality and price, we are still on our customers' supplier lists and they intend to continue to place orders with us in spite of the 2025 Tariff. Also, considering (i) that the retail price of our products are relatively low that end consumers are less sensitive to price adjustment; (ii) our competitive strengths as detailed in "Business – Our Competitive Strengths"; and (iii) that we will be able to offer choices to customers to have their production in location outside of the PRC which are currently subject to lower tariff rates (i.e. Indonesia and Thailand upon implementation of our future plans), we believe that our competitiveness over other non-PRC competitors would remain.



***4. We have non-PRC production facilities in Indonesia and in Thailand, which will commence operation in the near future***

As a contingency measure to mitigate geopolitical risks which also forms part of our expansion plan, we have set up our Indonesia Factory, which is expected to commence production in the second quarter of 2025. In addition, we have also commenced the construction of our Thailand Factory, which is expected to commence operation in the second half of 2025. As at the Latest Practicable Date, although Thailand and Indonesia had also become a subject of the U.S. tariffs, tariff rates applicable to imports from Thailand and Indonesia to the U.S., being 10%, are lower than the tariff imposed on imports from China to the U.S. being 30% (on top of any pre-existing tariff). Moreover, it is unpredictable whether the US government will re-impose the higher tariff applicable to Chinese goods, which once reached 145%. Therefore, at present, assuming the discrepancy in tariff imposed by the U.S. government between China and other east Asian countries remains, we believe that relocation of our production from China to Thailand and Indonesia remain to be a viable alternative for us to manage geopolitical risks by diversifying our product origins. We believe that our expansion with overseas production layouts will maintain our competitiveness as we will be able to offer reliable options to customers. For details of our Indonesia Factory and Thailand Factory, please refer to “– Our Production Facilities – Overseas production facilities” and “– Our Strategies – Set up our Thailand Factory to enhance our global presence” in this section, respectively.

**Our strategic approach to encounter the 2025 Tariff and its feasibility**

Our Directors consider that our strategic domestic and overseas layout, including the operation of the Indonesia Factory, would be feasible and would mitigate the risks arising from the 2025 Tariff for the following reasons:

- as advised by our Indonesian Legal Advisers, there will be no material legal impediment for us to obtain the required regulatory approvals for commencement of production;
- certain number of our comparable companies in China have established factories in Southeast Asia; and some of them have established factories in Indonesia and have already successfully commence production and operation for a considerable period. Given our experience of running factories for more than 20 years, we believe that we would also be able to operate its overseas factory as our comparable companies;

---

## BUSINESS

---

- the establishment of our Indonesia Factory is well supported by our major customers since its inception. In addition to early participation in the setup of the Indonesia Factory, although the Indonesia Factory is only expected to commence commercial production by the end of the second quarter of 2025, our major customers had already placed orders to be produced in the Indonesia Factory to be delivered by the end of the third quarter of 2025. We believe that our customers are in the best position to assess whether we have the capability to run a new factory and their actions has testified our capability;
- we have long relationship with major customers and we have been recognized as their major suppliers. Major customers, which are sizable and globally renowned brand owners, had indicated that we are their key suppliers;
- As confirmed by Frost & Sullivan, overseas retail chains and reputable brand owners, such as our major customers, would face high switching costs if they change suppliers. Shifting away from these established relationships is not simply about finding new suppliers. It involves reconfiguring entire supply chains, which demands time, investment, and strategic planning. In the short term, diversification efforts are limited by infrastructure gaps, workforce constraints, and insufficient capacity in alternative markets. Our Directors therefore are of the view that, if demands from our customers for non-made-in-China products increase further in the future due to the tariff imposed/ to be imposed by the U.S. government, with the overseas establishment of our Group, our Group's competitive advantage, especially, advantages over PRC manufacturing companies who do not have overseas factories and non-PRC manufacturing companies (e.g. local manufacturing companies in Indonesia) would remain, if not being more prominent, also taking into account the other factors as aforementioned. Since the imposition of the 2025 Tariff, based on our communication with our customers and as confirmed by our Directors, we have received orders or enquiries from customers for products (which had been supplied by other suppliers) to be produced by our Indonesia/Thailand Factory. In particular, one of our customers who had been placing orders mostly for shipping to non-U.S. destinations during the Track Record Period had also formed plan to place orders with our overseas factory to be shipped to the U.S. Our Directors are of the view that such switch of suppliers amid the tariff situation is a strong indication of the demand of overseas brand owners for PRC manufacturing companies with overseas production facilities that is expected to increase given that PRC manufacturing companies possess intangible skills and know-hows which are also applicable to production outside of the PRC. Moreover, given that overseas expansion requires substantial financial resources and support from customers which may not be readily available for PRC manufacturing companies (which have not set up oversea production facilities), our Directors consider that such change in the industry landscape would highlight our Group's strategic overseas layout and therefore further differentiate our Group from its competitors.

---

## BUSINESS

---

Notwithstanding the abovementioned, given the present geopolitical landscape is constantly evolving and highly unpredictable, there is no assurance that our business would not be negatively affected by the Sino-U.S. and the global trade tension and there is no assurance that our competitive advantages would remain. Please refer to “Risk Factors – Risks Relating to our Industry and Business – The Sino-U.S. and global trade tension may adversely affect our business, financial conditions and results of operation” in this prospectus. In response to such uncertainties, as at the Latest Practicable Date, we had started communicating and negotiating with our suppliers with an aim to reduce our costs. Moreover, to further diversify our customer base, we are actively looking for new customers based outside of the U.S. Since 1 January 2025, we have procured eight new non-U.S. customers and these customers have placed orders with us with planned delivery mostly in May and June 2025. We will continue to closely monitor the development of the Sino-U.S. and global trade tension.

### OUR SUPPLIERS

Our major suppliers are suppliers of metal and plastic raw materials, components and accessories. Our procurement department is responsible for the procurement of materials and supplies. We centralised our procurement and maintained an approved list of suppliers, a majority of which are located in the PRC. We have formulated internal policies specifying supplier selection criteria and procedures as well as procurement process. We evaluate suppliers taking into consideration factors such as price, quality and production capacity. In our evaluation, we gather suppliers’ information including compliance level of environmental protection-related and quality-related certifications and perform site visits of our major suppliers. In order to avoid reliance on our supplier, we generally maintain more than one supplier for our major raw materials. The major materials used by us for the production include metal and plastic raw materials, components and accessories and a majority of our raw materials are sourced domestically from suppliers in the PRC.

#### Top five suppliers

Our five largest suppliers in each year during the Track Record Period accounted for 18.2%, 22.4% and 18.3% of our total purchase for FY2022, FY2023 and FY2024, respectively; and our largest supplier accounted for 7.2%, 9.4% and 5.3% of our total purchase for FY2022, FY2023 and FY2024, respectively.

## BUSINESS

**FY2022**

Supplier	Background	Major products/ services we purchased	Years of relationship with us (approximate)	Credit terms	Payment method	Purchase amount (RMB'000)	% of our total purchase
Shun Liang Fa Industrial (Shenzhen) Co., Ltd.* (順良發工業(深圳)有限公司)	Incorporated in the PRC, it is engaged in, among others, import and export of goods, sales of personal protective equipment and hardware products and manufacturing of fibres.	Fabric hose jacket and assembling service for semi-finished products	8	On delivery	Telegraphic transfer/bank's acceptance bill	47,190.8	7.2
Shenzhen Jiazhi Trading Co., Ltd.* (深圳市嘉志貿易有限公司)	Incorporated in the PRC, it is engaged in, among others, purchase and sale of hardware products, electronic products, plastic products and chemical products.	Plastic raw materials	10	30 days	Telegraphic transfer/bank's acceptance bill	23,094.9	3.5
Shengjialun Rubber & Plastic (Heyuan) Co., Ltd.* (盛嘉倫橡塑(河源)有限公司)	Incorporated in the PRC, it is engaged in, among others, sales of plastic parts and their raw materials.	Thermo polyurethane	11	30 days	Telegraphic transfer/bank's acceptance bill	18,619.8	2.8
Hubei Linglong Aluminum Co., Ltd.* (湖北靈龍鋁業有限公司)	Incorporated in the PRC, it is engaged in, among others, scrap metal recycling, processing and sales.	Hardware accessories	1	Prepayment	Telegraphic transfer/bank's acceptance bill	16,330.1	2.5
Hunan Jifu Aluminum Plastic Products Co., Ltd.* (湖南省吉富鋁塑製品有限公司)	Incorporated in the PRC, it is engaged in, among others, processing of non-metallic scraps, sales of non-ferrous metal, manufacturing and sales of plastic products.	Metal raw materials	6	On delivery	Bank transfer/telegraphic transfer/bank's acceptance bill	14,473.8 (Note 1)	2.2
<b>Total</b>						<b>119,709.4</b>	<b>18.2</b>

*Note:*

- Aggregating all purchase from two PRC companies, namely Hunan Jifu Aluminum Plastic Products Co., Ltd.\* (湖南省吉富鋁塑製品有限公司) and Hunan Shenke Non-ferrous Metal Co., Ltd.\* (湖南森科有色金屬有限公司), the shareholders of which, to the knowledge of our Directors, are relatives.

## BUSINESS

### **FY2023**

Supplier	Background	Major Products/services we purchased	Years of Relationship (approximate)	Credit terms	Payment method	Purchase amount (RMB'000)	% of our total purchase
Hubei Yixiong Industrial Technology Co., Ltd.* (湖北益雄工業科技有限公司)	Incorporated in the PRC, it is engaged in, among others, import and export of goods, sales and manufacturing of plastic products, hardware products and knitwear products.	Fabric hose jacket	8 (Note 1)	On delivery	Telegraphic transfer/bank's acceptance bill	72,367.6 (Note 1)	9.4
Danyang Anke Fitness Equipment Co., Ltd.* (丹陽恩科健身器材有限公司)	Incorporated in the PRC, it is engaged in, among others, the manufacturing of plastic products and mechanic products, the assembly of electronic accessories.	Latex inner tubes	2	30% deposit advance payment, balance on the 15th day of each calendar month	Telegraphic transfer/bank's acceptance bill	33,580.5	4.4
Shenzhen Jiazhi Trading Co., Ltd.* (深圳市嘉志貿易有限公司)	Incorporated in the PRC, it is engaged in, among others, purchase and sale of hardware products, electronic products, plastic products and chemical products.	Plastic raw materials	10	30 days	Telegraphic transfer/bank's acceptance bill	30,226.4	3.9
Shenzhen Jinfengcheng Precision Hardware Co., Ltd.* (深圳市錦鋒誠精密五金有限公司)	Incorporated in the PRC, it is engaged in, among others, sales of small motor accessories, hardware accessories and moulds.	Hardware accessories	9	30-150 days	Telegraphic transfer/bank's acceptance bill	20,242.0 (Note 2)	2.6
Hunan Jifu Aluminum Plastic Products Co., Ltd.* (湖南省吉富鋁塑製品有限公司)	Incorporated in the PRC, it is engaged in, among others, processing of non-metallic scraps, sale of non-ferrous metal, manufacturing and sales of plastic products.	Metal raw materials	6	On delivery	Bank transfer/telegraphic transfer/bank's acceptance bill	15,851.0 (Note 3)	2.1
<b>Total</b>						<b>172,267.5</b>	<b>22.4</b>

## BUSINESS

### Notes:

1. Aggregating all purchase from (i) Shun Liang Fa Industrial (Shenzhen) Co., Ltd.\* (順良發工業(深圳)有限公司) and (ii) Hubei Yixiong Industrial Technology Co., Ltd.\* (湖北益雄工業科技有限公司). To the knowledge of the Director, the former is owned by a father and son and the latter is wholly-owned by the father.
2. Aggregating all purchase from Shenzhen Jinfengcheng Precision Hardware Co., Ltd.\* (深圳市錦鋒誠精密五金有限公司) and its fellow subsidiary.
3. Aggregating all purchase from two PRC companies, namely Hunan Jifu Aluminum Plastic Products Co., Ltd.\* (湖南省吉富鋁塑製品有限公司) and Hunan Shenke Non-ferrous Metal Co., Ltd.\* (湖南森科有色金屬有限公司), the shareholders of which, to the knowledge of our Directors, are relatives.

### FY2024

Supplier	Background	Major Products/services we purchased	Years of Relationship (approximate)	Credit terms	Payment method	Purchase amount (RMB'000)	% of our total purchase
Hubei Yixiong Industrial Technology Co., Ltd.* (湖北益雄工業科技有限公司)	Incorporated in the PRC, it is engaged in, among others, import and export of goods, sales and manufacturing of plastic products, hardware products and knitwear products.	Fabric hose jacket	8 (Note 1)	On delivery	Telegraphic transfer/bank's acceptance bill	56,924.7 (Note 1)	5.3
Shenzhen Jiazhi Trading Co., Ltd.* (深圳市嘉志貿易有限公司)	Incorporated in the PRC, it is engaged in, among others, purchase and sale of hardware products, electronic products, plastic products and chemical products.	Plastic raw materials	10	30 days	Telegraphic transfer/bank's acceptance bill	44,953.4	4.2
Danyang Anke Fitness Equipment Co., Ltd.* (丹陽恩科健身器材有限公司)	Incorporated in the PRC, it is engaged in, among others, the manufacturing of plastic products and mechanic products and the assembly of electronic accessories.	Latex inner tubes	2	30% deposit advance payment, balance on the 15th day of each calendar month	Telegraphic transfer/bank's acceptance bill	41,562.1	3.9

## BUSINESS

Supplier	Background	Major Products/services we purchased	Years of Relationship (approximate)	Credit terms	Payment method	Purchase amount (RMB'000)	% of our total purchase
Liling Xiangcheng Ceramics Manufacturing Co., Ltd.* (醴陵市湘成陶瓷製造有限公司)	Incorporated in the PRC, it is engaged in, among others, the manufacturing and sales of pottery products.	Cooker liner	10	60 days	Telegraphic transfer/bank's acceptance bill	28,877.3	2.7
Hunan Jifu Aluminum Plastic Products Co., Ltd.* (湖南省吉富鋁塑製品有限公司)	Incorporated in the PRC, it is engaged in, among others, processing of non-ferrous scraps, sales of non-ferrous metal, manufacturing and sales of plastic products.	Metal raw materials	6	On delivery	Bank transfer/telegraphic transfer/bank's acceptance bill	23,487.0 (Note 2)	2.2
<b>Total</b>						<b>195,804.5</b>	<b>18.3</b>

*Notes:*

1. Aggregating all purchase from (i) Shun Liang Fa Industrial (Shenzhen) Co., Ltd.\* (順良發工業(深圳)有限公司) and (ii) Hubei Yixiong Industrial Technology Co., Ltd.\* (湖北益雄工業科技有限公司). To the knowledge of the Director, the former is owned by a father and son and the latter is wholly-owned by the father.
2. Aggregating all purchase from Hunan Jifu Aluminum Plastic Products Co., Ltd.\* (湖南省吉富鋁塑製品有限公司) and Hunan Shenke Non-ferrous Metal Co., Ltd.\* (湖南森科有色金屬有限公司), the shareholders of which, to the knowledge of our Directors, are relatives.

During the Track Record Period, all of our five largest suppliers in each year during the Track Record Period were Independent Third Parties. To the best knowledge and belief of our Directors, none of the Directors; their close associates; or any Shareholder (which to the knowledge of the directors owns more than 5% of the number of issued Shares of the issuer) had any interest in the aforementioned top five suppliers in each year during the Track Record Period.

During the Track Record Period, none of the major suppliers aforementioned was also a customer of our Group.

During the Track Record Period, we did not experience any shortage or delay in the supply of raw materials which would have a material impact on our business, financial condition or results of operations.

---

## BUSINESS

---

During the Track Record Period, we did not experience any delay or shortage of supply, price fluctuation on products sourced or product delivery issues which would have had a material impact on our business, financial condition or results of operations. Our Directors consider that alternative suppliers for our production materials are readily available in the market with comparable quality and prices and we do not foresee significant difficulty to source production material in the foreseeable future.

Please see “Financial Information – Principal Components of Results of Operation – Sensitivity analysis” in this prospectus for further details on the sensitivity analysis in respect of the impact of hypothetical fluctuations in our cost of sales to our profit before income tax.

### *Framework agreements*

We have entered into legally binding framework agreements with our major suppliers. Thereafter, purchase will be placed through separate purchase orders. For suppliers who have not enter into framework agreements with us, purchase will be placed through purchase orders. Key terms such as the quantity, price, time and destination of delivery, product specifications and payment terms are set out in purchase orders.

A summary of the key commercial terms of framework agreements we entered into with our suppliers is set forth below:

Term	No specific term specified
Obligations of suppliers	Suppliers are required to deliver products in accordance with the specifications stipulated in separate purchase orders and the products supplied must conform to the pre-production samples and relevant national and industry standards.
Minimum purchase commitment	No minimum purchase commitment was imposed on our Group.



---

## BUSINESS

---

### Prices, payment and credit terms

Prices shall be set out in separate quotations which shall be mutually agreed by both parties. For tailor-made supplies, such as tailor-made metal hardware, we may be required to pay deposits of around 30% of the total contractual amount.

Credit terms of 30 to 150 days after issuance of invoice and payment shall generally be made by bank's acceptance bill or telegraphic transfer.

### Intellectual property

Suppliers must keep any information, including any data, know-how, in relation to our Group or its business that the supplier may gain access to during the course of business with our Group confidential.

### Termination

The agreement may be unilaterally terminated by our Group in the event of material delay in delivery by the suppliers.

Apart from framework agreements as aforementioned, to add an additional layer of intellectual property protection, we also entered into technology confidentiality agreements with certain major suppliers, pursuant to which, among other confidentiality obligations, they are prohibited from developing, manufacturing or selling similar products using our Group's proprietary know-hows including product designs and formula.

During the Track Record Period and up to the Latest Practicable Date, we did not have any dispute with our major suppliers or major breach of the framework agreements we entered into with our suppliers which would have a material impact on our business, financial condition or results of operations.

---

## BUSINESS

---

### OUR PRODUCTION FACILITIES

As at the Latest Practicable Date, we have seven production facilities in the PRC which had commenced production:

	Production facility	Location	Year of establishment	Approximate construction area	Major operations during the Track Record Period <sup>(Note 1)</sup>
1.	Yinuowei Factory	Jiangyin, Jiangsu Province	2000	15,609 sq.m.	Design and manufacture of electronic appliances
2.	Aisijie Factory	Shenzhen, Guangdong Province	2002	32,300 sq.m.	Design and manufacture of our ODM/OEM products including motor-driven appliances and electronic appliances
3.	Yuantexin Factory	Shenzhen, Guangdong Province	2004	52,000 sq.m.	Design and manufacture of our ODM/OEM products including electro-thermic appliances and garden hoses
4.	Hubei XJ Factory	Huanggang, Hubei Province	2012	97,367.9 sq.m.	Design and manufacture of our ODM/OEM products including electro-thermic appliances and garden hoses
5.	Meinuowei Factory	Huizhou, Guangdong Province	2017	18,976.9 sq.m.	Design and manufacture of our ODM/OEM products including electro-thermic appliances and garden hoses
6.	Hongnuowei Factory	Shenzhen, Guangdong Province	2020	4,000 sq.m.	Manufacture and processing of PCBA for our internal use
7.	XJ Intelligence Factory	Huizhou, Guangdong Province	2024	147,069.0 sq.m.	Design and manufacture of our ODM/OEM products including electro-thermic appliances

*Note:*

1. Major operations in terms of the revenue contribution in aggregate during the Track Record Period.

**Overseas Production Facilities**

As part of our international expansion plan, as at the Latest Practicable Date, we had completed the set up of our production facility in East Java Province, Indonesia. As at the Latest Practicable Date, our Indonesia Factory had been in the process of obtaining the regulatory approval and certification necessary for commencement of production. As advised by our Indonesian Legal Advisers, there will be no material legal impediment for us to obtain the requisite regulatory approvals for commencement of production. As at the Latest Practicable Date, we had provided all documents requested by the relevant authority thus far. Although we expect that we will have to incur additional transportation costs for importing the work-in-progress or raw materials from the PRC to Indonesia and public utility service costs, it is expected that our Indonesia Factory will incur similar production cost as compared to the production in the PRC due to the lower labour and rental costs. Currently, our Indonesia Factory is expected to commence production in the second quarter of 2025. Our Indonesia Factory is designed for the manufacture of electro-thermic appliances, motor-driven appliances, electronic appliances, garden hoses and other products, with an aggregate construction area of approximately 7,745 sq.m. Breakeven is considered to have been achieved once the revenue generated by our Indonesia Factory covers its operating costs and expenses (excluding depreciation charge and after tax) incurred in the same year on an accounting basis. Time required for achieving breakeven depends on various factors, such as general economic and market conditions, market demand, utilisation rate of our production lines, market competition and costs of production. Investment payback is considered to be achieved once the total future net cash flow generated from operating activities covers its total investment amount including machinery and equipment acquisition cost. The time required to achieve investment payback also depends on various factors, including those mentioned above and the actual capital expenditure such as costs of machinery and equipment. Based on our knowledge and experience, it is estimated that the payback period for our Indonesia Factory will be approximately 26 months and that breakeven could be achieved within approximately nine months.

Furthermore, we also plan to build a new production facility in Rayong, Thailand, which is expected to commence production in the second half of 2025. For details of our planned construction of our Thailand Factory including breakeven and payback period of our Thailand Factory, please see “– Our Strategies – Set up our Thailand Factory to enhance our global presence” in this section.

---

## BUSINESS

---

Upon construction of our overseas production facilities, we plan to allocate our purchase orders between the production facilities in the PRC and overseas production facilities based on, among others, (i) the delivery addresses of our products and the proximity between the delivery addresses and location of the production facilities; (ii) the preference of production location of our ODM/OEM customers; (iii) the workload and resources of different production facilities at the relevant time; (iv) the geopolitical conditions and trade restrictions at the relevant time that we will give priority in allocating the purchase orders which will be shipped to the U.S. or are subject to the potential imposition of trade restrictions under the Sino-U.S. trade tension to Indonesia Factory and Thailand Factory; and (v) the strengths of different production facilities in the PRC. Depending on the preference of our customers and the impact of the trade restrictions, we give priority in allocating the purchase orders that will be shipped to the U.S. or are subject to the potential imposition of trade restrictions under the Sino-U.S. trade tension to Indonesia Factory and Thailand Factory.

### Production capacity and utilisation rate

Throughout the years of our operation, we have made substantial investment in building our flexible manufacturing systems, which is characterised by its ability to adapt to changes in the type and quantity of products being ordered by our customers as our machines and computerised systems can be configured to manufacture a variety of parts and handle changing levels of production. Our Directors consider that the production bottleneck is the assembly process which is the critical production process that determines quality of our finished products and output. The production capacity of our assembly lines is therefore used to calculate our production capacity during the Track Record Period.

The table below sets out our designed capacity, converted actual production volume and utilisation rate during the Track Record Period:

	<b>Designed Capacity ( '000 unit) (Notes 1, 2)</b>	<b>Converted actual production volume ( '000 unit) (Note 3)</b>	<b>Utilisation rate (%) (Note 4)</b>
<b>FY2022</b>			
Electric home appliances	18,895.7	12,714.0	67.3
Non-electric household goods <sup>(Note 5)</sup>	6,907.0	3,767.5	54.6
<b>FY2023</b>			
Electric home appliances	19,288.0	14,913.1	77.3
Non-electric household goods <sup>(Note 5)</sup>	5,760.0	4,917.4	85.4
<b>FY2024</b>			
Electric home appliances	24,340.0	19,899.4	81.8
Non-electric household goods <sup>(Note 5)</sup>	5,760.0	5,330.2	92.5

**Expected  
designed  
capacity**  
( '000 unit)  
(Note 6)

**Upon completion of  
the set up of all  
production facilities**

Electric home appliances	44,340.0
Non-electric household goods <sup>(Note 5)</sup>	8,640.0

*Notes:*

1. We produced more than 2,400 models of products during the Track Record Period and the production capacity of our assembly lines of different products highly varies (ranging from 20 units per hour to 3,150 units per hour). In light of such difference in the manufacturing time for different models of products, for illustration purpose, we have taken into account various factors including actual sales volume and re-order frequency of different products and selected a common model of kettle, blender, digital scale, which were the major products (in terms of sales volume) of each category of electric home appliances during the Track Record Period as the standardised model in calculating our designed capacity and converted actual production volume which form the basis of our utilisation rate. For non-electric household goods, we selected a common model of garden hose to be the standardised model on a similar basis for the calculation of utilisation rate.
2. Designed capacity refers to the designed capacity of all production facilities in the PRC in use in the relevant year, except for (i) Hongnuowei Factory which was mainly for the manufacture of PCBA parts for internal use, (ii) our Indonesia Factory which had completed set up yet not commenced commercial production as at the Latest Practicable Date and (iii) our proposed Thailand Factory which is part of our future plans and had not been built as at the Latest Practicable Date.

Designed capacity is calculated by using the formulae below, assuming the production hours being eight hours (being the standard working hours per day) a day, and 267 days for FY2022 (taking into account the total number of suspension days of all production facilities due to COVID-19, while the suspension of each production facility was no longer than 20 days), 300 days for FY2023 and 300 days for FY2024:

Designed capacity = the number of units of products of the standardised model (referred in Note 1 above) that one assembly line can produce per hour x the average number of assembly lines (averaged by month) in use during the relevant year x the number of production hours during the relevant year.

For illustration purpose, while an assembly line is capable of manufacturing different categories of products, in the calculation of designed capacity, each assembly line is assumed to be producing only the category(ies) of products that the relevant factory (in which such assembly line is located) is specialised in.

3. Given our business model involves a variety of products which also means variance in production time and for a comparison between production volume and the designed capacity on the same basis, actual production volume of each product are converted to be in terms of the number of the units of standardised model of the relevant product category (referred in Note 1 above).

---

## BUSINESS

---

4. Utilisation rate equals to the converted production volume divided by the designed capacity during the same year. Based on Frost & Sullivan's advice, the Sole Sponsor is of the view that the calculation of utilisation rate is in line with industry practice.
5. Given that sales of non-electric household goods mainly comes from sales of garden hoses, for illustration purpose, non-electric household goods refers to garden hose only and other non-electric household goods are excluded.
6. The expected designed capacity is calculated on an annualised basis upon the completion of the set up of all production facilities in the PRC (excluding Hongnuowei Factory which was mainly for manufacturing and processing of PCBA parts for internal use) and overseas (i.e. Thailand Factory and Indonesia Factory).

The table below sets out the expected designed capacity of each of the Thailand Factory, XJ Intelligence Factory and Indonesia Factory upon the completion of their set up:

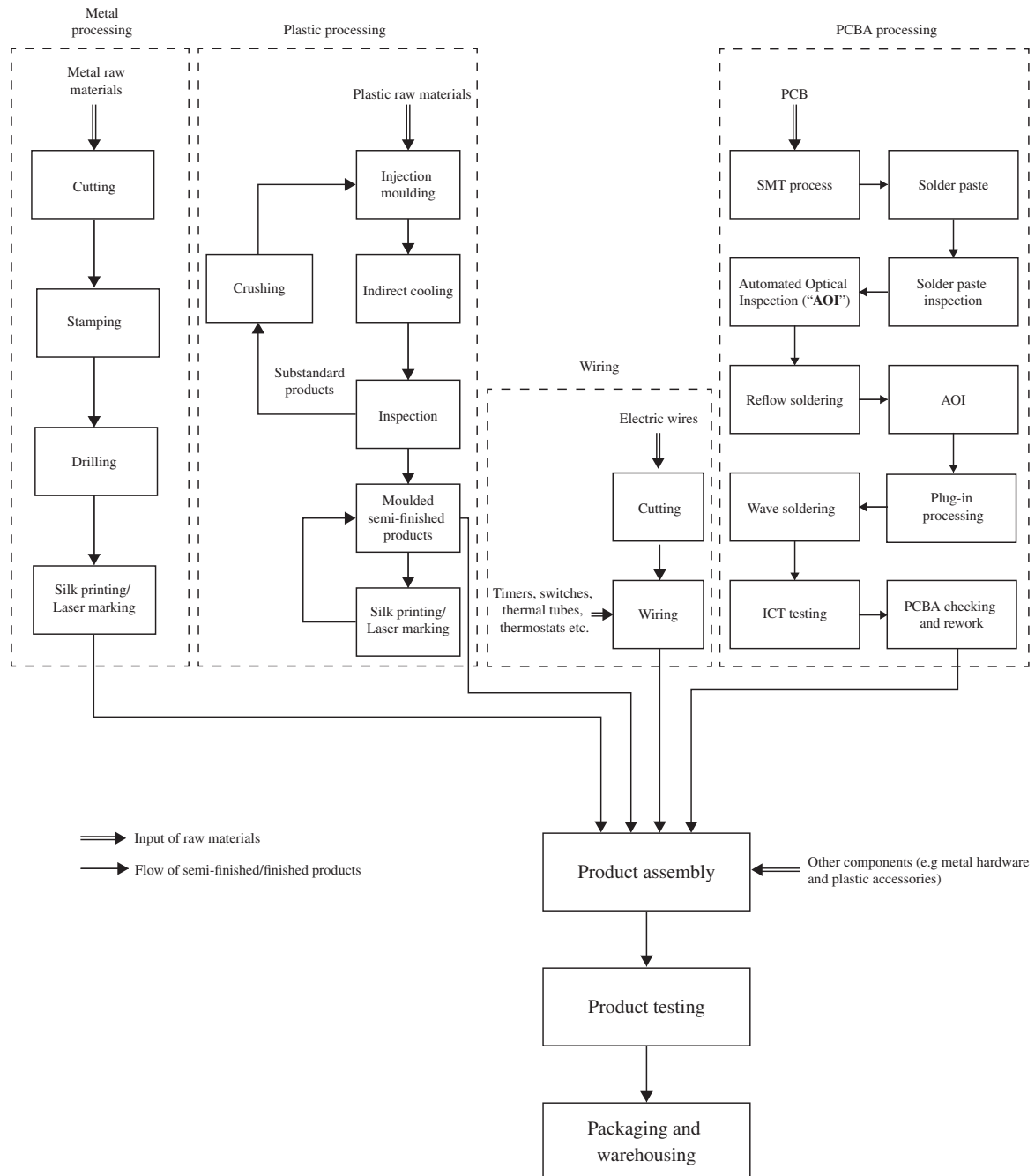
<b>Expected designed capacity</b>	<b>Electric home appliances ( '000 unit)</b>	<b>Non-electric household goods ( '000 unit)</b>
Thailand Factory	5,352.0	2,880.0
XJ Intelligence Factory	16,750.0	–
Indonesia Factory	4,224.0	–

As at 31 December 2024, we had completed the construction of our XJ Intelligence Factory and finished the first-phase setting up. The abovementioned expected designed capacity of XJ Intelligence Factory has taken into account the assembly lines already installed as at 31 December 2024 and other new assembly lines to be installed upon full completion of its set up.

For Indonesia Factory, while our assembly lines are flexible and capable of manufacturing different products including non-electric household goods to meet the actual customer demands by adjusting configurations of our machines and equipment, it is planned mainly for the manufacture of electric home appliances. Accordingly, the calculation of the expected designed capacity is based on electric home appliances.

## OUR MANUFACTURING PROCESS

We manufacture and sell different types of products during the Track Record Period. While different products involve different designs, production material, component parts, technical specifications and production process, the flowchart below illustrates the critical process in the production of our products. The critical stages of our manufacturing process are (i) processing of metal/plastic raw materials into metal/plastic components and parts, (ii) processing of PCBA, (iii) wiring of wires and parts, (iv) assembly of components and parts and (v) final product testing. The manufacture of different products involves different combinations of these stages.



### **Metal parts processing**

For the manufacture of metal hardware, parts and accessories to be assembled to our products, we procure metal raw materials such as aluminum alloy and go through stages of metalwork processes including stamping in order to form the desired shape, which will be followed by drilling in order to create holes. Where necessary, metal parts will go through laser marking or silk printing to form logos or patterns on the product.

### **Plastic parts processing**

For plastic parts, the major process is injection moulding. Injection moulding is the process of producing plastic parts of different shapes and specifications by injecting molten plastic material into a mould. Afterwards, the molten and moulded plastic will go through cooling in order to return to the solid state to form semi-finished parts for assembly. We conduct in-process inspection and if defective parts are found, such defective parts will be crushed for rework. Where necessary, plastic parts will go through laser marking or silk printing to form logos or patterns on the product.

### **Wiring**

This process includes connecting electrical wires and other components such as switches, timers, thermostats.

### **PCBA processing**

Printed circuit board assembly (PCBA) is essential for electronic appliances. The process turns a printed circuit board (PCB) which is a blank circuit board with no electronic components attached into a completed assembly that contains the components required for the PCB to function as needed for the desired application. PCBA processing includes various steps from printing solder paste on the empty board, attaching electronic components to the PCB by reflow soldering and wave soldering, followed by AOI and ICT testing and packaging upon passing the tests.

### **Product Assembly**

With different parts and components, we assemble them with our assembly lines to form the finished products, which will then go through testing and inspection.

### **Product testing**

Finished products are inspected by our quality control staff. To satisfy national/ regional requirements and requirements of our customers, we will sample our finished products and send them to third-party laboratories for different tests including tests for harmful substances and safety requirements.



### **Major machinery and equipment**

We owned most of our major machineries and equipment which were generally sourced from the PRC. Our major machineries include die casting machines, injection moulding machines, CNC machines and assembly lines. Generally, their useful lives are 10 years and our major machines had on average attained over half of their estimated useful lives according to our depreciation policy. We conduct regular maintenance of our machineries and equipment. For the depreciation method of our machineries and equipment, please see “Appendix I – Accountants’ Report – Note 17. Property, Plant and Equipment” in this prospectus. During the Track Record Period, we did not experience any major malfunctioning of these machineries or equipment which would have a material impact on our business, financial condition or results of operations.

### **OUTSOURCING**

During the Track Record Period, we had outsourced certain production processes, such as injection moulding, die-casting, electroplating, spraying and module assembling. We deliver semi-processed products or raw materials to subcontractors’ site for their processing. Generally, upon quality inspection by us, semi-finished products will be delivered back to our factories for further processing. For FY2022, FY2023 and FY2024, we incurred subcontracting fees in the amount of RMB35.1 million, RMB50.7 million and RMB69.2 million, respectively, representing approximately 4.0%, 5.6% and 5.9%, respectively, of our total cost of sales during the corresponding periods. We consider this allow us to accommodate urgent bulk orders from our customers more efficiently. During the Track Record Period, subcontractors we engaged were Independent Third Parties.

We adopt various evaluation and assessment criteria in selecting our subcontractors, including their experience, reputation, expertise, product quality and quality control, price, financial condition, production capacity and ability to meet our delivery timeline. In addition, all of our subcontractors are subject to annual evaluation, which includes an assessment on their product quality, production costs and product delivery time. We have established stringent quality control measures and standards for our subcontractors. We conduct on-site inspection prior to engagement if necessary. For details of our quality control measures, please see “– Quality Control” in this section. For any semi-finished products that are defective, the subcontractors are required to further inspect with us within the prescribed timeframe, and we are entitled to return the defective semi-finished products if necessary.

---

## BUSINESS

---

During the Track Record Period, we generally place orders with our subcontractors on a project-by-project basis. We generally entered into a legally binding orders with our subcontractors. Key terms of a typical order with our subcontractors are set out as below:

Scope of works	The detailed scope of each order such as work process to be performed by the subcontractor, quantity, quality and work specifications are set out in each order.
Subcontracting fee	Determined based on the actual quantity of products processed.
Duration	Delivery time shall be specified in each order.
Payment and credit terms	We are generally required to settle the payment monthly or bimonthly.
Responsibilities of subcontractors	Subcontractors are required to deliver semi-processed products in accordance with the specifications stipulated in separate purchase orders.
Quality control	Subcontractors shall comply with our quality control measures and our quality control staff shall attend the production facilities to conduct sample check. Where processed products do not pass our quality test, subcontractors shall make rectifications at their cost.

We consider the protection of the proprietary technology, know-how, trade secrets and other intellectual property rights of our customers and us is crucial to our business and we expect our subcontractors to follow. Therefore, we adopted various internal control measures to maintain the confidentiality of such intellectual properties. Please see “– Intellectual Properties” and “– Risk Management and Internal Control – Maintenance of confidentiality” in this section.

## INVENTORY MANAGEMENT

Each of our production facilities has warehouses for storage of our inventory, which mainly comprise production materials, work-in-progress and finished goods. As at 31 December 2024, our inventory, with the carrying amount of RMB207.4 million, includes raw materials, work-in-progress, finished goods and goods in transit. Our inventory turnover days for each of the FY2022, FY2023 and FY2024 was 88 days, 71 days and 60 days, respectively. As confirmed by Frost & Sullivan, our inventory turnover day is in line with industry norm.

---

## BUSINESS

---

To manage our inventory level effectively and cost efficiently, we generally produce our products on a made-to-order basis so that we generally do not keep large inventory of finished products in anticipation of order. On the other hand, we generally procure raw materials for production based on purchase forecast provided by our customers which specifies their estimated demand for a certain upcoming period or actual orders on a back-to-back basis from customers which allow us to maintain an optimal level of inventory of raw materials. Given that a majority of raw materials for our production, such as metal and plastic raw materials, components and accessories are readily available in the PRC and it is our policy to maintain alternative suppliers for major raw materials, we do not need to maintain high level of inventory for raw materials. Moreover, we employ ERP software to track inventory levels which enables us to control the movement and storage of inventory in our facilities so that we can make procurement plans based on our business needs and our production planning. We also perform physical stock-take regularly and make provision for obsolete inventory where necessary. For details of our policy on making provision for obsolete inventory, please see “Financial Information – Material Accounting Policies and Critical Accounting Estimates and Judgements – Net realisable value of inventories” in this prospectus.

### QUALITY CONTROL

We believe that our stable relationships with customers is the consummation of consistent commitment to quality. In order to achieve consistently high quality control standards, we have a quality control department comprising 111 members in our PRC and overseas production facilities as at 31 December 2024. Our quality assurance approach aims to control variables throughout our production process to ensure our product meets our quality standards at every increment throughout the production, from screening of suppliers, conducting quality checks for incoming raw material, work-in-progress quality inspection in order to identify defects at early stages of production, to quality checks of final products, packaging, inventory and loading of goods.

In particular, since our products are shipped to different parts of the world for consumer use, our quality benchmarks are formulated with reference to our customer standards and specifications and we follow internationally recognised standards such as China Compulsory Certification (CCC), European Union (EU) and U.S. Food and Drug Administration (FDA). In recognition of our efforts on maintaining quality control and management, we have been accredited with ISO9001: 2015 since 2008, and our environmental management system is also ISO-certified with ISO14001: 2015 since 2018.

During the Track Record Period and up to the Latest Practicable Date, we did not experience any significant quality defects or product claims, refunds or returns from our customers in respect of our products which would have a material impact on our business, financial condition or results of operations.

### PRODUCT RETURN AND WARRANTY

We accept product return from our customers for defective products. Under the framework agreements we entered into with our major customers, generally, we are provided with a defective allowance from 2% to 5%; where actual return exceeds such allowance, we shall be liable for returns. In the event of complaint from our ODM/OEM customers, our sales and marketing team will communicate and liaise with our quality control department and initiate investigation. We will then prepare a preliminary investigation report, generally, in approximately two weeks upon receipt of complaints. Based on our findings, we will discuss with our customers to come up with improvement plans in order to avoid recurrence of quality issues.

For our OBM products which are mainly sold directly to consumers on ecommerce marketplaces, our sales and marketing team offers customer support to our online retail customers and handle their complaints and we provide product warranty from seven days to one year, depending on the business practice of different e-commerce marketplaces.

During the Track Record Period, the overall product return (including ODM, OEM and OBM model) represented less than 1.0% of our total revenue of the corresponding year. During the Track Record Period and up to the Latest Practicable Date, there were no product recalls, product returns, product liability claims, or customer complaints that would have a material impact on our business, financial condition or results of operation.

### SALES AND MARKETING

Our sales and marketing department is responsible for the sales and marketing of our products and maintaining relationship with our customers. As at 31 December 2024, we had 51 employees in our sales and marketing department.

In order to keep abreast of the latest market trends, as well as to attract potential ODM/OEM customers, our management and sales and marketing team regularly attend domestic and international trade fairs and exhibitions such as China Import and Export Fair, Hong Kong Electronics Fair and Internationale Funkausstellung Berlin (IFA) which is one of the world's largest consumer electronics and home appliances trade show to meet potential overseas customers. We also participate in international product design competitions such as Reddot and MUSE Design Awards to exhibit our work, earn critical feedback on our ideas, and increase our brand awareness.

For our OBM products under our self-owned brands of “Weighmax 威麥絲” and “Accuteck” and “Aigoli 艾格麗”, we promote our brands and sell our products mainly through advertising features of the respective online channels where sell our products, namely Amazon for “Weighmax 威麥絲” and “Accuteck”, and JD.com (京東), Tmall (天貓) and Pinduoduo (拼多多) for “Aigoli 艾格麗”.

---

## BUSINESS

---

In FY2022, FY2023 and FY2024, we incurred RMB10.2 million, RMB9.0 million and RMB7.4 million, respectively, as our marketing and promotion expenses.

### PRICING

We determine our products prices taking into account our cost of raw materials, labour cost and other expenses, expected delivery date, complexity of the products, volume of the orders, desired profit margin, our relationship with the customer and prevailing market conditions.

For export sales, prices are generally quoted in US\$ on free on board basis, for delivery at the pre-determined ports. To manage erosion of our margins due to fluctuations in raw material prices, we review our cost components regularly and, where necessary, we may initiate discussion on price adjustment with our customers.

### RESEARCH AND DEVELOPMENT

We consider our R&D capability is one of our competitive advantages and we strive to augment this competitive advantage continuously. Our R&D team also continuously monitors technological advancement in the industry to keep our knowledge up-to-date and relevant with our customers' preferences. As R&D work invariably requires a broad spectrum of expertise as at 31 December 2024, we have a R&D team of more than 170 members, with an average of six years of work experience with us and a majority of them obtained academic qualification of tertiary level and/or vocational education in different disciplines. We collaborate closely with our customers and participating industry events to identify desired product performance and quality parameters and market needs which are not satisfied and formulate R&D initiatives with our team of experts from different disciplines. We also carry out projects which aim to research and develop new products and technologies and to enhance quality and cost efficiency. For example, during the Track Record Period, we conducted a range of R&D activities, from technologies which enhance our production capability to technologies for enhancing performance of different product attributes, including: mould development technologies; surface polishing technology for the welding of electric kettles; electronic temperature control technology for our air fryer heating system, slow cooker heating system, yogurt maker thermostatic system and multi-functional electric cooker control system; latex tube automatic extension technology for our garden hoses; and electromagnetic induction technology in automatic adjustment of motor speed for our motor-driven appliances such as household blender control system and portable grinders. We believe that these have proven that we have successfully translated our R&D efforts into our products and technologies.

We have entered into legally-binding confidentiality agreements with our key technological personnel and employees involved in our R&D activities, pursuant to which any intellectual property developed during their employment in the course of performing their duties thereunder belongs to us. As at the Latest Practicable Date, we had 403 registered patents and eight software copyrights in the PRC, two registered patents in Japan, nine registered patents in Europe, 24 registered patents in the United States. For details of our intellectual properties, please see “– Intellectual Properties” in this section.

---

## BUSINESS

---

For FY2022, FY2023 and FY2024, we incurred R&D expenses of RMB32.0 million, RMB34.4 million and RMB36.4 million, respectively. Our R&D costs represent amounts incurred for the development of new products and technologies. For details of our research and development expenses, please see “Financial Information – Principal Components of Results of Operations – Research and development expenses” in this prospectus.

We believe that our R&D will continue to drive our growth. As a major footstep of strengthening our R&D capability and part of our future plans, we plan to establish a R&D centre in Qichun County, Hubei Province. For details of our future plans to further expand our R&D efforts, please see “– Our Strategies” in this section.

### EMPLOYEES

The table below sets out the breakdown of our employees by geographical location as of 31 December 2024:

Location	Number of employees
The PRC	2,518
Indonesia	5
United States	6
<b>Total</b>	<b>2,529</b>

The table below sets out the breakdown of our employees by function as of 31 December 2024:

Department	Number of employees
Sales and marketing	51
R&D	171
Finance and audit	53
Administration	157
Quality control	111
Procurement	29
Production	1,957
<b>Total</b>	<b>2,529</b>

In addition to direct employment, during the Track Record Period, we procured labour by way of labour dispatch or labour subcontracting to meet our need in daily business operations.

As advised by our PRC Legal Advisers, the major difference between labour dispatch and labour subcontracting is the control and management of the workers. Labour dispatch occurs when the labour dispatch company recruits and dispatches workers to us and we directly command and manage the dispatched workers, who are required to follow our instructions. Generally, payment is calculated based on the number of staff dispatched. Under the PRC laws, there is a statutory limit to the number of dispatched workers. On the other hand, labour subcontracting occurs when we subcontract works/tasks to the subcontractor, and the subcontractor has to determine the number of workers necessary and arrange its own workers to complete the works/tasks according to the requirements of us. We are not entitled to directly command or instruct the subcontracted workers. Instead, the labour subcontractor will be responsible for commanding and managing the subcontracted workers. Generally, payment is calculated based on a lump sum service fee, regardless of the number of subcontracted workers involved. Under the PRC laws, there is no limit to the number of subcontracted workers involved nor the number of labour subcontractors engaged.

### **Labour dispatch**

In addition to our employees as mentioned above, in FY2022, we entered into labour dispatch agreements with independent labour dispatch providers when we do not have sufficient workforce for our orders. Key duties of the dispatched labour included simple processes and tasks such as hand gluing, material sorting and visual inspection. Fee we incurred for labour dispatch arrangement represented 0.2% of total cost of sales of FY2022. As confirmed by our Directors, we do not plan to engage labour dispatch providers going onward.

### **Labour subcontracting**

During the Track Record Period, we entered into labour subcontracting arrangement (勞務外包協議) with labour subcontractor agencies to meet the need of our business operation. We have entered into labour subcontracting agreements with our labour subcontractor agencies. Key duties of the subcontracted labour included different work processes for the manufacture of our products including material feeding assembly, packaging. Pursuant to the agreements, the labour subcontractor agencies is responsible for bearing the relevant costs of social insurance and other statutory employee benefits. In return, we allow subcontracted staff to work on our sites and we pay a lump sum service fee to the labour subcontractor agencies calculated based on the number of units processed by the subcontracted staff. We are responsible to provide training to ensure the occupational health and safety of the independent contractors. As advised by our PRC Legal Advisers, our labour subcontracting arrangement under such agreements as aforementioned is legal. In general, our Group is not required to obtain approval from our customers before entering into outsourcing, labour dispatch and labour subcontracting agreements. Fee we incurred for labour subcontracting arrangement for our production represented 0.1%, nil and 2.2% of total cost of sales of FY2022, FY2023 and FY2024, respectively.

To management risks of leakage of confidential information, such as proprietary technology, know-how, trade secrets and other intellectual property rights of our customers and us, associated with labour subcontracting, we adopted various internal control measures to maintain the confidentiality of such intellectual properties. Please see “– Intellectual Properties” and “– Risk Management and Internal Control – Maintenance of confidentiality” in this section.

### **Training and recruitment**

We believe that our ability to recruit and retain experienced and skilled labour is crucial to our growth and development.

We generally recruit our employees by placing advertisements in the open market, or through personal referrals and recruitment agencies. Based on our business needs, we select candidates having regard their credentials, experience, qualifications and expertise. Remuneration packages of our employees generally include basic salaries, bonuses and other employee benefits such as medical insurance. We conduct annual appraisal on employee to review their salary and consider promotion where their performances meet our expectation.

We have adopted a training policy and we provide orientation training and employees handbook to our new employees to familiarise them with our working environment and work culture. We also provide on-the-job training to our employees, to enhance their technical and safety knowledge. Trainings are given by our senior employees or third-party consultants. We also provide fire safety training to our production staff regularly. We believe our human resource management policy can encourage our employees to progress and develop continuously and contribute to our success.

To build and maintain bond with our employees, we have established a labour union in the PRC to represent the interests of our employees and to facilitate effective communication between our employees and our management. The union organises various activities for our employees. We consider that we have maintained a positive relationship with our employees. During the Track Record Period and up to the Latest Practicable Date, we had not experienced any strike, labour dispute or other labour disturbances which would have had a material impact on our business, financial condition or results of operations.

Save as disclosed “Compliance – Social Insurance and Housing Provident Funds” in this section, we have complied with the applicable labour laws and regulations in the PRC in all material respects.



### INSURANCE

We maintain various insurance policies including property insurance covering risks of physical loss or damage to the inventory of our products and fixed assets, general liability insurance (including product liability), worker compensation insurance, employer liability insurance and transportation and export insurance. As confirmed by Frost & Sullivan, our insurance coverage is in line with industry practice. During the Track Record Period and up to the Latest Practicable Date, we had not made or been the subject of any material insurance claims.

### PROPERTIES

#### **Owned properties**

As at the Latest Practicable Date, we had obtained land use certificates for 12 parcels of land with an aggregate site area of approximately 211,380 sq.m. and building ownership certificates of 30 buildings with an aggregate floor area of approximately 116,649.6 sq.m. in the PRC. As of the Latest Practicable Date, we had entered into an agreement to acquire a piece of land with a site area of 43,436.8 sq.m. in Thailand, details of which are set out in “Business – Our Strategies – Set up our Thailand Factory to enhance our global presence”.

We use our owned properties in the PRC mainly for production and dormitories. For further details of our production facilities, please see “– Our Production Facilities” in this section. During the Track Record Period, we also leased out some of our properties to Independent Third Parties from which we derived a rental income of RMB0.9 million, RMB0.6 million and RMB1.0 million for FY2022, FY2023 and FY2024, respectively, after deducting the costs.

Except for the property interests described in the property valuation report, our Group has no other owned property interest that forms part of our non-property activities that has a carrying amount of 15% or more of total assets or property activities that requires valuation report pursuant to Rule 5.01B(2)(b) of the Listing Rules.

#### ***Owned properties without ownership certificates***

Due to administrative oversight and insufficient knowledge of the relevant regulatory requirements of the responsible staff, certain buildings in our Hubei XJ Factory and Yinuowei Factory with an aggregate construction area of 2,595 sq.m. (the “**Defective Properties**”) that we use for auxiliary production, canteen and warehouse do not comply with the urban and rural planning requirements; and therefore, we have not obtained building ownership certificates for the Defective Properties.

Pursuant to Article 64 of the Urban and Rural Planning Law of the People's Republic of China (2019 Amendment) (《中華人民共和國城鄉規劃法(2019修正)》), if a construction project planning permit is not obtained or construction is not carried out in accordance with the provisions of the construction project planning permit, the urban and rural planning authorities of the local people's government at or above the county level may order suspension of construction; if corrective measures to eliminate the impact of construction is possible, corrections within a time limit may be ordered, and a fine of not less than 5% but not more than 10% of the construction project cost will be imposed; if corrective measures is not possible, the property may be ordered to be demolished within a time limit. If demolition is not possible, the property or illegal income will be confiscated, and a fine of not more than 10% of the construction project cost may be imposed. Article 65 of the Urban and Rural Planning Law of the People's Republic of China (2019 Amendment) (《中華人民共和國城鄉規劃法(2019修正)》) further stipulates that failure to obtain a rural construction planning license in accordance with the law or to construct in accordance with the provisions of the rural construction planning license within a township or village planning area shall be ordered by the township or town people's government to suspend construction and rectify within a time limit; If rectification is not made within the prescribed time limit, the property may be demolished. During the Track Record Period and up to the Latest Practicable Date, we had not received any notification from the government authorities requiring us to demolish and/or relocate from the Defective Properties. Our PRC Legal Advisers are of the view that the risk of our Group being subject to administrative penalty in relation to the Defective Properties is relatively low. Taking into account the size and use of the Defective Properties, our Directors are of the view that in the event that we were ordered to demolish the Defective Properties, we could be readily relocate to our other properties with a cost of not more than RMB100,000 in aggregate. Our Directors therefore consider that the title defects of the Defective Properties are not expected to have material adverse impact on our business operations.

Considering (i) the opinion of our PRC Legal Advisers as aforementioned, (ii) that as at the Latest Practicable Date, we had not received any administrative penalty, rectification order imposed by competent authorities in PRC, (iii) the Defective Properties are only for auxiliary use and relocation would not have a material adverse impact on our business operations, our Directors are of the view that, and the Sole Sponsor concurs, the absence of ownership certificates of the Defective Properties would not materially and adversely affect our suitability for listing.

For enhanced internal control measures taken in relation to property laws and regulations compliance, please see “– Risk Management and Internal Control – Property laws and regulations compliance” in this section.

As at the Latest Practicable Date, we were in the course of obtaining building ownership certificates for buildings in our XJ Intelligence Factory with an aggregate construction area of approximately 147,069.0 sq.m. For further details, please see “– Compliance – Production facilities in XJ Intelligence Factory” in this section.

## BUSINESS

### Leased properties

As at the Latest Practicable Date, we had entered into 20 leases with a total area of approximately 111,621.3 sq.m. in the PRC as our production facilities, warehouses, offices and dormitories. We also had one lease in the United States and one lease in Indonesia as our office and production facilities. Except for three leases for our dormitories in the PRC for which the lessor is Mr. Pan Yun, our Controlling Shareholder and executive Director, the lessors of other leased properties are Independent Third Parties.

The following table sets forth a summary of our leased properties for major use as at the Latest Practicable Date:

### PRC

	Location	Approximate lease area (sq.m.)	Term of lease	Major use of property
1.	No. 1–3, Paibang Shantang Industrial Zone, Siluan Community, Hegang Street, Longgang District, Shenzhen (深圳市龍崗區橫崗街道四聯社區排榜山塘工業區1–3號)	27,700.0	2022.04.01– 2027.03.31	Production
2.	No. 8, Paibang Shantang Industrial Zone, Siluan Community, Hegang Street, Longgang District, Shenzhen (深圳市龍崗區橫崗街道四聯社區排榜山塘工業區8號)	2,300.0	2023.08.31– 2026.08.31	Warehouse
3.	No. 16, Paibang Shantang Industrial Zone, Siluan Community, Hegang Street, Longgang District, Shenzhen (深圳市龍崗區橫崗街道四聯社區排榜山塘工業區16號)	2,300.0	2024.11.1– 2026.10.30	Warehouse
4.	8th Floor, Building 7, Factory, Free Trade Zone, No. 2015 Shenyang Road, Yantian District, Shenzhen (深圳市鹽田區深鹽路2015號 保稅區廠房7棟第8層)	2,607.9	2025.02.01– 2027.01.31	Office

## BUSINESS

	Location	Approximate lease area (sq.m.)	Term of lease	Major use of property
5.	Building 3, No. 5, Shijing Industrial Park, Pingshan New District, Shenzhen (深圳坪山新區石井工業園5號3棟)	8,000.0	2024.12.01– 2027.11.30	Production
6.	No. 3, Shijing Industrial Park, Shijing Street, Pingshan District, Shenzhen (深圳市坪山區石井街道石井工業園3號)	16,877.0	2022.07.03– 2025.07.02 (Note)	Production
7.	No. 3, Shijing Industrial Park, Shijing Street, Pingshan District, Shenzhen (深圳市坪山區石井街道石井工業園3號)	12,023.0	2022.07.03– 2025.07.02 (Note)	Production
8.	No. 3, Shijing Industrial Park, Shijing Street, Pingshan District, Shenzhen (深圳市坪山區石井街道石井工業園3號)	5,035.0	2022.07.03– 2025.07.02 (Note)	Production
9.	No. 3, Shijing Industrial Park, Shijing Street, Pingshan District, Shenzhen (深圳市坪山區石井街道石井工業園3號)	5,035.0	2022.07.03– 2025.07.02 (Note)	Production
10.	No. 3, Shijing Industrial Park, Shijing Street, Pingshan District, Shenzhen (深圳市坪山區石井街道石井工業園3號)	5,030.0	2022.07.03– 2025.07.02 (Note)	Production

Note: Currently, we are in negotiation with the landlord for lease renewal.

---

## BUSINESS

---

	Location	Approximate lease area (sq.m.)	Term of lease	Major use of property
11.	Second Factory Building, 4th and 5th Floor of Third Factory Building, 1st Floor of Fourth Factory and Power Distribution Room on 1st Floor of Third Production Building, Kerui High-tech Industrial Park, No. 46, Electronic City Road, Longxi Town, Boluo County, Huizhou City (惠州市博羅縣龍溪鎮電子城路 46號科瑞高新產業園2#廠房整 棟、3#廠房4樓及5樓、4#廠房 1樓、3#1樓配電房)	18,976.9	2023.04.01– 2029.03.31	Production
12.	No. 53, Shakeng Road, Biling Street Office, Pingshan District, Shenzhen (深圳市坪山區碧嶺街道辦沙坑 路53號)	4,000.0	2025.01.01– 2025.12.31	Production
13.	25A, Haidu Garden, No. 2122 Shenyan Road, Tiandong Community, Haishan Road, Yantian District, Shenzhen (深圳市鹽田區海山街道田東社 區深鹽路2122號海都花園25A)	107.0	2023.01.20– 2026.01.19	Dormitory and office
14.	11A, Haidu Garden, No. 2122 Shenyan Road, Tiandong Community, Haishan Road, Yantian District, Shenzhen (深圳市鹽田區海山街道田東社 區深鹽路2122號海都花園11A)	107.0	2023.01.20– 2026.01.19	Dormitory and office

## BUSINESS

	Location	Approximate lease area (sq.m.)	Term of lease	Major use of property
15.	11C, 11F, 20F, 24A, 24F, 26A, Haidu Garden, No. 2122 Shenyan Road, Tiandong Community, Haishan Road, Yantian District, Shenzhen (深圳市鹽田區海山街道田東社 區深鹽路2122號海都花園11C 、11F、20F、24A、24F、 26A)	622.0	2023.12.31– 2025.12.30	Dormitory
16.	Room 1–4C, Building 2, Shanhai Home, Yantian District, Shenzhen (深圳市鹽田區山海家園2棟 1–4C房)	106.2	2023.10.01– 2025.09.30	Dormitory
17.	19H Haidu Garden, Shatoujiao, Yantian District, Shenzhen (深圳市鹽田區沙頭角海都花園 19H)	107.0	2024.09.01– 2025.08.31	Dormitory
18.	Room 804, Unit 2, Building 21, Pengwan Garden Village 1, Yantian District, Shenzhen (深圳市鹽田區鵬灣花園一村21 棟2單元804房)	98.0	2025.03.04– 2026.03.03	Dormitory
19.	Room 2–2D, Building 5, Cuijing Garden, Wutong Road South, Yantian District, Shenzhen (深圳市鹽田區梧桐路南翠景花 園第5棟2–2D)	90.4	2025.03.01– 2027.03.01	Dormitory
20.	Room 2407, Building 11, Phase II, Tian'an Cloud Park, Gangtou Community, Bantian Road, Longgang District, Shenzhen (深圳市龍崗區坂田街道崗頭社 區天安雲谷產業園二期11棟 2407)	499.0	2025.04.02– 2028.04.01	Office

---

## BUSINESS

---

### *United States*

	Location	Approximate area (sq.m.)	Term of lease	Major use of property
1.	Chino, California	975.4	2022.11.01– 2025.10.31	General office, warehouse and distribution of small consumer products and other legal related uses

### *Indonesia*

	Location	Approximate area (sq.m.)	Term of lease	Major use of property
1.	Sidoarjo Regency, East Java Province	10,000	2023.12.01– 2033.11.30	Industrial activities

### *Defects in our leased properties*

As of the Latest Practicable Date, eight of our leased properties in the PRC which formed part of our Aisijie Factory, Yuantexin Factory and Hongnuowei Factory, respectively, with an aggregate lease area of approximately 63,423 sq. m. were subject to title defects (the “**Defective Leased Properties**”). The lessors of such leased properties had not obtained the relevant title ownership certificates for the Defective Leased Properties. During the Track Record Period and up to the Latest Practicable Date, we had not encountered any safety issues or disputes with respect to the Defective Leased Properties.

As advised by our PRC Legal Advisers, without ownership, the validity of leases of the Defective Leased Properties may be challenged by the lessor. In addition, if the lessors do not have the ownership certificates of these defective leased properties, these Defective Leased Properties may be subject to order of demolition and relocation. Based on the advice of our PRC Legal Advisers, we consider that, taking into account the long term relationship with the lessors as confirmed by the lessors, the risk of the leases of the Defective Leased Properties being challenged by the lessors and thereby affecting our use is relatively low. Our PRC Legal Advisers further advised that taking into account, among others, the confirmations from the relevant competent authorities, the risk of us being subject to relocation order is relatively low. See also “Risk Factors – Risks Relating to Our Industry and Business – The rights to use certain leased properties could be challenged by third parties or relevant authorities, and we may be forced to relocate due to title defects of such leased properties.” If we were ordered to be relocated from these defective leased properties in such unlikely circumstance, taking into account our

existing and future production capacity, and based on currently available information and to our best knowledge, we estimate the relocation, if necessary, would be completed in one to two weeks for the relocation of each production facilities and would incur an aggregate cost RMB3.4 million, which would not be a material loss for our Group as we may reallocate orders to other production facilities. Having considered the foregoing, our Directors believe that these title defects in relation to the Defective Leased Properties will not, individually or in the aggregate, materially affect our business and results of operation.

### ***Lease Registration***

As at the Latest Practicable Date, 10 out of our 20 leased properties are required by the applicable PRC laws and regulations to be registered and filed with the relevant land and real estate administration bureaus in the PRC, among which eight had not been so registered or filed. We are in the process of preparing the registration and filing of certain leases which necessary documents have been provided. These properties have an aggregate area of approximately 1,736.5 sq.m., accounting for 1.6% of the total lease area of our leased properties in the PRC.

As advised by our PRC Legal Advisers, failure to complete the registration and filing of lease agreements will not affect the validity of the lease agreements or result in us being required to vacate the leased properties. However, the relevant PRC authorities may impose a fine ranging from RMB1,000 to RMB10,000 for each unregistered lease, and therefore a maximum penalty of RMB80,000 in aggregate, which will not have any material and adverse impact on our business operations. Please see “Risk Factors – Risks Relating to our Industry and Business – The lease agreements of our leased properties have not been registered with the relevant PRC government authorities as required by PRC law, which may expose us to potential fines.” in this prospectus. As at the Latest Practicable Date, we have submitted the application documents for lease registration where those documents are complete.

Having considered the foregoing, our Directors believe that the non-registrations of leases described above will not, individually or in the aggregate, materially affect our business and results of operation, on the grounds that: (i) no penalty had been imposed on us for our failure to register and file the relevant lease agreements during the Track Record Period and up to the Latest Practicable Date; (ii) we were advised by our PRC Legal Advisers that, the risk of governmental authorities imposing an administrative penalty on us with respect to these leased properties is relatively low; and (iii) we have enhanced our internal control measures and procedures to prevent re-occurrence of such non-compliance incidents.

For enhanced internal control measures taken in relation to property laws and regulations compliance, please see “– Risk Management and Internal Control – Property laws and regulations compliance” in this section.



### INTELLECTUAL PROPERTIES

Apart from our ODM/OEM operations, we also manufacture and sell our OBM products under our self-owned brands of “Weighmax 威麥絲” and “Accuteck” and “Aigoli 艾格麗” for which we have registered trademarks in the PRC or overseas. As of the Latest Practicable Date, we were the registered owner of 60 trademarks and 12 domain names.

As of the Latest Practicable Date, we had 403 registered patents and eight software copyrights in the PRC, two registered patents in Japan, nine registered patents in Europe, 24 registered patents in the United States. We had made application for registration of eight patents in the PRC, nine patents in the United States, one patent in Europe and one patent in Korea. For details of our intellectual property rights, please see “Appendix VII – Statutory and General Information – B. Further Information about Our Business – 2. Our material intellectual property rights”.

We recognise the importance of protecting and enforcing our ODM/OEM customers and our proprietary technology, know-how, trade secrets and other intellectual property rights. Our agreements with our customers and our suppliers have stipulated relevant clauses imposing confidentiality obligations so as to protect our customers and our intellectual property rights during the production. For details of our intellectual properties protection measures, please see “– Risk Management and Internal Control – Maintenance of confidentiality” in this section.

During the Track Record Period and up to the Latest Practicable Date, we did not experience any material infringement of our intellectual property rights nor had we been subject to any material intellectual property rights claims by third parties.

### DATA PRIVACY AND SECURITY

Our Group establish online storefronts on e-commerce marketplaces including Amazon, JD.com (京東), Tmall (天貓), Pinduoduo (拼多多) to sell our OBM products. As such, we indirectly collect personal information desensitized by e-commerce marketplaces pursuant to the authorisation between such e-commerce marketplaces and their users, including but not limited to partially removed or obscured customers’ username, recipient’s name, contact numbers and delivery addresses for order fulfilment. For details of data privacy and security-related laws and regulations in the PRC applicable to our Group, please see “Regulatory Overview – Regulations in relation to Data Privacy and Security”. Please also see “Risk Factors – Risks Relating to Our Industry and Business – Failure by us, the e-commerce marketplaces where we sell our OBM products, or our third-party service providers to maintain data security, or any non-compliance with evolving legal requirements on data protection by us, could have a material adverse effect on our operations and profitability.” for details of our risk exposure in this respect.

---

## BUSINESS

---

To comply with the applicable laws and regulations, we have developed a series of internal management policies and operating procedures, including “Information Management Policy” and “Confidentiality Management Policy”, for protection of data privacy and security, and have implemented corresponding measures to prevent data security incidents. Such internal control measures include:

- we have adopted policies to safeguard our IT systems against cyberattacks during our ordinary online sales activities including firewalls and data access control to enhance our network security and data security defence, and we have regularly tested and traced the recoverability of our data backups;
- we provide internal training to our employees on cybersecurity, aiming to increase their understanding and awareness of cyber threats and relevant countermeasures. Our internal guidelines also require our employees to abide by information security regulations, in order to ensure safety of the relevant information involved in the business operations;
- to enhance information management and the information confidentiality, we engage professional third-party service providers to store the business and financial data necessary for daily operation and management, including personal information obtained from operating online stores on e-commerce platforms; and
- we have set up different access restrictions for different departments and seniority to limit unauthorised viewing and access of information.

During the Track Record Period and up to the Latest Practicable Date, we have not been subject to regulatory investigations, administrative penalties or public notifications related to data privacy and security, and the Group had not experienced any significant data privacy and security incidents related to theft, leakage, damage or loss of data or personal information. As advised by the PRC Legal Advisers, during the Track Record Period and up to the Latest Practicable Date, we have complied with all material aspects of the applicable PRC laws and regulations concerning data privacy and security.

---

## BUSINESS

---

On 24 September 2024, the State Council promulgated the Regulations on Administration of Network Data Security (《網絡數據安全管理條例》) (the “**Network Data Security Regulations**”) which has taken effect on 1 January 2025. The Network Data Security Regulations stipulates relevant regulations on data processing activities, personal information protection, important data security, and the obligations of network platform service providers. According to Article 62 of the Network Data Security Regulations, important data refers to specific fields, specific groups, specific areas or reaches a certain specificity and scale that once such data is tampered with, destroyed, leaked or illegally obtained or used illegally, it may directly endanger national security, economy, social stability, public health and safety. Large network platforms refer to those with more than 50 million registered users or more than 10 million monthly active users, complex business types, and network data processing activities that have a negative impact on national security, economy and people’s livelihood of the PRC.

Taking into account that (i) revenue from sales of our OBM products represented only a minor portion of our total revenue (representing 5.6%, 4.2% and 2.7% of the total revenue of our Group for FY2022, FY2023 and FY2024, respectively); (ii) information collected by us in the course of the sales of OBM products through our storefront on third-party e-commerce platforms would not fall under the definition of important data under the Network Data Security Regulations; and (iii) we are not network platform nor network platform service provider as defined by the Network Data Security Regulations, our PRC Legal Advisers are of the view that the Network Data Security Regulations would not have a material and adverse impact on our Group.

### LICENCES, PERMITS AND APPROVALS

Save as disclosed in in “Business – Properties” and “Business – Compliance”, during the Track Record Period and up to the Latest Practicable Date, we have obtained all licences, permits, approvals and certificates that are material for our business operations in the jurisdictions where we operate, and such licences, permits, approvals and certificates are valid and subsisting. During the Track Record Period and up to the Latest Practicable Date, we had not been penalised by any government authorities for non-compliance relating to material licences, permits or approvals which may have a material and adverse impact on our Group.

---

## BUSINESS

---

### AWARDS AND RECOGNITIONS

During the Track Record Period, we received different recognitions. The table below is summary of awards and recognitions that we consider significant:

Award Year	Award/Recognition	Awarding Institution/Authority
2024	Top 10 Small Kitchen Appliance Export Companies in 2023 (2023年十大廚房小家電出口企業)	China Chamber of Commerce for Import and Export of Machinery and Electronic Products (中國機電產品進出口商會)
2023	Top 10 Small Kitchen Appliance Export Companies in 2022 (2022年十大廚房小家電出口企業)	China Chamber of Commerce for Import and Export of Machinery and Electronic Products (中國機電產品進出口商會)
2022	Sample Enterprise of China's Foreign Trade Export Pilot Index (中國外貿出口先導指數樣本企業)	General Administration of Customs, P.R. China (中華人民共和國海關總署)
2022	2022 Hubei Province Manufacturing Product Champion Enterprise (2022年湖北省製造業單項冠軍企業(產品))	Hubei Provincial Department of Economy and Information Technology (湖北省經濟和信息化廳)
2018	Top 10 Green Innovative Enterprise in 2018 (2018年度綠色創新企業 Top 10)	China Council for International Investment Promotion (中國國際投資促進會)

### LEGAL PROCEEDINGS

We may from time to time be subject to various legal proceedings arising from our course of business. Litigation or any other legal proceeding, regardless of the outcome, may incur substantial cost and divert our resources, including our management's time and attention. Please see "Risk Factors – Risks Relating to Our Industry and Business – We may be involved in legal or other proceedings arising out of our operations, including product liability claims, from time to time and may face significant liabilities as a result" in the prospectus.

During the Track Record Period and up to the Latest Practicable Date, we were not involved in any legal proceedings which would have a material impact on our business, financial condition or results of operations.

**COMPLIANCE**

Save as disclosed in “– Properties” in this section and as follows, our Directors, as advised by our legal advisers of the relevant jurisdictions, confirmed that as at the Latest Practicable Date, we had complied with all relevant laws and regulations in all material respects and have obtained all material licenses, approvals and permits from relevant regulatory authorities for our operations.

**Social Insurance and Housing Provident Funds*****Background and reasons of non-compliance***

During the Track Record Period, we did not make sufficient social insurance and housing provident fund contributions for some of our employees, primarily due to the preference of many of our employees not to make full contribution to such funds. Based on the estimation of our Directors, the shortfall of social insurance and housing provident fund contributions amounted to RMB1.7 million, RMB2.2 million and RMB3.0 million for FY2022, FY2023 and FY2024, respectively.

***Possible consequences of non-compliance***

Our PRC Legal Advisers advised that, pursuant to relevant PRC laws and regulations, if we fail to pay sufficient amount of social insurance contributions as required, we may be ordered to pay the outstanding social insurance contributions within a prescribed time limit and may be subject to an overdue fine of 0.05% of the delayed payment per day from the date on which the payment is payable. If such payment is not made within the stipulated period, the competent authority may further impose a fine from one to three times the amount of any overdue payment. With respect to housing provident fund, our PRC Legal Advisers advised us that, pursuant to relevant PRC laws and regulations, if we fail to pay the full amount as required, the housing provident fund management centre may order us to make the outstanding payment within a prescribed time limit. If the payment is not made within such time limit, an application may be made to the PRC courts for compulsory enforcement.

### *Likelihood of being penalised, latest status and remedial measures*

Considering that (i) we have obtained the confirmations issued by the competent authorities that we had not been subject to any administrative penalties in relation to social insurance and housing provident fund; (ii) during the Track Record Period, we had not been imposed any penalties in respect of social insurance and housing provident funds; (iii) pursuant to the relevant laws and regulations, including the Urgent Notice on Enforcing the Requirement of the General Meeting of the State Council and Stabilising the Levy of Social Security Insurance Payment (關於貫徹落實國務院常務會議精神切實做好穩定社保費徵收工作的緊急通知), administrative enforcement authorities are prohibited from organising and conducting centralised collection of enterprises' historical social security insurance arrears; (iv) as at the Latest Practicable Date, no laws and regulations in relation to centralised collection of enterprises' historical of social security insurance nor housing provident fund arrears had been promulgated and our Group had not been requested to make payment for the relevant shortfall; (v) our Group has undertaken to make payment for shortfall when so requested by the relevant authorities; and (vi) Mr. Pan Yun and Mr. Guangshe Pan, have undertaken to indemnify our Group if the relevant authorities order us to make payment for the relevant shortfall or penalise us for this cause, our PRC Legal Advisers are of the view that the likelihood of us being required to make full payment of the shortfall of social insurance and housing provident fund contribution and the likelihood of us being imposed administrative penalties is remote. Accordingly, no provision was made for the shortfall of social security insurance and housing provident fund contribution in our consolidated financial statements during the Track Record Period.

Considering (i) the opinion of our PRC Legal Advisers as aforementioned and (ii) that as at the Latest Practicable Date, we had not received any administrative penalty, rectification order imposed by competent authorities in PRC, nor any material complaint from our employees concerning their payment of social insurance and housing provident funds, our Directors are of the view, and the Sole Sponsor concurs, that the underpayment of social insurance and housing provident fund during the Track Record Period would not materially and adversely affect our suitability for listing.

We will take the following internal control rectification measures to prevent future occurrences of such non-compliance:

- we have enhanced our human resources policies, which explicitly require social insurance and housing provident fund contributions to be made in accordance with applicable local requirements;
- we have designated our consolidated management department to be led by Ms. Ji Ying, our executive Director and vice general manager, to review and monitor the reporting and contributions of social insurance and housing provident fund on a regular basis in order to ensure that we have made these payments for our employees in compliance with the applicable laws and regulations or in a manner as required by the relevant government authorities;

- we will keep abreast of latest developments in the PRC laws and regulations in relation to social insurance and housing provident funds;
- we will strengthen legal compliance training to our employees to increase their awareness of the relevant PRC laws and regulations and encourage their cooperation in making payments for social insurance and housing provident funds; and
- we will consult our PRC legal advisers on a regular basis for advice on relevant PRC laws and regulations to keep us abreast of relevant regulatory developments.

Having considered (i) the facts and circumstances leading to the non-compliance incidents and (ii) details and relevance of our Group's internal control measures to avoid recurrence of the non-compliance incidents, our Directors are of the view, and the Sole Sponsor concurs, that the above measures are effective and adequate in preventing non-compliance with respect to social insurance and housing provident funds.

### **Production facilities of XJ Intelligence Factory**

#### ***Background and reasons of non-compliance***

In 2021, we began the construction of our XJ Intelligence Factory on a parcel of land to which we own land use right in Boluo Industrial Park, Boluo County, Guangdong Province and it commenced operation in June 2024. At the time of commencement of operation in June 2024, we had not completed (i) the as-built acceptance inspection (竣工驗收), (ii) fire protection acceptance inspection (消防驗收), (iii) environmental protection acceptance inspection (竣工環境保護驗收), and (iv) energy conservation acceptance inspection (節能驗收) as required by applicable PRC laws and regulations.

In relation to (i) the as-built acceptance inspection (竣工驗收) and (ii) fire protection acceptance inspection (消防驗收), reasons for the non-compliance was because the relevant construction contractor had not provided us the requisite documents for us to complete such inspection. In relation to (iii) environmental protection acceptance inspection (竣工環境保護驗收), and (iv) energy conservation acceptance inspection (節能驗收), due to the lack of sufficient knowledge of the legal requirements, the relevant employees misunderstood environmental protection acceptance inspection and energy saving acceptance inspection could only be completed after as-built acceptance inspection has been obtained and therefore did not complete such inspection in a timely manner.

***Possible consequences of non-compliance***

As advised by our PRC Legal Advisers, in relation to (i) the as-built acceptance inspection (竣工驗收), pursuant to Regulations on the Administration of Quality of Construction Works, (《建設工程質量管理條例》(2019修訂)), commencement of use or operation without the requisite inspection could subject us to a fine of an amount equivalent to 2% to 4% of the construction contract. In relation to (ii) fire protection acceptance inspection (消防驗收), as advised by our PRC Legal Advisers, pursuant to Fire Protection Law of the PRC (《中華人民共和國消防法》(2021修正)), commencement of use or operation without the requisite inspection may subject us to an order of suspension of use and operation and/or a fine ranging from RMB30,000 to RMB300,000. In relation to (iii) environmental protection acceptance inspection (竣工環境保護驗收), commencement of use or operation without the requisite inspection may subject us to an order of suspension of use and operation and/or a fine ranging from RMB200,000 to RMB1,000,000 if rectified within the time limit. In relation to (iv) energy conservation acceptance inspection (節能驗收), commencement of use or operation without the requisite inspection may subject us to an order of rectification and/or a fine ranging from RMB30,000 to RMB50,000.

***Likelihood of being penalised, latest status and remedial measures***

As advised by the PRC Legal Advisers, we have obtained confirmation (the “**Confirmation**”) from the People’s Government of Boluo County (博羅縣人民政府), confirming that, among others, our construction in Boluo Industrial Park had satisfied the basic conditions for commencement of operation and they acknowledged and agreed us to commence operation in June 2024. It is also confirmed the People’s Government of Boluo County was not aware of any non-compliance in relation to the construction, fire protection, environmental protection, production safety and energy conservation which may lead to penalties by the People’s Government of Boluo County nor by its subordinate body, and it agreed us to maintain the current status of operation. As confirmed by our PRC Legal Advisers, the People’s Government of Boluo County is the competent authority to govern its subordinate body, namely, the Housing and Urban Rural Development Authority of Boluo County (博羅縣住房和城鄉建設局) which has the power of punishment for the abovementioned non-compliance.

As at the Latest Practicable Date, we had completed (i) as-built acceptance inspection (竣工驗收), (ii) fire protection acceptance inspection (消防驗收), (iii) environmental protection acceptance inspection (竣工環境保護驗收) and (iv) energy saving acceptance inspection (節能驗收).



---

## BUSINESS

---

Given that (i) we had completed as-built acceptance inspection (竣工驗收), fire protection acceptance inspection (消防驗收), environmental protection acceptance inspection (竣工環境保護驗收) and energy saving acceptance inspection (節能驗收) as at the Latest Practicable Date, (ii) we had not been imposed any administrative penalty for such non-compliance during the Track Record Period, (iii) we have obtained the Confirmation from the People's Government of Boluo County (博羅縣人民政府) as aforementioned, and (iv) our Controlling Shareholders, Mr. Pan Yun and Mr. Guangshe Pan, have undertaken to indemnify our Group any loss resulting from penalty or suspension of operation, our PRC Legal Advisers are of the view that the likelihood of us being subject to administrative penalties which may have a material adverse impact on our Group is relatively low. Our PRC Legal Advisers also considered that such non-compliance does not constitute material non-compliance and would not have a material impact on our business.

Considering (i) the opinion of our PRC Legal Advisers as aforementioned and (ii) that as at the Latest Practicable Date, we had not been imposed any administrative penalty for such non-compliance during the Track Record Period, our Directors are of the view, and the Sole Sponsor concurs, that the non-compliance in relation to the absence of the aforementioned filings of XJ Intelligence Factory would not materially and adversely affect our suitability for listing.

To prevent future non-compliances with respect to relevant construction laws and regulations, we have implemented and enhanced internal control measures, which include (i) for similar construction works in the future, we will obtain the requisite licences and permits (including but not limited to conducting as-built acceptance inspection and fire protection acceptance inspection) as and when required by the laws and regulations and follow the requisite procedures relating to construction and work completion of buildings; (ii) we will seek our PRC legal advice on the issues relating to the compliance of construction laws and regulations; (iii) we have established a set of policies to obtain permits for acceptance relevant to buildings and land use; and (iv) our designated department to be led by Ms. Ji Ying, our executive Director and vice general manager will monitor the implementation of the above measures and will check whether there is any non-compliance going forward.

Having considered the facts and circumstances leading to the non-compliance incidents and details and relevance of our Group's internal control measures to avoid recurrence of the non-compliance incidents, our Directors are of the view that, and the Sole Sponsor concurs, the above measures are effective and adequate in preventing non-compliance with respect to construction laws and regulations.

**U.S. Tax Payment and Filing**

While we had made filings for federal and state income tax in California (i.e. the incorporation place of the two U.S. subsidiaries), as the relevant personnel of the finance department of our U.S. office did not possess sufficient knowledge of the complicated tax system and laws in the U.S. that tax laws of different states may vary state by state, we did not make filings and tax payment in other states to where the Group had shipped products during the Track Record Period. It is estimated that the aggregate tax exposure (including unpaid yet due tax, interest and potential penalty, together, the “**Historical Tax Exposure**”) during the Track Record Period was less than USD30,000 in aggregate. Given the immaterial amount involved, we are of the view, and the Sole Sponsor concurs, that (i) the aforementioned incidents are not considered a material non-compliance and (ii) the relevant tax exposure is not considered a material tax risk to our Group.

As advised by our U.S. Legal Advisers, there will be no civil nor criminal liability on our Group nor our Directors if payment is made in a timely manner if so demanded and tax authorities in the U.S. allow taxpayers to negotiate tax settlement for a lesser amount. We have engaged a professional firm for rectifications to make necessary repayment and re-filing in the U.S. As at 30 April 2025, rectification in relation to approximately USD24,000 out of the Historical Tax Exposure has been done, with the remaining rectification expected to be completed by August 2025, subject to administrative procedures and tax policies in different states.

To avoid reoccurrence of similar incidents, we have adopted enhanced internal control including (i) seeking professional advice for future tax filing and computation, (ii) maintaining a register to record different natures of taxes to be filed, tax rates and computation basis, and (iii) another financial officer at our Group level has been assigned to monitor the tax compliance in the U.S. on a regular basis, including checking the aforementioned register, to ensure timely, accurate and complete tax filing and payment.

**RISK MANAGEMENT AND INTERNAL CONTROL**

We are exposed to various risks during our operations. For details of risks, please see “Risk Factors” in this prospectus. With the growth and expansion of our operations, potential risks associated with our business increases. It is the responsibility of our Board to ensure that we maintain sound and effective internal control measures to safeguard Shareholders’ investment and the assets of our Group at all times. In order to identify, assess and control the risks that may create impediments to the growth of our business, we have adopted, or expect to adopt before the Listing, a series of internal control policies, and procedures designed to provide reasonable assurance for achieving objectives, including effective and efficient operations, reliable financial reporting and compliance with applicable laws and regulations and to implement risk management policies to address various potential risks identified in relation to our operations, including operational risks, credit risks, market risks, financial risk and legal risks.

### **Risk Management Structure**

In our risk management structure, the Board of Directors is responsible for the overall risk management of the Group and the effectiveness of such risk management structure. Accordingly, their key responsibilities include, among others:

- assess and review the overall risk management structure of the Group and allocation of work and responsibilities to the relevant departments;
- review risk management reports prepared by the relevant department;
- supervise, control and review material projects and other material matters arisen from daily operations;
- evaluating the effectiveness of risk management practices and suggesting improvements; and
- guiding and supervising risk management efforts across departments and subsidiaries.

### **Risk identification and evaluation**

To effectively implement comprehensive risk management, under our policy, each department collects risk-related information, including both historical data and future projections and make risk assessments tailored to the nature of their specific operational risks. Each department should also maintain comprehensive documentation at each critical stage. The departmental assessment should cover reasons of changes of risks and conditions, potential impact of such risk, projection of future development and recommendations. Each department will submit their report to the risk management committee.

In our risk evaluation, general risk indicators to be employed will include (i) the level and probability of risk occurrence, (ii) consequences and (iii) adequacy of existing control methods will be taking into account. We will set risk alert threshold according to the nature of different specific operational risks. We will continuously monitor level of risks. Specific attention will be brought to changes in key risk indicator and where novel risks arise or there is a significant change in existing risks. When such threshold is reached, all departments should actively implement the designed risk response plans and report the implementation results to risk management committee in a timely manner.

---

## BUSINESS

---

In particular, we have taken certain measures and has established various structures and policies as follows to strengthen our internal control and to manage our risks:

- a thorough examination by our Board of any material risks associated with any material business decision before approving such decision;
- our Directors and senior management are required to keep track of day-to-day operations and monitor any associated operational risks of our Group and to formulate policies and resolutions to mitigate or resolve these risks;
- the engagement of an independent internal control consultant to assist our Group in reviewing and to provide recommendations on improving our internal control system. Taking into account the recommendation of such review by the independent internal control consultant, we enhanced our internal control system accordingly;
- the establishment of the Audit Committee which will review our Group's internal control system and procedures for compliance with the requirements prescribed by the applicable laws, rules and regulations;
- the appointment of Sinolink Securities (Hong Kong) Company Limited as our Company's compliance adviser pursuant to Rule 3A.19 of the Listing Rules upon the Listing to advise it on compliance with the Listing Rules;
- the engagement of external legal advisers to advise our Group on compliance with and to provide it with updates on the changes in the Listing Rules and the applicable laws, rule and regulations from time to time and as required; and
- the provision of training to relevant employees in order to enhance their industry knowledge and to encourage an encompassing culture of risk management ensuring that relevant employees are aware of and responsible for risk management.

In addition to the risk management measures we had adopted as discussed above, we have identified certain potential risks that are crucial to our operations and we have adopted corresponding internal control measures to mitigate such risks.

### **Maintenance of confidentiality**

In order to protect the proprietary technology, know-how, trade secrets and other intellectual property rights of our customers and us, in our agreements with our customers, suppliers and subcontractors, it is a contractual obligation that information pertaining to our or our customers' design and commercial secrets are generally kept confidential from any third parties or general public.

To enhance our intellectual protection, we also implement on site measures that we only allow authorised person to export files from our server. Physical access to certain areas such as laboratories and storage and data room is restricted and log-in is required in order to access data stored in our server. Furthermore, we have entered into confidentiality agreements with our employees pursuant to which any breach will lead to termination of employment and liabilities. We have also devised confidential information management policy which classifies information into different classes with different level of protection. Our policy also outlines the employees' obligations to maintain confidentiality with respect to information pertaining to our operations and production to prevent direct or indirect leakage of confidential information. Surveillance cameras are installed in certain areas where confidential information is stored; and employees are required to complete a document request form to be approved by designated personnel before printing out any confidential confirmation such as technical drawings of our products.

### **Property Laws and Regulations Compliance**

We have implemented the following internal control measures to ensure our compliance with property laws and regulations:

- before we purchase any properties and enter into any new lease, our Directors and senior management will conduct enhanced due diligence to ensure there are no title issues and legal issues. The enhanced due diligence includes, among others, (i) examining the relevant land use right certificates and building title ownership documents; (ii) verifying such certificates and documents with the land administration authority and building administration authority and confirming the ownership; (iii) checking with building administration authority to ascertain whether any mortgage, charge or other security are attached to the building; and (iv) conducting site visits;
- we will obtain the requisite licenses and permits, including but not limited to land use right certificates and building ownership certificates, as and when required by the laws and regulations and follow the requisite procedures relating to construction and work completion of buildings;
- we will seek our PRC Legal Advisor's opinion on the issues relating to title of properties and compliance of property laws and regulations;

---

## BUSINESS

---

- we have established a set of policies and procedures for property purchase and leasing arrangements to enhance our internal approval process;
- for self-construction projects, we have established a set of policies and procedures to obtain relevant permits for acceptance, including but not limited to construction land use planning permit and construction project planning permit, construction permit; and
- our Directors will be responsible for monitoring the implementation of the above measures and ensuring compliance in the future.

Having considered the facts and circumstances leading to the non-compliance incidents with respect to relevant property laws and regulations and details and relevance of our Group's internal control measures to avoid recurrence of the non-compliance incidents, our Directors are of the view that, and the Sole Sponsor concurs, the above measures are effective and adequate.

### **BUSINESS ACTIVITIES IN COUNTRIES SUBJECT TO INTERNATIONAL SANCTIONS**

The United States and other jurisdictions or organisations, including the EU, the United Nations and Australia, have comprehensive or broad economic sanctions targeting certain countries, or against industry sectors, groups of companies or persons, and/or organisations within such countries. During the Track Record Period, we generated a small amount of our revenue from the sales and/or deliveries of our products to customers located in the Relevant Countries. Our revenue generated from sales and/or deliveries to the Relevant Countries amounted to RMB5.0 million, RMB7.4 million and RMB5.9 million, representing 0.5%, 0.6% and 0.4% of our total revenue for each of FY2022, FY2023 and FY2024, respectively. Other than our sales and/or deliveries to the Relevant Countries, we did not sell or deliver our products to any other countries subject to International Sanctions.

As advised by our International Sanctions Legal Advisers, our activities during the Track Record Period did not appear to implicate restrictions under International Sanctions laws and regulations. This conclusion is based on the fact that after full due diligence investigation of the Group's international business transactions, including all applicable customer and supplier relationships, no transactions by the Group were observed that could be categorized as either primary nor secondary sanctioned activity in the Relevant Countries. Further, given the scope of our Global Offering and the expected use of proceeds as set out in this prospectus, our International Sanctions Legal Advisers are of the view that the involvement by parties in the Global Offering will not implicate any applicable International Sanctions on such parties, including our Company and its subsidiaries, their respective investors, shareholders, directors and employees and the Stock Exchange, the HKSCC and the SFC, or any person involved in the Global Offering and accordingly, the sanction risk exposure to our Company and its subsidiaries, their respective investors, shareholders, directors and employees and persons who might, directly or indirectly, be involved in permitting the listing, trading and clearing of the H Shares (including the Stock Exchange, its listing committee and related group companies, the HKSCC and the SFC) is very low.

---

## BUSINESS

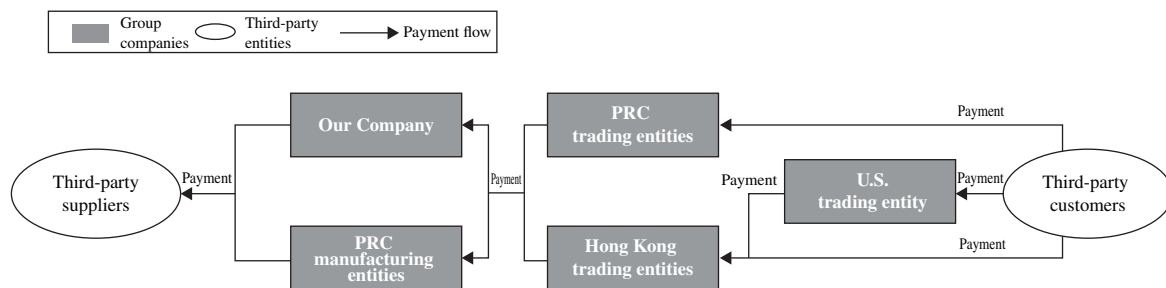
---

Our Directors confirm that we have not been notified that any International Sanctions would be imposed on us for our sales transactions to customers located in the Relevant Countries during the Track Record Period. None of our customers from those Relevant Countries are specifically identified on the SDN List by OFAC and our business activities do not involve industries or sectors that are currently subject to International Sanctions and therefore are not deemed to be prohibited activities under the relevant International Sanctions. As at the Latest Practicable Date, we have completed the delivery of products to and ceased all our sales transactions with customers located in the Relevant Countries. Our Directors confirm that we do not intend to conduct any further business or sell any of our products to customers located in the Relevant Countries or other countries subject to International Sanctions in the future. We had adopted relevant internal control policy which involves internal control measures including (i) risk identification process by assessment of and good recording keeping of customers' background information and transactions, (ii) on-going monitoring of particulars and proceedings of transactions and (iii) designation of senior management for regular monitoring and review of effectiveness of relevant measures as well as regular reporting to the Board.

### TRANSFER PRICING

During the Track Record Period, our Group's intra-group transactions, which involved subsidiaries in Hong Kong, the PRC and the U.S., primarily included tangible goods buy-sell, with total revenue amount of RMB1,089.7 million, RMB1,251.8 million, and RMB1,583.9 million in FY2022, FY2023 and FY2024, respectively (collectively, the “**Covered Transactions**”).

The following diagram sets forth our transaction flow in respect of the Covered Transactions:



---

## BUSINESS

---

The roles, functions and business activities of each of the relevant subsidiaries (the “**Relevant Subsidiaries**”) in our Group are as follows:

- Our Company – headquarters of our Group and primarily engaged in R&D, product design, procurement, manufacture, quality control, inventory management, logistics, marketing, sales, after-sales services, payment requests and receipts, and general administrative management. It also bears market risks, R&D risks, production risks, product liability risks, credit risks, exchange rate risks and some inventory risks. It owns tangible assets and intangible assets such as patents and trademarks necessary for production and office operation. It undertakes relatively comprehensive and complex functions.
- PRC manufacturing entities – namely, X.J. Electronics (Shenzhen), X.J. Electrics (Shenzhen), Innovative (Jiangyin), MeiNuoWei Electrics and X.J. Electrical Appliances, which are primarily engaged in procurement, manufacture, quality control, inventory management, logistics, after-sales services, general administrative management, as well as some R&D, design and marketing of different categories of products. They also bear production risks, inventory risks, product liability risks, exchange rate risks, and some market risks and R&D risks. They own tangible assets and intangible assets such as software, patents, and trademarks necessary for production and office operation. They are similar in nature to manufacturers that undertake certain risks.
- PRC trading entities – namely, Nawu Technology, Nuocheng Electronic Commerce and Aigrentrading, which are primarily engaged in sales activities of OBM products on e-commerce marketplaces, after-sales services, payment requests and receipts, general administrative management and bearing some logistics costs. They also bear some market risks, credit risks, exchange rate risks, limited product liability risks and inventory risks. They own tangible assets and intangible assets such as trademarks necessary for production and office operation. They are similar in nature to distributors that undertake routine risks.
- Hong Kong trading entities – namely, THS Industrial and X.J. Group (HK), which are primarily engaged in overseas sales activities of different categories of products, marketing, payment requests and receipts, general administrative management, some after-sales services and bearing some logistics costs. Comparing to PRC trading entities, while Hong Kong trading entities also bear market risks, credit risks, exchange rate risks and limited product liability risks, they do not engage in OBM business and therefore do not hold inventory and do not bear inventory risks. They own tangible assets necessary for production and office operation. It follows that they are similar in nature to distributors that undertake limited risks.



- U.S. trading entity – namely, Weighmax, which is primarily engaged in sales activities in the United States market, inventory management, logistics, payment requests and receipts, general administrative management and some after-sales services. It bears some market risks, credit risks, exchange rate risks, limited inventory risks and limited product liability risks. It owns tangible assets and intangible assets such as trademarks necessary for production and office operation. It is similar in nature to a distributor that undertakes routine risks.

During the Track Record Period, Goodlife Global, PT Dingsheng, and X.J. Electrics (Thailand) either had insignificant/no business operation or had no intra-group transactions. On the other hand, while, X.J. Electrical Appliances, being the operating corporate entity of XJ Intelligence Factory, was established in 2020, XJ Intelligence Factory was under construction before June 2024 and therefore X.J. Electrical Appliances was only at its initial stage of operation during the Track Record Period as it only commenced operation in June 2024.

### Transfer Pricing Assessment

We have conducted transfer pricing review on the Covered Transactions of the Relevant Subsidiaries based on the following guidelines, laws and regulations in the PRC, Hong Kong and the United States:

- OECD Transfer Pricing Guidelines for Multinational Enterprises and Tax Administrations (the “**OECD Transfer Pricing Guidelines**”);
- the relevant transfer pricing laws and regulations in the PRC, including the Announcement of the State Administration of Taxation on Matters Relating to the Improvement of Affiliated Declaration and Contemporaneous Document Management (《國家稅務總局關於完善關聯申報和同期資料管理有關事項的公告》) and the Announcement of the State Administration of Taxation on Promulgating the Administrative Measures for Special Tax Investigation Adjustments and Mutual Agreement Procedures (《國家稅務總局關於發佈特別納稅調查調整及相互協商程序管理辦法的公告》);
- the relevant transfer pricing laws and regulations in Hong Kong, including Inland Revenue (Amendment) (No. 6) Ordinance 2018 and Departmental Interpretation and Practice Notes (DIPNs) No. 58, 59 and 60; and
- the relevant transfer pricing laws and regulations in the United States: Internal Revenue Code (IRC) section 482.

---

## BUSINESS

---

According to the OECD Transfer Pricing Guidelines, intra-group transactions should be conducted on an arm's length basis to avoid distorted taxable income in different jurisdictions. We have adopted the transactional net margin method ("TNMM") as the transfer pricing method for reviewing the Covered Transactions. TNMM is commonly adopted to review intra-group transactions involving tangible goods buy-sell and therefore would be the most appropriate transfer pricing method to assess whether the transfer pricing arrangements related to the Covered Transactions were consistent with the arm's length principle.

Under TNMM, the ranges of reasonable profit levels are determined by reference to the interquartile range of weighted average profit levels of comparable entities (the "**Comparable Profit Level Range(s)**"). We have applied the net cost plus markup rates and the operating margin rates of uncontrolled third-party comparable entities as the profit level indicators, to provide a basis for the analysis of the controlled intra-group transactions involving our Group's manufacturing entities and trading entities, respectively. According to the OECD Transfer Pricing Guidelines, if the profit level of an entity is not based on the arm's length price, it is necessary to consider whether any adjustment to the profit of the tested entity should be made to achieve a profit level comparable with that under the arm's length principle. Following the OECD Transfer Pricing Guidelines, we engaged an independent transfer pricing consultant, Beijing Tian Zhi Tax Agent Co., Ltd Shenzhen Branch ("**Transfer Pricing Consultant**"), to conduct benchmark studies on the Covered Transactions (the "**Benchmark Study**"). The following table set out the Comparable Profit Level Ranges adopted for the Benchmark Study:

<b>Comparable Profit Level Range in 2021 to 2023<sup>(Note 1)</sup></b>			
	<b>First quartile</b>	<b>Median</b>	<b>Third quartile</b>
For the comparison with:			
Our PRC and Hong Kong trading entities	0.16%	1.41%	3.27%
Our US trading entities	1.81%	2.34%	4.73%
Our PRC and overseas manufacturing entities (except for HNW Electronics which produces PCBA for internal use)	2.55%	4.99%	11.72%
HNW Electronics <sup>(Note 2)</sup>	1.34%	3.64%	4.83%

*Notes:*

- As informed by our Transfer Pricing Consultant, at the Latest Practicable Date, 2024 data of the majority of comparable companies had not been released; therefore, there was no sufficient information for updating the Benchmark Study to cover 2024.
- As HNW Electronics does not produce home appliances, the applicable Comparable Profit Level Range refers to the profit levels of comparable entities which are PCBA manufacturers.

Based on the Benchmark Study prepared based on representations made by and information provided by the Company, our Transfer Pricing Consultant is of the view, and the Sole Sponsor concurs, that our intra-group transactions in the PRC, Hong Kong and the United States during the Track Record Period align with the arm's length principles that no transfer pricing adjustment that trigger additional tax was identified from applicable transfer pricing laws and regulations perspective; and our Group as a whole is not exposed to the risk of underpayment of corporate income tax in the PRC, Hong Kong and the United States where the Relevant Subsidiaries are located during the Track Record Period.

During the Track Record Period and up to the Latest Practicable Date, we were not aware of any inquiry, audit, investigation or challenge by any relevant tax authorities in the PRC, Hong Kong and the United States in relation to our intra-group transactions.

Subsidiaries involved in transfer pricing arrangements need to comply with the applicable laws and regulations in the relevant jurisdictions in which these subsidiaries operate imposing requirements on transfer pricing documentation. According to the OECD Transfer Pricing Guidelines, we are required to maintain master files which contain relevant information in relation to, among others, organizational structure, business, intangibles, our inter-company financial activities as well as financial and tax positions. We are also required to maintain local files which contain transfer pricing analysis in the context of local tax system. Based on the review of our records, we have prepared transfer pricing documents as required.

Based on the representations made by and information provided by the Company, our Transfer Pricing Consultant is of the view, and the Sole Sponsor concurs, that we have complied with all applicable transfer pricing laws and regulations in the PRC, Hong Kong and the United States in all material respects, including transfer pricing documentation requirements, during the Track Record Period.

### THIRD-PARTY PAYMENT ARRANGEMENTS

#### Background

Certain customers (the “**Relevant Customer(s)**”) settled their payments through third-party payors (the “**Third-party Payment Arrangement(s)**”). For FY2022 and FY2023 and FY2024, there were 31, 18 and 10 Relevant Customers, respectively. During the Track Record Period, third-party payors (“**Third-party Payors**”) primarily consisted of business partners of the Relevant Customers who may be affiliated companies under the same corporate group of our customers (such as fellow subsidiaries or shareholders of the customers), third-party financial institutions, third-party procurement or logistic agencies, and customers of the Relevant Customers. For FY2022 and FY2023 and FY2024, there were 38, 21 and 12 Third-party Payors, respectively. The aggregate amounts of third-party payments were RMB37.5 million, RMB21.0 million and RMB6.5 million, respectively, representing 3.4%, 1.8% and 0.4% of our total revenue for the corresponding years. Our Directors confirm that all Third-party Payors are independent of our Group.

During the Track Record Period, regardless of jurisdictions in which they are located, our customers generally enters into sales contracts with our subsidiaries incorporated in the PRC or Hong Kong and are requested to make their payments to the Group's bank accounts in the PRC or Hong Kong.

### **Reasons for Accepting Third-party Payment Arrangements**

During the Track Record Period and up to the Latest Practicable Date, other than simply accepting third-party payments, our Directors confirm that we had not proactively initiated any Third-party Payment Arrangements. To the best knowledge of our Directors, the Relevant Customers arranged third-party payments because (i) they may experience limited cash flow or for better internal cashflow management from time to time and therefore the Relevant Customers might procure their Third-party Payors to settle their payments earlier to prevent breaching their payment obligations owed to us or (ii) to avoid the complexity of setting up or operating accounts for overseas payment to Hong Kong/the PRC. On the other hand, from our perspective, (i) third-party payments did not create significant inconvenience to us, (ii) it is beneficial for us to receive payments from customers as early as possible, (iii) we could confirm the amounts of third-party payments received with the Relevant Customer(s) and thereby mitigating the risks associated with receiving third-party payments and (iv) our Directors believe, and Frost & Sullivan confirmed, that it is not uncommon for home appliances importers to settle their corporate transactions through third-party payors for administrative convenience and prompt payment; in particular, it is not uncommon for sizable international home appliances importers to settle their corporate transactions through their affiliated companies such as fellow subsidiaries or shareholders under the same corporate group. Moreover, as advised by our Hong Kong Legal Counsel and our PRC Legal Advisers, as the concept of payment by a third party itself is not unlawful, the Third-party Payment Arrangements are not illegal arrangements. Therefore, we did not object to Third-party Payment Arrangements initiated by the Relevant Customers.

### **Internal Control Measures and Cessation of Third-party Payment Arrangements**

Historically, to manage risks associated with Third-party Payment Arrangements, during the Track Record Period, as part of our internal control, for customers who were unable to directly settle payments with us at the relevant time, we conducted verification procedures to ascertain the relationship between the Third-party Payors and the Relevant Customers, including obtaining confirmation from the Relevant Customers in which the relationship between third party payors and the Relevant Customers was set out. It is also confirmed in the relevant confirmations that the remittance payments are payments for goods. We had also conducted background search on the internet to ascertain the relationship between the Third-party Payors and the Relevant Customers as far as possible.

---

## BUSINESS

---

During the Track Record Period and up to the Latest Practicable Date, other than simply accepting third-party payments, our Directors confirm that we had not proactively initiated any of the Third-party Payment Arrangements. As further confirmed by our Directors, the Relevant Customers would only inform us of the Third-party Payment Arrangements after the payments have been settled by the Third-party Payors. Accordingly, to prevent re-occurrence of the third-party payments in the future, we have enhanced our internal control measures for monitoring deposits to our bank accounts:

- (i) we have issued an internal notice to all our employees to prohibit them from accepting payment under any third-party payment arrangements;
- (ii) we have issued an notice to all customers that they shall settle their payments to us directly;
- (iii) our finance department has developed templates for managing the settlement of accounts receivables which shall include transaction description, customer name, payment date, account name of the customers, any third-party payment arrangement involved and any irregularities noted; and
- (iv) we have assigned personnel in our finance department for monitoring incoming payment. In the event of re-occurrence of third-party payment arrangements, the assigned personnel shall report to the department manager for further action.

To put an end to all Third-party Payment Arrangements, we have sent an email to all present customers to remind them not to settle their payment through Third-party Payors. Our Directors confirm that since the end of 2024 and up to the Latest Practicable Date, no payments from customers were settled through Third-party Payors. Given the immaterial revenue contribution from the Relevant Customers through Third-party Payment Arrangements during the Track Record Period, our Directors are of the view that the cessation of Third-party Payment Arrangements will not have any material impact on our business, results of operations and financial performance.

### **Legal Implications relating to Third-party Payment Arrangements**

During the Track Record Period, our products were mainly delivered to the U.S. However, since our major operating subsidiaries are incorporated in the PRC or Hong Kong, it follows that Hong Kong and the PRC would be the more appropriate and effective forum for Third-Party Payors (in other jurisdictions) to enforce their right (if any) for refund of Third-Party Payments, against us. Also, generally our customers (regardless of jurisdictions in which they are located) enter into sales contracts with our subsidiaries incorporated in the PRC or Hong Kong and are requested to make their payments to our bank accounts in the PRC or Hong Kong. Hong Kong Legal Counsel's and PRC Legal Advisers' view as to the legal implications relating to Third-party Payment Arrangements are therefore disclosed as follows.

***Legality***

As advised by our Hong Kong Legal Counsel, there is no law prohibiting the Third-party Payment Arrangements. It is a fundamental principle that one may make its own arrangement on payment in any business transaction unless prohibited by the laws. Therefore, the Third-Party Payment Arrangements are legal.

As advised by our PRC Legal Advisers, the Third-party Payment Arrangements are assignments of liability from the Relevant Customers to the Third-party Payors. Our PRC Legal Advisers are of the view that the Third-party Payment Arrangements do not contravene or circumvent applicable laws or regulations in the PRC.

***Possible claims from the Third-party Payors for return of funds***

As advised by our Hong Kong Legal Counsel, while the Group and the Relevant Customers had contractual relationship, there is no contractual relationship between the Group and the Third-party Payors; therefore, the Third-party Payors (including their liquidators, if appointed) certainly cannot sue based on contract. Moreover, while the Third-party Payors (including their liquidators, if appointed) may sue if the money is paid under mistake or as a consequence of some fraud or wrongful act of the payee, there is no evidence suggesting that those situations occurred in the context of the Group. During the Track Record Period and up to the Latest Practicable Date, we had not received any such request or claim from any Third-party Payor. Our Hong Kong Legal Counsel therefore considered that the Third-party Payors (including their liquidators, if appointed) will not have any possible claim against our Group in connection with the Third-party Payment Arrangements. Based on the above, our Hong Kong Legal Counsel advised that the litigation risks of the Group, including possible claims from the Third-party Payors (or their liquidators, if appointed) are remote.

As advised by our PRC Legal Advisers, (i) the Third-party Payment Arrangements are assignments of liability from the Relevant Customers to the Third-party Payors and (ii) the Third-party Payment Arrangements without a delegation of payment letter and/or tri-party payment agreement expose the transaction(s) to the risk of repayment to be claimed by the Third-party Payors due to the lack of the consents of all relevant parties. However, given that it is confirmed by the Relevant Customers that the relevant Third-party Payors were entrusted by the Relevant Customers to make the Third-party Payment Arrangements and there had been no dispute or potential dispute in relation to the Third-party Payment Arrangements, in the event of a claim by the Third-party Payors, our Group would be able to reimburse and claim any loss resulting from such claim by the Third-party Payors from the Relevant Customers. During the Track Record Period and up to the Latest Practicable Date, no litigation or claim had been made by the Third-party Payors in connection with the Third-party Payment Arrangements.

***Money laundering risks***

Our Hong Kong Legal Counsel advised that, section 25(1) of the Organized and Serious Crimes Ordinance (Chapter 455 of the Laws of Hong Kong) provides that a person commits an offence if he or she deals with that property, knowing or having reasonable grounds to believe that any property, in whole or in part, directly or indirectly, represents any person's proceeds of an indictable offence. The test is whether any reasonable person looking at the grounds would believe that the property dealt with represents the proceeds of an indictable offence. Our Hong Kong Legal Counsel considered the following:

- (i) the business transactions involving the Third-party Payment Arrangements were justifiable and genuine that the business transactions and payments were supported by sales documents;
- (ii) the business transactions involving the Third-party Payment Arrangements comprised an insignificant portion of the overall business of the Group (not more than 0.7% for each year during the Track Record Period);
- (iii) the Relevant Customers were asked to give written confirmations to declare that their relationships with the Third-party Payors and that there was no dispute or difference regarding the authorization for payment by the Third-party Payors; and
- (iv) the Third-party Payment Arrangements have been adopted many times for years with no dispute, arising. During the Track Record Period and up to the Latest Practicable Date, as confirmed by our Directors, our Group had not been subject to any dispute nor investigation in relation to the legitimacy of the Third-party Payment Arrangements.

Considering the above and that fact that the courts of Hong Kong will now take into account the subjective and honest belief of an accused (i.e. our Group in the present case) regarding the transaction in question, our Hong Kong Legal Counsel is of the view that there was no ground for our Group to believe the Third-party Payment Arrangements as instructed by the Relevant Customers involved the proceeds of an indictable offence. Therefore, the risk of our Group being accused or prosecuted of money laundering is remote and it does not pose any risk to our business.



In accordance with our PRC Legal Advisers, Article 191 of the Criminal Law of the PRC stipulates that whoever commits any of the following conducts to cover up or conceal the origin and nature of any proceeds as well as any gains accrued by such proceeds of a drug crime, an organized crime of gangland in nature, a terrorist crime, a crime of smuggling, a crime of corruption or bribery, a crime of disrupting the order of financial administration, or a crime of financial fraud shall commit the crime of money laundering: (1) providing any account for the aforesaid funds; (2) converting property into cash, negotiable instruments, or denominated securities; (3) transferring funds by bank transfer or any other means of payment and settlement; (4) transferring assets across border; (5) otherwise covering up or concealing the origin and nature of any proceeds of crime and gains accrued by such proceeds. Therefore, a company commits the crime of money laundering only when it commits the related acts of assistance in transferring the funds for the purpose of covering up or concealing the origin and nature of any proceeds of the aforementioned crimes as well as any gains accrued by such proceeds.

Our Group and the Relevant Customers entered into contracts based on true declarations of wills. We actually delivered goods to the Relevant Customers to fulfill orders placed by the Relevant Customers. Third-party Payment Arrangements, although came from the Third-party Payors, had been confirmed by the Relevant Customers as payments for goods under their orders. Accordingly, our PRC Legal Advisers advised that there was no commitment of related assisting acts in transferring the funds for the purpose of covering up or concealing the origin and nature of any proceeds of the aforementioned crimes as well as any gains accrued by such proceeds. Therefore, our PRC Legal Advisers are of the view that the risk of the Third-party Payment Arrangements be deemed as money laundering under the Criminal Law of the PRC is not high.

## ENVIRONMENTAL, SOCIAL AND CORPORATE GOVERNANCE

### Governance

We are fully committed to integrating environmental, social and governance (“ESG”) considerations into our business operations for sustainable growth and better business resilience in response to the transition to a low-carbon economy. We have established a robust ESG governance structure.

Our Board has the overall and collective responsibility for the oversight of ESG issues with an emphasis on the alignment with our Group’s future development and positioning.



Delegated by the Board, an ESG working group, consisting of one Executive Director and representatives from different business departments, has been established to assist the Board in driving the planning, coordinating and implementing ESG initiatives and integrating sustainability in our daily operation. The ESG working group members possess expertise and knowledge in the management of ESG matters, such as employment and labour practices, occupational health and safety, product responsibility, supply chain management and business ethics. The ESG working group is responsible for keeping abreast of the latest ESG-related laws and regulations, conducting materiality assessments of ESG-related issues and assessing how we adapt our business in light of climate change, and continuously monitoring the implementation of measures to address our ESG-related responsibilities. The ESG working group will also prepare the ESG report of our Group on an annual basis for the approval of the Board. This will allow our Board to analyse and disclose material ESG matters, risk management, accomplishment and performance of our Group.

Our Group will comply with the ESG reporting requirements upon Listing pursuant to Rule 13.91 of the Listing Rules, and disclose qualitative and quantitative information and data pursuant to Appendix C2 to the Listing Rules in its ESG Reporting Guide.

### **Identification and Management of ESG-Related Risks and Opportunities**

The ESG working group is responsible for identifying, evaluating, prioritising and managing material ESG-related risks and opportunities. Corresponding measures have been formulated and implemented to mitigate material ESG-related risks and capture potential ESG-related opportunities. The ESG working group submits an ESG risk and opportunity assessment report to the Board. The Board regularly reviews the effectiveness of the ESG risk management process and provides guidance when necessary and retains ultimate responsibility for oversight of our Group's risk management activities.

The ESG risk and opportunity assessment identifies material ESG risks and opportunities relevant to our Groups, as either negative or positive, actual or potential, based on our business nature, industry research, as well as with reference to local and international reporting frameworks. The identified material ESG risks are evaluated by their likelihood and significance in terms of business, strategic, and financial impacts, and are given inherent risk rating scores. Residual risk rating scores are then produced by considering how our ESG-related risk control measures may impact the significance and likelihood of the risks. The ESG risks are then ranked and prioritised according to their residual risk rating scores. A similar methodology is devised to evaluate the significance and likelihood of material ESG opportunities.

---

## BUSINESS

---

Set forth below is a summary of identified material ESG-related risks and opportunities.

ESG-related risks	Timeframe	Potential impacts	Our responses
<b>Climate-related physical risks</b>			
<b>Acute Risks</b>  Climate change leading to increased severity and frequency of extreme weather events (e.g., typhoons, heavy rains, floods, severe cold, and heatwaves)	Short, medium and long term	<ul style="list-style-type: none"> <li>• Damage to our Group's properties or facilities, increasing costs for maintenance and preventive measures</li> <li>• Potential threats to employees' safety</li> </ul>	<ul style="list-style-type: none"> <li>• We have established a climate change policy and incorporated climate change into our internal risk management system, including emergency plans and rescue drills in the events of extreme weather events. We have also secured appropriate insurance coverage for our properties or facilities to mitigate the potential financial losses due to damages in extreme weather events.</li> <li>• We closely monitor local weather forecast and remind employees to take preventive measures in the event of adverse weather events to ensure employee safety.</li> </ul>
<b>Climate-related transition risks</b>			
<b>Policy and legal risks</b>  Evolving climate-related laws and regulations in transition to a low-carbon economy, such as the new climate-related disclosure requirements introduced by the Hong Kong Stock Exchange	Medium to long term	<ul style="list-style-type: none"> <li>• Increased compliance and operating costs</li> </ul>	<ul style="list-style-type: none"> <li>• We have established an internal risk management policy to closely monitor and access the latest development in laws, policies, and regulations, as well as their impact on our Group's operations. We will proactively identify and implement appropriate compliance measures and adapt our business strategies to mitigate the increased compliance and operating costs resulting from regulatory changes.</li> <li>• We promptly communicate policy updates to employees to ensure compliance.</li> </ul>

---

## BUSINESS

---

ESG-related risks	Timeframe	Potential impacts	Our responses
<p><b>Market and technology risks</b></p> <p>Changes in consumer preferences towards products with lower environmental footprint due to growing concern over climate change</p>	Medium to long term	<ul style="list-style-type: none"> <li>• Reduced revenue</li> </ul>	<ul style="list-style-type: none"> <li>• We have established a research and development centre to invest in and promote the development of low-carbon products.</li> <li>• We have developed an environmentally friendly production processes and have obtained ISO50001:2018 Energy Management System Certification, ISO14001:2015 Environmental Management System Certification, and the Hubei Provincial (Provincial Level) Green Factory Certification.</li> <li>• We integrate environmental considerations into the designing and marketing of our small home appliances, emphasising sustainability component in our product offerings.</li> </ul>
<b>Other ESG-related risks</b>			
<p><b>Supply chain risks in terms of product quality and supply stability</b></p> <p>Failure to meet environmental, food- grade, and quality standards in sales regions due to poor supply chain stability or poor suppliers' product and service quality</p>	Short, medium and long term	<ul style="list-style-type: none"> <li>• Increased reputational risks, which may result in reduced revenue</li> </ul>	<ul style="list-style-type: none"> <li>• We conduct thorough evaluations of potential suppliers to assess their ESG-related performance and perform product quality inspections, ensuring compliance with our requirements in terms of raw material quality and supply chain ESG performance.</li> <li>• We require material suppliers to sign the “Environmental Substance Compliance Commitment” and the “Food-Grade Compliance Declaration” to ensure that all products provided to us, including materials and additives used in manufacturing, fully meet our product quality requirements.</li> </ul>

## BUSINESS

ESG-related risks	Timeframe	Potential impacts	Our responses
<b>Occupational health and safety risks</b>  Failure to meet occupational health and safety standards or requirements	Short, medium and long term	<ul style="list-style-type: none"> <li>Increased reputational risks and compliance costs, which may result in reduced revenue</li> </ul>	<ul style="list-style-type: none"> <li>We have established and communicated our occupational health and safety policies to our employees. These include conducting regular emergency drills and safety inspections at our manufacturing facilities, as well as providing relevant training and health checks.</li> <li>We conduct regular assessments of our production processes to ensure robust safety measures are in place. Accordingly, we have obtained ISO45001:2018 Occupational Health and Safety Management System Certification in respect of our manufacturing processes.</li> </ul>
<b>Talent attrition risk</b>  Ineffective human resource planning or failure to provide competitive employees benefits, leading to talent attrition	Short, medium and long term	<ul style="list-style-type: none"> <li>Increased operational risk in terms of service quality, which may result in reduced revenue</li> </ul>	<ul style="list-style-type: none"> <li>We have developed an appropriate employee compensation management policy, which ensures the provision of competitive compensation, and staff benefits.</li> <li>We have established a human resources management policy to ensure that each functional department is adequately staffed to maintain operational efficiency.</li> </ul>
<b>Climate-related opportunities</b>			
<b>Products and services</b>  Increased market demand for energy-saving small home appliances	Short to medium term	<ul style="list-style-type: none"> <li>Increased revenue from sales of energy-saving small home appliances</li> </ul>	<ul style="list-style-type: none"> <li>We continue to engage in technological breakthroughs and product upgrades and development, as well as implement quality control system, enabling us to provide customers with energy-saving and high-quality small home appliances.</li> <li>We have established a product quality control system, which is certified with ISO9001:2015 Quality Management System Certification and ISO14001:2015 Environmental Management System Certification.</li> </ul>

---

## BUSINESS

---

ESG-related risks	Timeframe	Potential impacts	Our responses
<b>Energy Source</b>  Enhancing financial and ESG performance through energy-efficiency initiatives	Medium to long term	<ul style="list-style-type: none"> <li>Reduced energy consumption and costs through engaging renewable energy projects</li> </ul>	<ul style="list-style-type: none"> <li>Our Group actively responds to and practices the national clean energy policies. We will invest on certain manufacturing properties for distributed photovoltaic power generation energy management facilities, which converts clean, renewable solar energy into electricity, enabling us to improve energy efficiency and reduces carbon footprint.</li> </ul>

### ESG Policy

We are committed to incorporating ESG factors into our business decision-making process. As such, we have formulated a group-level ESG policy to guide our actions and measures to enhance our sustainability performance.

### Environmental Protection

Our environmental policy outlines our green practices and measures (as far as practicable), with a focus on emission reduction, waste reduction, resource conservation, protection of environmental and natural resources, as well as addressing climate change. In addition, we have obtained the ISO14001:2015 Environmental Management System certification and ISO50001:2018 Energy Management System certification in respect of small home appliance manufacturing and management mechanism of our production facility in Hubei to ensure our environmental management practices meet international standards and continuously improve our environmental performance. We strictly adhere to local environmental protection laws and regulations during production, managing wastewater, exhaust gases, and noise properly, and arranging at least two annual monitoring sessions by third-party professional testing agencies to ensure emissions comply with local emission standards.

### Air Emissions Management

Our main sources of air emissions come from the production processes and logistics. We have implemented different measures to manage the air emissions, such as using exhaust gas treatment facilities to collect air emissions produced from production processes, and using activated carbon filtration for purification before high-altitude discharge.

We are continuously exploring measures to minimise air emissions from our business operations, including ensuring the proper maintenance of company vehicles and considering the adoption of electric vehicles.

### **Energy and Greenhouse Gas Emission Management**

Our major sources of energy consumption and greenhouse gas (GHG) emissions (Scope 1 and Scope 2) come from fuel consumption (Scope 1 – direct emissions) and purchased electricity (Scope 2 – energy indirect emissions). We actively respond to and strive to align with national clean energy policies by investing in a distributed photovoltaic energy management facility in our properties. The facility, through the distributed photovoltaic systems, converts clean, renewable solar energy into electricity, providing long-term economic benefits for our Group. It effectively reduces our carbon emissions, further expanding the use of green energy and laying a solid foundation for our Group's comprehensive green and low-carbon transformation. Additionally, we have adopted a series of energy-saving measures, including using energy-efficient equipment and LED lighting systems, utilising natural light, requiring employees to turn off lights and electrical equipment before leaving, and considering the possibility of replacing existing vehicles with electric vehicles in the future.

### **Water Management**

The water consumption of our Group mainly comes from the use of municipal water in our operations. To conserve water resources, we have adopted a series of water saving measures, including purifying wastewater through treatment equipment for recycling, timely repairing dripping taps, adopting water equipment that meets water efficiency label requirements, as well as monitoring water consumption. We also remind employees to minimise water usage through internal communication channels.

### **Waste Management and Resource Utilisation**

Our non-hazardous waste primarily includes general industrial solid waste and household waste. General industrial solid waste includes scraps, metal shavings, grinding wheels, and collected dust, which are collected and handled by licensed third-parties for recycling or disposal. Household waste is collected and taken up by local sanitation departments. Hazardous waste includes used rags and gloves, waste paint pipes, used activated carbon, and paint cans. Hazardous waste is temporarily stored in the plant's hazardous waste storage areas before proper handling by qualified third-party. To minimise waste generation and ensure proper waste disposal, we have adopted relevant practices and measures, such as promoting waste recycling through classification, reusing single-sided waste paper as needed, implementing double-sided printing to reduce paper consumption, and reminding employees to minimise waste generation through internal communication channels.

**Environmental Metrics and Targets**

In 2024, our production facilities in Hubei, obtained provincial-level Green Factory certification issued by Hubei Provincial Bureau of Economy and Information Technology (湖北省經濟和信息化廳) in recognition of our performance in areas such as manufacturing facilities, management systems, green energy engagement, and environmental impact. To further enhance our ESG performance, we target to reach national-level green factory standards by 2030, which primarily involve meeting the requirements across six dimensions including infrastructure, management systems, energy and resource inputs, products, environmental emissions, and overall performance, as stipulated in the General Principles for Assessment of Green Factory 《綠色工廠評價通則》(GB/T 36132-2018).

Considering our business nature, we have also established the environmental targets below to strengthen our sustainability efforts, assuming that we meet the expected business scale and financial performance, including but not limited to the operation of production facilities in Indonesia and the proposed production facilities in Thailand:

Key metrics	Our targets
Electricity consumption intensity (MWh/million RMB revenue)	Using 2023 as the baseline year, we aim to reduce electricity consumption intensity by 5% by 2030, with a reduction of approximately 1% per annum on average from 2025 to 2030.
Water consumption intensity (m3/ million RMB revenue)	Using 2023 as the baseline year, we aim to reduce water consumption intensity by 5% by 2030, with a reduction of approximately 1% per annum on average from 2025 to 2030.
Use of green electricity	We aim for at least 20% of our total electricity consumption to come from green electricity by 2030, with an increase of approximately 4% per annum on average from 2025 to 2030.

To achieve these environmental targets, we plan to adopt a holistic approach that includes, but is not limited to, the following measures:

- Implementing LED lighting and energy-saving lamps in all production facilities and office areas
- Using energy-efficient equipment and office appliances
- Creating an energy management center to monitor energy usage in real-time through an intelligent data system

## BUSINESS

- Implementing zoned lighting control and encouraging the utilization of natural light
- Optimizing production processes and technology
- Adopting water-saving equipment and raising employee awareness of water conservation through various campaigns
- Establishing photovoltaic panels at production facilities and prioritizing the use of renewable energy

The table below sets forth our GHG emissions and resource consumption during the Track Record Period.<sup>1</sup>

	FY2022	FY2023	FY2024
<b>Emissions<sup>2</sup></b>			
GHG emissions (tonnes CO <sub>2</sub> equivalent)	13,528.6	14,557.6	14,773.7
(i) Direct emissions (Scope 1) (tonnes CO <sub>2</sub> equivalent)	2,458.3	2,254.0	2,020.0
(ii) Indirect emissions (Scope 2) (tonnes CO <sub>2</sub> equivalent)	10,444.3	11,277.1	11,705.7
(iii) Other indirect emissions (Scope 3) <sup>3</sup> (tonnes CO <sub>2</sub> equivalent)	626.0	1,026.5 <sup>4</sup>	1,048.0
Total (Scopes 1, 2, 3) intensity (tonnes CO <sub>2</sub> equivalent/ revenue in RMB million)	17.0	18.2	12.9
<b>Use of Resources</b>			
<b>Energy</b>			
Total (MWh)	28,952.2	29,214.4	28,741.8
(i) Purchased electricity (MWh)	17,119.0	18,484.0	19,186.5
(ii) Unleaded petrol (MWh)	555.4	629.4	656.5
(iii) Diesel (MWh)	589.8	759.7	718.5
(iv) Natural gas (MWh)	10,688.0	9,341.3	8,180.3
Intensity (MWh/revenue in RMB million)	36.3	36.5	25.1

*Notes:*

1. The data covers our Group's core business operations.
2. The calculation of GHG emissions made reference to the GHG Protocol published by the World Business Council for Sustainable Development (WBCSD) and the World Resources Institute (WRI). Scope 1 (Direct) emissions cover GHG emissions directly produced by business owned or controlled by our Group, Scope 2 (Indirect) emissions cover GHG emissions of indirect energy resulted from purchased electricity consumed by our operations, while Scope 3 (Other Indirect) emissions that occur in our Group's value chain.



---

## BUSINESS

---

3. The Scope 3 emissions include the emissions generated from Category 6: business travel as well as Category 7: employee commuting.
4. The increase in Scope 3 emissions in 2023 compared to 2022 was attributed to a rise in both the number of employees and business travel expenses, resulting in higher emissions from Category 6 (Business Travel) and Category 7 (Employee Commuting) under Scope 3.

	FY2022	FY2023	FY2024
<b>Use of Resources</b>			
Water			
Total (m <sup>3</sup> )	250,355.5	239,773.1	272,718.9
Intensity (m <sup>3</sup> /revenue in RMB million)	313.9	299.6	238.5

### Social

We are committed to fostering a caring workplace culture that upholds diversity, equal opportunities, health and safety and employee well-being.

Additionally, our factories obtained satisfactory result in Factory Capability and Capacity Assessment (“**FCCA**”) as requested by our customers. We also appointed a third-party certification agent for Business Social Compliance Initiative (“**BSCI**”) certification and recognition in Sedex Members Ethical Trade Audits (“**SMETA**”) in responding our customers’ demands, in respect of our factory facilities, environmental protection, quality management systems, human resources and training, occupational health and safety, non-discrimination, prohibition of child labour, and business ethics.

### Employment and Labour Practices

We aim to build an inclusive and diverse workplace. We uphold principles of equal opportunity, diversity, and inclusiveness in all aspects of employment, including compensation, recruitment, promotion, benefit, and welfare. We respect labour rights, and we strictly prohibit the recruitment and use of child labour.

We actively provide internal and external training to equip our employees with professional knowledge, skills, and competence. In addition, we strive to strengthen employee engagement by regularly arranging leisure activities for our employees and maintaining two-way communication with our employees, to increase their job satisfaction.

### **Occupational Health and Safety**

Maintaining a healthy and safe workplace remains our Group's top priority. As part of our efforts to uphold occupational health and safety standards, we have obtained the ISO45001:2018 Occupational Health and Safety Management System certification and Level 3 Safety Production Standardisation Enterprise certification for our Hubei XJ Factory.

We strive to safeguard employees' health and safety across all levels of business operation by establishing and implementing health and safety policies and measures, including conducting regular hazard inspections, and providing safety training, to ensure employee health and safety at all levels of business operations.

Moreover, we have established safety production management policies that clearly outline procedures for safety inspections, hazard identification and management, accident investigation and handling, etc. Our Directors confirm that during the Track Record Period and up to the Latest Practicable Date, we have not recorded any significant non-compliance or major incidents related to occupational health and safety within our Group and any material personal injuries or fatalities due to industrial accidents involving the Group's employees, subcontractors, dispatched staff or subcontracted staff.

To demonstrate our commitment to occupational health and safety, we have established the following social targets:

<b>Key metrics</b>	<b>Our targets</b>
Work-related fatalities	Maintaining zero work-related fatalities for employees
Safety incidents	Maintaining zero material safety incident for employees

### **Supply Chain Management**

We have established a supplier management policy, with potential and existing suppliers being evaluated on factors including employment practices, health and safety as well as environmental protection. On-site inspections are conducted when necessary to ensure our sustainability expectations are met.

In addition, we require suppliers to sign a “Commitment to Ethical Business Conduct” to regulate business behaviour, oppose commercial bribery, and maintain fair trade. To promote the provision of more environmentally friendly products and services by suppliers, we require material suppliers to sign an “Environmental Substance Compliance Commitment” and a “Food-Grade Compliance Declaration” to ensure all products and materials provided, as well as additives used in the manufacturing process, fully comply with relevant EU quality regulations, including REACH standards, RoHS Directive, packaging material requirements under Directive 94/62/EC, and food-grade standards. We have also formulated a sustainable procurement policy that requires prioritising the procurement of energy-efficient products, reusable materials, and environmentally friendly or sustainability-promoting suppliers.

### **Product Responsibility**

We are committed to delivering high-quality and safe products and services for our customers. As such, we have obtained the ISO9001:2015 Quality Management Systems certification in our production facility to strengthen our quality management practices. Our products comply with various safety requirements, chemical and food-grade certifications, and standards in different countries and regions. Additionally, we place great importance on product quality testing and have established comprehensive quality control systems to effectively ensure product quality.

To ensure customer satisfaction, we have formulated after-sales and complaint management policies. During the Track Record Period, we have been assessed and obtained the AAA grade After-Sales Service Integrity Certification, issued by a third party evaluation agent pursuant to the national Corporate Credit Evaluation Criteria in China and did not receive any material customer complaints. To protect customer privacy, we have developed a privacy policy covering data and privacy requirements, including restricting user access to customer information. We have developed relevant policies to guide employees to ensure the authenticity and reliability of our promotional materials.

### **Business Ethics**

We uphold the highest standards of business ethics, and strictly prohibit bribery, extortion, fraud, money laundering and any other unethical practices. We have established preventive measures, including anti-corruption policies, as well as implementing whistleblowing channels for employees to report any potential misconduct that violates our ethical standards. The Board is responsible for the oversight of these preventive measures and whistle-blowing procedures, whereas senior management is responsible for implementing and monitoring the effectiveness of these measures and procedures. As of the Latest Practicable Date, we were not aware of any material non-compliance with any law or regulation or legal cases concerning bribery, corruption, extortion, fraud and money laundering.

### **Contribution to Community**

We strive to contribute to the community and shoulder corporate social responsibility. For example, we actively participate in rural revitalisation donations and charity donation activities organised by the Red Cross Society of China. Additionally, in response to natural disasters and other emergencies, we also actively respond to the social emergency (such as flood relief) and emergency supplies donation. We will explore opportunities to establish focus areas for community investment, as well as partnerships with social impact organisations where appropriate.

### **Employee Information**

The table below sets forth employee information:

#### *Number of Employees*

	<b>As at 31 December</b>		
	<b>2022</b>	<b>2023</b>	<b>2024</b>
<b>By gender</b>			
Male	1,023	1,123	1,117
Female	1,343	1,501	1,412
<b>By employment type</b>			
Full-time	2,366	2,624	2,529
Part-time	–	–	–
<b>By age group</b>			
At or below 30	300	343	367
Between 31–50	1,718	1,876	1,815
At or above 51	348	405	347
<b>By geographic location</b>			
Mainland China	2,360	2,618	2,518
United States	6	6	6
Indonesia	–	–	5

---

## BUSINESS

---

### *Turnover Rate<sup>1</sup>*

#### **By gender**

Male	44.1%	49.6%	45.0%
Female	44.6%	45.9%	46.0%

#### **By geographical location**

Mainland China	44.5%	47.7%	45.7%
United States	14.3%	—	—
Indonesia	—	—	—

#### *Note:*

1. The turnover rate is calculated by dividing the total number of employees in the designated categories who left during each year, where applicable, of the Track Record Period (the “**Resigned Employees**”) by the total number of the Resigned Employees and existing employees in the designated categories as of 31 December 2022, 2023 and 2024, and then multiplying by 100%.

---

## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

---

### OUR CONTROLLING SHAREHOLDERS

Immediately prior to the Global Offering, our Company was held by Mr. Pan Yun, X.J. Management (Qichun) and Qichun Hengxing as to approximately 54.07%, 26.39% and 19.54%, respectively. X.J. Management (Qichun) is owned as to 70.37% and 29.63% by Mr. Pan Yun and Mr. Guangshe Pan, respectively. Qichun Hengxing is an employee shareholding platform of our Group, which is owned as to 47.50% by Mr. Pan Yun. Mr. Pan Yun is the sole general partner of each of X.J. Management (Qichun) and Qichun Hengxing.

As such, Mr. Pan Yun, Mr. Guangshe Pan, X.J. Management (Qichun) and Qichun Hengxing are considered to be a group of Controlling Shareholders, who collectively held 100% of our total issued Shares as at the Latest Practicable Date.

Immediately following the completion of the Global Offering (assuming the Over-allotment Option is not exercised), Mr. Pan Yun, Mr. Guangshe Pan, X.J. Management (Qichun) and Qichun Hengxing will collectively hold approximately 75.00% of our total issued Shares. Accordingly, Mr. Pan Yun, Mr. Guangshe Pan, X.J. Management (Qichun) and Qichun Hengxing will remain as a group of Controlling Shareholders upon Listing.

Mr. Pan Yun is our executive Director, chairman of our Board and general manager of our Company and Mr. Guangshe Pan is our executive Director. For biographical details of Mr. Pan Yun and Mr. Guangshe Pan, please see “Directors, Supervisors and Senior Management – Directors” in this prospectus. For details of Qichun Hengxing, please see “History, Development and Corporate Structure – Employee Shareholding Platform” in this prospectus.

### INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

Having considered the following factors, our Directors are satisfied that we are capable of carrying on our business independently of our Controlling Shareholders and their respective close associates after Listing.

#### **Management independence**

Our Board comprises six executive Directors and three independent non-executive Directors. Mr. Pan Yun, being one of our Controlling Shareholders, also serves as our executive Director, the chairman of our Board and the general manager of our Company. Our Directors, collectively with the support of our senior management of our Company, are responsible for the day-to-day management of our business. For details, please see “Directors, Supervisors and Senior Management” in this prospectus.

---

## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

---

Our Directors consider that our Board and senior management are able to perform the management role in our Group independent of our Controlling Shareholders for the following reasons:

- (a) each Director is aware of his/her fiduciary duties as a Director which require, amongst others, that he/she acts for the benefit and in the best interests of our Company and does not allow any conflict between his/her duties as a Director and his/her personal interests;
- (b) in the event that any Director or any of his/her close associates has a material interest in any transaction or arrangement or there is an actual or potential conflict of interest arising out of any transaction or arrangement to be entered into between our Group and any of our Directors or their respective associates, such Director(s) shall fully disclose such matters to our Board and abstain from voting at the relevant meeting of our Board in respect of such transactions and shall not be counted in the quorum. Our Group has also adopted certain corporate governance measures for situations involving conflict of interests, details of which are set out in the paragraph headed “Corporate Governance Measures” in this section;
- (c) three out of nine Directors are independent non-executive Directors with extensive experience in various professions. They are appointed pursuant to the requirements of the Listing Rules, who will bring independent judgment to the decision-making process of our Board;
- (d) connected transactions between our Group and our Controlling Shareholders are subject to the rules and regulations under the Listing Rules including the rules relating to annual reporting, review, announcement, circular and independent shareholders’ approval (where applicable); and
- (e) our Board’s main functions include the approval of our Group’s overall business plans and strategies, monitoring the implementation of such business plans, strategies and policies, and the management of our Company. Our Board acts collectively by majority decisions in accordance with the Articles and the applicable laws, and no single Director is supposed to have any decision-making power unless otherwise authorised by our Board.

---

## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

---

### **Operational independence**

We have established our own organisational structure consisting of individual departments with different functions for sales, R&D, financial management, operations (administration), planning, procurement, quality control, production and audit. Each department is assigned specific areas of responsibility. We have implemented a set of internal control mechanisms to enhance the efficiency of our business operations. In addition to our sufficient assets, capital and employees, we have obtained and possess all relevant licences, permits, approvals and intellectual properties required to conduct our business independently. Furthermore, we have independent access to our suppliers and customers.

During the Track Record Period, our Group leased eight units in Shenzhen from Mr. Pan Yun as dormitories for our employees and we expect to continue with the leasing arrangements after the Listing. For further details, please see “Connection Transactions” in this prospectus.

Given that (i) the Property Leasing Agreements are on normal commercial terms or better after arm’s-length negotiations, and (ii) even if Mr. Pan Yun terminates such agreements, the interruption to our operations would be mitigated by our ability to secure alternative leases in the market, our Directors believe that leasing properties from Mr. Pan Yun would not cast doubts on our operational independence.

Based on the above, our Directors are of the view that our Group can operate independently of our Controlling Shareholders and their close associates upon Listing.

### **Financial independence**

Our financial management department is responsible for handling the major finance operations of our Group and is capable of making financial decisions independently according to our own business needs. We manage our bank accounts independently, and do not share any bank accounts with our Controlling Shareholders or their close associates. In addition, we have sufficient capital to operate our business independently and have adequate internal resources to support our daily operations.

During the Track Record Period, we had been capable of obtaining financing from third parties without relying on any security provided by the members of our Controlling Shareholders or their respective associates. Save for the personal guarantee given by our Controlling Shareholders for our bank borrowings, there were no loans, guarantees or other forms of collateral or security obtained from or provided by our Controlling Shareholders as at the Latest Practicable Date. All guarantees provided by our Controlling Shareholders and their respective close associates for our borrowings will be fully released before Listing.

Based on the above, our Directors consider that our Group is able to operate with financial independence from our Controlling Shareholders and their close associates upon Listing.



---

## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

---

### RULE 8.10 OF THE LISTING RULES

Our Controlling Shareholders, our Directors and their respective close associates confirm that they do not have any interest in a business apart from our Group's business which competes or is likely to compete, directly or indirectly, with our Group's business and would require disclosure under Rule 8.10 of the Listing Rules.

### CORPORATE GOVERNANCE MEASURES

Our Company will comply with the provisions of the Corporate Governance Code set out in Appendix C1 to the Listing Rules, which sets out principles of good corporate governance. We recognise the importance of good corporate governance in the protection of our Shareholders' interests. We have adopted the following measures to safeguard good corporate governance standards and to avoid potential conflict of interests between our Group and our Controlling Shareholders:

- (a) where a Shareholders' meeting is to be held for considering proposed transactions in which our Controlling Shareholders or any of his/its associates has a material interest, our Controlling Shareholders will not vote on the resolutions and shall not be counted towards the quorum in the voting;
- (b) our Group has established internal control mechanisms to identify connected transactions. Our Company will comply with the requirements in relation to connected transactions under the Listing Rules upon Listing;
- (c) we are committed that our Board should include a balanced composition of executive and independent non-executive Directors. We have appointed three independent non-executive Directors and we believe our independent non-executive Directors possess sufficient experience and they are free of any business and/or other relationship which could interfere in any material manner with the exercise of their independent judgment and will be able to provide an impartial and external opinion to protect the interests of our public Shareholders. We have also appointed three Supervisors in accordance with the relevant PRC laws and regulations to supervise the performance of the duties by our Board. For details of our independent non-executive Directors and Supervisors, please see "Directors, Supervisors and Senior Management – Directors" and "Directors, Supervisors and Senior Management – Supervisors" in this prospectus;
- (d) our Directors will operate in accordance with the Articles which require the interested Director not to vote (nor be counted in the quorum) on any resolution of our Board approving any contract or arrangement or other proposal in which he/she or any of his/her close associates is materially interested except as permitted by the Articles;

---

## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

---

- (e) where our Directors reasonably request the advice of independent professionals, such as financial advisers, the appointment of such independent professionals will be made at our Company's expenses; and
- (f) we have appointed Sinolink Securities (Hong Kong) Company Limited as our compliance adviser, which 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 internal controls.

Based on the above, our Directors are satisfied that sufficient corporate governance measures have been put in place to manage conflicts of interest that may arise between our Group and our Controlling Shareholders, and to protect our minority Shareholders' interests after the Listing.

## CONNECTED TRANSACTIONS

### ONE-OFF CONNECTED TRANSACTIONS

#### Property leasing agreements

During the Track Record Period, our Group entered into three property leasing agreements (the “**Property Leasing Agreements**”) with Mr. Pan Yun, our executive Director, chairman of our Board, general manager of our Company and one of our Controlling Shareholders in relation to the leasing of eight units in Shenzhen (the “**Premises**”) as dormitories for our employees. Details of the Property Leasing Agreements are set out below:

Date of agreement	Lessor	Lessee	Term of the lease	Location of the Premises	Total gross floor area (sq. m.)	Monthly rent (RMB)
30 January 2023	Mr. Pan Yun	Nawu Technology	20 January 2023 to 19 January 2026	Unit 11A, Haidu Garden, No. 2122 Shenyang Road, Tiandong Community, Haishan Road, Yantian District, Shenzhen City, PRC	107.00	5,000
30 January 2023	Mr. Pan Yun	Nuocheng Electronic Commerce	20 January 2023 to 19 January 2026	Unit 25A, Haidu Garden, No. 2122 Shenyang Road, Tiandong Community, Haishan Road, Yantian District, Shenzhen City, PRC	107.00	5,000
1 January 2024	Mr. Pan Yun	X.J. Electrics (Shenzhen)	31 December 2023 to 30 December 2025	Units 11C/11F/20F/24A/24F/26A, Haidu Garden, No. 2122 Shenyang Road, Tiandong Community, Haishan Road, Yantian District, Shenzhen City, PRC	621.96	33,000

The terms under the Property Leasing Agreements were determined after arm’s length between Mr. Pan Yun and Nawu Technology, Nuocheng Electronic Commerce and X.J. Electrics (Shenzhen), respectively, following their arm’s length negotiations with reference to market prices of comparable properties of similar conditions in the vicinity. Our Directors are of the view that the Property Leasing Agreements have been entered into on normal commercial terms or better.

#### Reasons and benefits of the transaction

Historically, our Group leased the Premises from Mr. Pan Yun as dormitories for our employees. To avoid unnecessary costs associated with searching for new premises and engaging in prolonged negotiations with third-party property owners for lease agreements, our Group intends to continue with the leasing arrangements after the Listing.

---

## CONNECTED TRANSACTIONS

---

In light of the foregoing, our Directors are of the view that the leasing arrangements are fair and reasonable and in the interests of our Shareholders as a whole. Notwithstanding the above, the Property Leasing Agreements do not affect our operational independence. For further details, please see “Relationship with Our Controlling Shareholders – Independence from Our Controlling Shareholders – Operational Independence” in this prospectus.

### **Accounting treatment and the Listing Rules implications**

In accordance with IFRS 16 applicable to our Group and pursuant to the guidance issued by the Stock Exchange, when an issuer enters into a lease transaction as a lessee and where the lease is subject to an agreement with fixed terms, it is treated as a one-off transaction (i.e., an acquisition of capital assets). As such, the transactions under the Property Leasing Agreements will be recognised as acquisitions of right-of-use assets and constitute one-off transactions of our Company before the Listing and will not be classified as continuing connected transactions under Chapter 14A of the Listing Rules. Accordingly, the reporting, annual review, announcement, circular and independent shareholders’ approval requirements with regard to continuing connected transactions in Chapter 14A of the Listing Rules will not be applicable to the Property Leasing Agreements.

The balance of the lease liabilities in relation to the Premises according to IFRS 16 as at 31 December 2024 amounted to approximately RMB446,000.

---

## DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

---

### OVERVIEW

Our Board of Directors consists of nine Directors, including six executive Directors and three independent non-executive Directors. Our Board is responsible, and has general authority for, the management and operation of our Group. Our Directors are appointed for a term of three years and shall be subject to re-election upon expiry of their terms of office.

Our supervisory committee consists of three Supervisors. The shareholder Supervisors were elected at the Shareholders' meetings, while the employee Supervisor was elected by our employees. Our Supervisors are appointed for a term of three years and shall be subject to re-election upon expiry of their terms of office.

Our senior management consists of four members who are responsible for the day-to-day management of our Group's business.

The following table sets forth the key information about our Directors, Supervisors and senior management members:

### DIRECTORS

Name	Age	Date of joining our Group	Date of Appointment as Director	Position(s)	Roles and responsibilities	Relationship with other Director(s), Supervisor(s) and/or senior management
<b>Executive Directors</b>						
Mr. Pan Yun (潘允)	67	23 July 2012	23 July 2012	Executive Director, chairman of our Board and general manager	Responsible for the overall strategic planning and supervision, and the day-to-day management and operation of our Group	Father of Mr. Guangshe Pan
Mr. Guangshe Pan	40	22 December 2016	3 May 2017	Executive Director	Responsible for the overall management and operation of Weighmax	Son of Mr. Pan Yun
Ms. Ji Ying (吉穎)	54	23 July 2012	23 July 2012	Executive Director and vice general manager	Responsible for the overall administration, procurement and asset management of our Group	Nil

## DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Name	Age	Date of joining our Group	Date of Appointment as Director	Position(s)	Roles and responsibilities	Relationship with other Director(s), Supervisor(s) and/or senior management
Ms. Li Youxiang (李友香)	46	23 July 2012	23 July 2012	Executive Director and vice general manager	Responsible for the overall sales management of our Group	Nil
Mr. Xu Xiping (徐細平)	51	23 July 2012	23 July 2012	Executive Director	Responsible for the overall strategic planning and supervision, shareholder interests and compliance of our Group	Nil
Ms. Hu Yan (胡彥)	47	23 July 2012	3 November 2018	Executive Director, secretary to our Board, chief financial officer and one of our joint company secretaries	Responsible for the overall financial management, corporate governance and shareholder relations of our Group and secretarial affairs of our Board	Nil
<b>Independent Non-executive Directors</b>						
Dr. Huang Hanxiong (黃漢雄)	61	3 May 2017	16 November 2020	Independent non-executive Director	Responsible for supervising the management of our Group, providing independent opinion and judgment to our Board	Nil
Dr. Li Jiannan (李健男)	57	16 November 2020	16 November 2020	Independent non-executive Director	Responsible for supervising the management of our Group, providing independent opinion and judgment to our Board	Nil
Dr. Gu Zhaoyang (顧朝陽)	59	5 September 2024	5 September 2024	Independent non-executive Director	Responsible for supervising the management of our Group, providing independent opinion and judgment to our Board	Nil

---

## DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

---

### Executive Directors

**Mr. Pan Yun (潘允)**, aged 67, founded our Company in July 2012 and was since then a Director, the chairman of our Board and our general manager. Mr. Pan was redesignated from a Director to an executive Director on 24 September 2024 and is primarily responsible for the overall strategic planning and supervision, and the day-to-day management and operation of our Group. Mr. Pan is also the chairman of our strategic committee.

Mr. Pan has been serving in various roles in our subsidiaries, including (i) a director and the chairman of the board of X.J. Electrics (Shenzhen), X.J. Electronics (Shenzhen), Innovative (Jiangyin) and MeiNuoWei Electrics since August 2002, June 2004, December 2004 and February 2017, respectively; (ii) a director of X.J. Group (HK) since June 2014; (iii) a director, the chairman of the board and the general manager of X.J. Electrical Appliances since October 2020; (iv) an executive director and the general manager of Aigrentrading since June 2023; and (v) a director and the chief executive officer of PT Dingsheng since August 2023. From June 2017 to April 2019, Mr. Pan was also a director of THS Industrial and was mainly responsible for the overall management and operation of THS Industrial.

Mr. Pan has over 35 years of experience in business management and over 24 years of experience in the electrical home appliances manufacturing industry. The following table summarises Mr. Pan's professional experience:

Name of company	Principal business activities	Last position held	Roles and responsibilities	Period of services
Xiangjiang Plastic Products	Production and sales of plastic products (since February 1990) and electrical home appliances (since April 2001)	Director and chairman of the board	Responsible for the overall management and operation	From February 1990 to February 2010
Jikai Plastic Products	Production and sales of plastic products	Director and chairman of the board	Responsible for the overall management and operation	From May 1997 to May 2012
X.J. Group Limited (香江國際集團(香港)有限公司)	Sales of electrical home appliances	Director	Responsible for the overall management and operation	From August 2003 to March 2021

---

## DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

---

In January 2015, Mr. Pan assumed the role of the honorary president of the Second Council of Qichun Branch of Huanggang Chamber of Commerce\* (黃岡商會蘄春分會第二屆理事會). From May 2015 to December 2018 and from January 2023 to December 2026, Mr. Pan served as the vice president of the Fourth and Sixth Council of Shenzhen Chamber of Commerce for Import & Export\* (深圳市進出口商會理事會), respectively. Since November 2015, Mr. Pan has been the president of Guangdong Jiangsu Jiangyin Chamber of Commerce\* (廣東省江蘇江陰商會理事會). From January 2017 to December 2020, Mr. Pan served as a member of the 10th Committee of Huanggang City Chinese People's Political Consultative Conference ("CPPCC")\* (中國人民政治協商會議黃岡市第十屆委員會) and a member of the 15th Committee of Jiangyin City CPPCC\* (中國人民政治協商會議江陰市第十五屆委員會). From September 2017 to September 2022, he was a member of Jiangyin Development Advisory Committee\* (江陰發展諮詢委員會).

Mr. Pan was an executive committee of the First Executive Committee Council of the Shijing Street Chamber of Commerce in Pingshan District\* (坪山區石井街道工商聯商會第一屆執委會理事會) from January 2019 to December 2024. In December 2021, Mr. Pan was the executive vice president of Shenzhen Wuxi Chamber of Commerce\* (深圳市無錫商會) and later served as the vice president of Shenzhen Chamber of Commerce for Import & Export\* (深圳市進出口商會) from December 2021 to December 2022. In January 2022, Mr. Pan was honoured as the honorary president of the Third Council of Hubei Qichun Chamber of Commerce of Shenzhen City\* (深圳市湖北蘄春商會第三屆理事會).

Mr. Pan was awarded the honorary title of "Entrepreneur Actively Supporting the Work of the Communist Party of China ("CPC")"\* (積極支持黨建工作企業家) by Shenzhen Municipal Private Enterprise Economic Working Committee of the CPC\* (中共深圳市民營經濟工作委員會) in June 2008. In December 2015, he received the "Outstanding Entrepreneurs Valued and Supported the Work of the CPC of the City"\* (全市重視支持黨建工作優秀企業家) award from the Organisational Department of Huanggang Municipal Committee of the CPC\* (中共黃岡市委組織部) and the Non-public Enterprise Working Committee of Huanggang Municipal Committee of the CPC\* (中共黃岡市委非公企業工委). In January 2018, Mr. Pan was awarded Hometown Construction Contribution Award\* (家鄉建設貢獻獎) by Hubei Qichun Chamber of Commerce of Shenzhen City\* (深圳市湖北蘄春商會). In April 2018, Mr. Pan was honoured as the "Labour Model of Huanggang City"\* (黃岡市勞動模範) by Huanggang Municipal Committee of the CPC\* (中共黃岡市委員會) and the government of Huanggang City. In January 2024, Mr. Pan was awarded the "Award for 2023 Outstanding Contribution"\* (商會突出貢獻獎) by Hubei Qichun Chamber of Commerce of Shenzhen City.

Mr. Pan obtained a master's degree in business administration from Sofia University in the U.S. in October 2023 through online courses.



---

## DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

---

**Mr. Guangshe Pan**, aged 40, joined our Company as a Director in May 2017 and was redesignated as an executive Director on 24 September 2024. Mr. Pan is mainly responsible for the overall management and operation of Weighmax. Mr. Pan has over nine years of experience in business management and in the electrical home appliances manufacturing industry. Mr. Pan has been the sole director, chief executive officer, secretary, and chief financial officer of Weighmax since March 2016, and the sole director and chief executive officer of Goodlife Global since November 2021. Since April 2024, Mr. Pan has been a director of X.J. Electrics (Thailand).

Mr. Pan completed a higher education programme in international business at China Youth University of Political Sciences (中國青年政治學院) in July 2006. He obtained a bachelor's degree in business management from Central College in the U.S. in June 2009.

**Ms. Ji Ying (吉穎)**, aged 54, joined our Company as a Director and a vice general manager in July 2012. Ms. Ji was redesignated from a Director to an executive Director on 24 September 2024. Ms. Ji is responsible for the overall administration, procurement and asset management of our Group. Ms. Ji is also a member of our remuneration committee and a member of our nomination committee.

Ms. Ji has been serving in various roles in our subsidiaries, including (i) a director of X.J. Electrics (Shenzhen), X.J. Electronics (Shenzhen), Innovative (Jiangyin), X.J. Group (HK), MeiNuoWei Electrics, X.J. Electrical Appliances, PT Dingsheng and X.J. Electrics (Thailand) since August 2002, June 2004, December 2004, June 2014, March 2017, October 2020, August 2023 and April 2024, respectively; and (ii) a director and general manager of HNW Electronics since June 2021. From June 2017 to April 2019, Ms. Ji was a director of THS Industrial and was mainly responsible for the overall management of THS Industrial.

Ms. Ji has over 23 years of experience in business management and over 24 years of experience in the electrical home appliances manufacturing industry. From May 1994 to November 2010, Ms. Ji was an accounting staff of Xiangjiang Plastic Products and was responsible for the financial operations of Xiangjiang Plastic Products. Ms. Ji was also a director of Xiangjiang Plastic Products from April 2002 to November 2010 and was responsible for the administration and human resources of Xiangjiang Plastic Products. From June 1997 to June 2012, Ms. Ji was an accounting staff of Jikai Plastic Products and was mainly responsible for the accounting and finance of Jikai Plastic Products. From August 2003 to March 2021, Ms. Ji was a director of X.J. Group Limited and was responsible for the overall management of X.J. Group Limited.

Ms. Ji completed a higher education programme in finance at Wuhan University (武漢大學) in July 1993 through attending long distance learning courses.

---

## DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

---

**Ms. Li Youxiang (李友香)**, aged 46, joined our Company as a Director in July 2012 and became our vice general manager in May 2017. Ms. Li was redesignated from a Director to an executive Director on 24 September 2024. Ms. Li is responsible for the overall sales management of our Group. Ms. Li is also a member of our strategic committee.

Ms. Li has been serving in various roles in our subsidiaries, including (i) a director of X.J. Group (HK), Innovative (Jiangyin), MeiNuoWei Electrics and X.J. Electrical Appliances since June 2014, February 2017, March 2017 and October 2020, respectively; and (ii) an executive director and general manager of Nuocheng Electronic Commerce since June 2023. From February 2010 to July 2012, Ms. Li was a business manager of X.J. Electrics (Shenzhen) and was responsible for the sales management of X.J. Electrics (Shenzhen). From June 2017 to April 2019, Ms. Li was a director of THS Industrial and was responsible for the overall management of THS Industrial.

Ms. Li has over 24 years of experience in business management and in the electrical home appliances manufacturing industry. Ms. Li was a sales manager of Xiangjiang Plastic Products from October 2000 to November 2010 and was mainly responsible for the overseas sales management of Xiangjiang Plastic Products.

Ms. Li obtained a bachelor's degree in economics from Zhejiang Gongshang University Hangzhou College of Commerce (浙江工商大學杭州商學院) in the PRC in July 2000. She obtained the qualification as an Intermediate Economist (中級經濟師) in economy and finance by Ministry of Human Resources and Social Security of Shenzhen\* (深圳市人力資源和社會保障部) in November 2009.

**Mr. Xu Xiping (徐細平)**, aged 51, joined our Company as a Director in July 2012 and was our vice general manager from March 2014 to February 2016. Mr. Xu was redesignated from a Director to an executive Director on 24 September 2024 and is responsible for the overall strategic planning and supervision, shareholder interests and compliance of our Group. Mr. Xu has been a director of X.J. Electrical Appliances since October 2020 and a technical consultant of the outsourcing centre of Shenzhen Branch since June 2021. From October 2004 to June 2007 and from March 2016 to March 2017, Mr. Xu was the vice general manager of X.J. Electronics (Shenzhen) and was primarily responsible for overseeing the production of X.J. Electronics (Shenzhen). From July 2007 to March 2014, Mr. Xu was the general manager of X.J. Electrics (Shenzhen) and was responsible for the overall management of X.J. Electrics (Shenzhen).

Mr. Xu has over 27 years of experience in business management and over 24 years of experience in the electrical home appliances manufacturing industry. Mr. Xu was the manager of the injection moulding department of Xiangjiang Plastic Products from June 1997 to October 2004 and was primarily responsible for the management of the injection moulding department.

Mr. Xu completed his high school studies at Jiangxi Province Zhangshu No. 2 Middle School\* (江西省樟樹第二中學) in Jiangxi Province, the PRC, in July 1992.

---

## DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

---

**Ms. Hu Yan (胡彥)**, aged 47, joined our Company as a Supervisor in July 2012 until May 2017, when she was appointed as a secretary to our Board and the chief financial officer of our Company. Ms. Hu was appointed as a Director in November 2018 and one of our joint company secretaries on 9 September 2024. She was redesignated from a Director to an executive Director on 24 September 2024 and is primarily responsible for the overall financial management, corporate governance and shareholder relations of our Group and secretarial affairs of our Board.

Ms. Hu has over 21 years of experience in accounting and finance and in the electrical home appliances manufacturing industry. From March 2004 to November 2005, Ms. Hu successively worked as the vice financial manager and the financial manager of X.J. Electrics (Shenzhen), and was mainly responsible for supervising and managing the financial operations of X.J. Electrics (Shenzhen). From December 2005 to April 2014, Ms. Hu was the vice general manager of X.J. Electronics (Shenzhen) and was responsible for the financial management of X.J. Electronics (Shenzhen). From July 2012 to May 2017, she was a Supervisor of our Company. Since November 2018, Ms. Hu has been a director of X.J. Electronics (Shenzhen). Ms. Hu has been a director of THS Industrial, X.J. Electrical Appliances and X.J. Electrics (Thailand) since April 2019, October 2020 and April 2023, respectively. From December 2019 to November 2020, Ms. Hu was the general manager of Aigrentrading and was primarily responsible for overseeing the overall operation of Aigrentrading.

Ms. Hu obtained a diploma in accounting at Jiangxi Technical College of Manufacturing (江西製造職業技術學院) (formerly known as Jiangxi Mechanical Engineering University\* (江西省機械職工大學)) in July 1999. She obtained the qualification of Junior Accountant from the Ministry of Finance of the PRC (中華人民共和國財政部) in June 2005. Ms. Hu obtained the qualification as the secretary to the board of directors from the SZSE in July 2017. In July 2018, she obtained a bachelor's degree in accounting from Renmin University of China (中國人民大學) through attending long distance learning courses.

### **Independent non-executive Directors**

**Dr. Huang Hanxiong (黃漢雄)**, aged 61, was appointed as our independent Director from May 2017 to March 2019 and was reappointed since November 2020. Dr. Huang was redesignated as our independent non-executive Director on 24 September 2024 and is primarily responsible for supervising the management of our Group, providing independent opinion and judgment to our Board. Dr. Huang is also the chairman of our nomination committee, a member of our audit committee and a member of our strategic committee.

---

## DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

---

Dr. Huang has over 36 years of experience in the plastic machinery industry and education. Since 1989, Dr. Huang successively worked as a lecturer, a vice professor and a professor at South China University of Technology (華南理工大學). From 1998 to 2008, he was the dean of the College of Industrial Equipment and Control Engineering (工業裝備與控制工程學院) and was mainly responsible for the overall administration of the college. Since March 2015, Dr. Huang has been a professor at School of Mechanical & Automotive Engineering (機械與汽車工程學院). From May 2014 to July 2017, Dr. Huang was the independent non-executive director of Yizumi Holdings Co., Ltd. (伊之密股份有限公司) (formerly known as Guangdong Yizumi Precision Machinery Co., Ltd. (廣東伊之密精密機械股份有限公司)), a company listed on the SZSE (stock code: 300415) and is primarily engaged in design, development, production, sales and services of injection moulding machines, die casting machines, rubber machines and robot automation systems.

Dr. Huang obtained a bachelor's degree in plastic machinery at South China University of Technology (華南理工大學) (formerly known as South China Institute of Technology\* (華南工學院)) in July 1984. Dr. Huang obtained a master's degree and a doctoral degree in engineering from South China University of Technology in June 1989 and April 1996, respectively.

**Dr. Li Jiannan (李健男)**, aged 57, was appointed as our independent Director since November 2020 and was redesignated as our independent non-executive Director on 24 September 2024. Dr. Li is primarily responsible for supervising the management of our Group, providing independent opinion and judgment to our Board. Dr. Li is also the chairman of our remuneration committee, a member of our audit committee and a member of our nomination committee.

Dr. Li has over 21 years of experience in the legal and arbitration sectors. Since April 2004, Dr. Li successively worked as a lecturer, a vice professor and a professor at Jinan University Law School (暨南大學法學院). Dr. Li has also been an arbitrator of Guangzhou Arbitration Commission (廣州仲裁委員會) since August 2006 and has been a part-time lawyer at Guang Dong J&J Law Firm (廣東君信經綸君厚律師事務所) since January 2022.

Since September 2022, Dr. Li has been an independent non-executive director of Guangzhou Fanmei Laboratory System Technology Co., Ltd. (廣州泛美實驗室系統科技股份有限公司) and is mainly engaged in the development, design, implementation, operation and maintenance services of laboratory environmental control system and related laboratory equipment sales.

Dr. Li completed a higher education programme in financial accounting at Hunan University of Finance and Economics (湖南財政經濟學院) (formerly known as Hunan College of Finance and Economics\* (湖南財經專科學校)) in July 1988. Dr. Li qualified as a lawyer in the PRC in August 1996. In July 1997 and June 2002, he obtained a master's degree and a doctoral degree of law in international law from Wuhan University (武漢大學) respectively.

## DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

**Dr. Gu Zhaoyang** (顧朝陽), aged 59, was appointed as an independent Director on 5 September 2024 and was redesignated as our independent non-executive Director on 24 September 2024. Dr. Gu is primarily responsible for supervising the management of our Group, providing independent opinion and judgment to our Board. Dr. Gu is also the chairman of our audit committee and a member of our remuneration committee.

Dr. Gu has over 25 years of experience in business and accounting related education and is currently a Certified Public Accountant (non-practicing) in the U.S. and a Professor of Accountancy and Director of MBA in Finance (FMBA) Programme at the Business School of the Chinese University of Hong Kong (“CUHK”). From August 2013 to July 2020, Dr. Gu was the Director of School of Accountancy of the CUHK. From September 1999 to June 2002, Dr. Gu was an Assistant Professor of Industrial Administration (Accounting) at the Graduate School of Industrial Administration, Carnegie Mellon University.

Dr. Gu graduated from the Department of Foreign Languages of Tsinghua University with a bachelor’s degree in English in July 1988. He obtained a master’s degree in economics from Tulane University, the USA in August 1993 and obtained a Ph.D. in accounting in August 1999.

Dr. Gu has served as an independent non-executive director of Shanghai Pharmaceuticals Holding Co., Ltd. (stock code: 601607.SH, 2607.HK) since June 2019, an independent non-executive director of Jiangsu Expressway Company Limited (stock code: 600377.SH, 0177.HK) since June 2024, an independent non-executive director of Bank of Tianjin Co., Ltd. (天津銀行股份有限公司) (stock code: 1578.HK) since September 2024 and an independent non-executive director of Luda Technology Group Limited (NYSE: LUD) since February 2025.

### SUPERVISORS

Name	Age	Date of joining our Group	Date of Appointment as Supervisor	Position	Roles and responsibilities	Relationship with other Director(s), Supervisor(s) and/or senior management
Mr. Yip Hung Tung (葉紅東)	56	23 July 2012	23 July 2012	Chairman of our supervisory committee	Responsible for supervising the Board and daily operation of our Group	Nil
Mr. Shi Chuanlai (史傳來)	51	13 December 2016	20 March 2018	Supervisor	Responsible for supervising the Board and daily operation of our Group	Nil
Ms. Yi Hongliang (易紅良)	42	23 July 2012	23 July 2012	Supervisor	Responsible for supervising the Board and daily operation of our Group	Nil

---

## DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

---

**Mr. Yip Hung Tung (葉紅東)**, aged 56, has been our a Supervisor, the chairman of our supervisory committee and the president of the R&D centre of our Company since July 2012. He is mainly responsible for supervising the Board and daily operation of our Group. Mr. Yip has over 21 years of experience in business management. From September 2003 to June 2012, Mr. Yip was the general manager of the R&D centre of X.J. Electrics (Shenzhen) and was primarily responsible for overseeing the R&D team of X.J. Electrics (Shenzhen).

**Mr. Shi Chuanlai (史傳來)**, aged 51, was appointed as a Supervisor in March 2018 and has been re-appointed as a Supervisor in June 2023. He is mainly responsible for supervising the Board and daily operation of our Group. Mr. Shi worked at X.J. Electrics (Shenzhen) as the head of injection moulding from October 2003 to January 2006 and the vice general manager from January 2006 to August 2010. Since December 2014, he has been the general manager and a director of X.J. Electrics (Shenzhen) and is responsible for the overall operation and management of X.J. Electrics (Shenzhen). Mr. Shi was also the vice general manager of X.J. Electronics (Shenzhen) from August 2010 to February 2014 and was primarily responsible for the quality management of X.J. Electronics (Shenzhen).

Mr. Shi has over 26 years of experience in business management. Prior to joining our Group, Mr. Shi was the manager of Xiangjiang Plastic Products from September 1998 to October 2003 and was mainly responsible for the management of injection moulding production.

**Ms. Yi Hongliang (易紅良)**, aged 42, was appointed as a Supervisor in July 2012 and has been re-appointed as a Supervisor in June 2023. She is mainly responsible for supervising the Board and daily operation of our Group. Ms. Yi has also been a supervisor of MeiNuoWei Electrics and X.J. Electrical Appliances since March 2017 and October 2020, respectively. She has been the president of the outsourcing centre of Shenzhen Branch since August 2020 and is responsible for the development and execution of outsourced processing strategies.

Ms. Yi has over 20 years of experience in procurement and business management. From December 2004 to July 2006, Ms. Yi worked as a procurement staff at Fujian Sanfang TV Co., Ltd.\* (福建三方電視機有限公司), a company principally engaged in the production and sales of small colour televisions, portable DVD players and LCD televisions and was responsible for the implementation of procurement plans, and selection and management of vendors. From August 2006 to May 2009, Ms. Yi worked as the vice procurement manager at X.J. Group Limited and was mainly responsible for the development and implementation of procurement strategies of X.J. Group Limited. From May 2009 to February 2014, Ms. Yi served as the manager of the general management department of X.J. Group Limited and was responsible for the day-to-day administrative, human resources and legal affairs of X.J. Group Limited. From April 2014 to August 2020, she was the president of the quality control centre of X.J. Group Limited and was primarily responsible for establishing and maintaining the quality management system of X.J. Group Limited.

Ms. Yi obtained a bachelor's degree in accounting from Hunan Agricultural University (湖南農業大學) in the PRC in June 2012.

---

## DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

---

### SENIOR MANAGEMENT

Our senior management consists of Mr. Pan Yun, Ms. Ji Ying, Ms. Li Youxiang and Ms. Hu Yan. For their biographical information, please see “– Directors – Executive Directors” in this section.

### DISCLOSURE REQUIRED PURSUANT TO RULE 13.51(2) OF THE LISTING RULES

Mr. Pan Yun was a director and/or general manager and/or partner of the following companies or partnerships before their respective deregistration or termination:

Name of company	Place of incorporation	Principal business activity prior to dissolution	Date of dissolution	Position(s)	Means for dissolution	Reasons of dissolution
MeiNuoWei Electronics (Shenzhen) Co., Ltd.* (美諾威電子(深圳)有限公司)	The PRC	Dormant	10 March 2004	Director and chairman of the board	Deregistered	Dormant
Shenzhen Yinsipai Trading Co., Ltd.* (深圳市茵思派貿易有限公司) (“Shenzhen Yinsipai”)	The PRC	Dormant	12 June 2010	Director and chairman of the board	Deregistered	Dormant
Xiangjiang Plastic Products	The PRC	Production and sales of plastic products and electrical home appliances	4 November 2010	Director and chairman of the board	Deregistered	Cessation of business
Jikai Plastic Products	The PRC	Production and sales of plastic products	5 June 2012	Director and chairman of the board	Deregistered	Cessation of business
Jiangyin Xiangjie Electronics Co., Ltd.* (江陰市香傑電子有限公司)	The PRC	Dormant	26 June 2015	Executive director	Deregistered	Dormant



---

## DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

---

Name of company	Place of incorporation	Principal business activity prior to dissolution	Date of dissolution	Position(s)	Means for dissolution	Reasons of dissolution
Jiangyin Xiangjiang Plastic Products Technology Consulting Co., Ltd.* (江陰市香江塑料製品技術諮詢有限公司) ("Jiangyin Xiangjiang")	The PRC	Dormant	13 December 2016	Executive director and general manager	Deregistered	Dormant
Fenyi Chuangxing Investment Partnership (Limited Partnership)* (分宜創興投資合夥企業(有限合夥))	The PRC	Investment holding	26 July 2019	General partner	Deregistered	Cessation of business
Xinyu Aigeli Investment Management Co., Ltd.* (新余艾格麗投資管理有限公司) (formerly known as Hubei Aigeli Investment Management Co., Ltd.* (湖北艾格麗投資管理有限公司)) ("Aigeli Investment")	The PRC	Investment holding	26 July 2019	Director, chairman of the board and general manager	Deregistered	Cessation of business
X.J. Group Limited	Hong Kong	Sales of electrical home appliances	26 March 2021	Director	Deregistered	Cessation of business
Shanghai Yaoming Investment Management Office (General Partnership) (上海耀明投資管理事務所(普通合夥))	The PRC	Dormant	29 June 2021	Partner	Deregistered	Dormant



---

## DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

---

Mr. Pan confirmed that (i) each of the above companies and partnerships was solvent and inactive, and had no outstanding claims or liabilities at the time of their respective deregistration or revocation; (ii) there was no wrongful act on his part leading to the deregistration of the above companies and revocation of the above partnerships; (iii) he is not aware of any actual or potential claim which has been or will be made against him as a result of the respective deregistration of the above companies or revocation of the above partnerships; and (iv) the above companies and partnerships had no material non-compliance prior to their respective deregistration or revocation.

Mr. Guangshe Pan was a director and/or manager of the following companies before their deregistration:

Name of company	Place of incorporation	Principal business activity prior to dissolution	Date of dissolution	Position(s)	Means for dissolution	Reasons of dissolution
X.J. Group (USA)	The U.S.	Sales of electronic scales	21 December 2016	Director, chief executive officer and chief financial officer	Deregistered	Cessation of business
U.S. Pro Appliances, Inc.	The U.S.	Sales of electrical home appliances	28 May 2017	Director, chief executive officer and chief financial officer	Deregistered	Cessation of business
Lucky Capital Holding LLC	The U.S.	Dormant	25 March 2021	Manager	Deregistered	Dormant

Mr. Pan Guangshe confirmed that (i) the above companies were solvent and inactive, and had no outstanding claims or liabilities at the time of their deregistration; (ii) there was no wrongful act on his part leading to the deregistration of the above companies; (iii) he is not aware of any actual or potential claim which has been or will be made against him as a result of the deregistration of the above companies; and (iv) the above companies had no material non-compliance prior to their deregistration.

## DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Ms. Ji Ying was a director of the following companies before their respective deregistration:

Name of company	Place of incorporation	Principal business activity prior to dissolution	Date of dissolution	Position	Means for dissolution	Reasons of dissolution
Shenzhen Yinsipai	The PRC	Dormant	12 June 2010	Director	Deregistered	Dormant
Xiangjiang Plastic Products	The PRC	Production and sales of plastic products and electrical home appliances	4 November 2010	Director	Deregistered	Cessation of business
Aigeli Investment	The PRC	Investment holding	26 July 2019	Director	Deregistered	Cessation of business
X.J. Group Limited	Hong Kong	Sales of electrical home appliances	26 March 2021	Director	Deregistered	Cessation of business

Ms. Ji confirmed that (i) each of the above companies was solvent and inactive, and had no outstanding claims or liabilities at the time of their respective deregistration; (ii) there was no wrongful act on her part leading to the deregistration of the above companies; (iii) she is not aware of any actual or potential claim which has been or will be made against her as a result of the respective deregistration of the above companies; and (iv) the above companies had no material non-compliance prior to their respective deregistration.

Ms. Li Youxiang was a director of the following company before its deregistration:

Name of company	Place of incorporation	Principal business activity prior to dissolution	Date of dissolution	Position	Means for dissolution	Reasons of dissolution
Aigeli Investment	The PRC	Investment holding	26 July 2019	Director	Deregistered	Cessation of business

Ms. Li confirmed that (i) the above company was solvent and inactive, and had no outstanding claims or liabilities at the time of its deregistration; (ii) there was no wrongful act on her part leading to the deregistration of the above company; (iii) she is not aware of any actual or potential claim which has been or will be made against her as a result of the deregistration of the above company; and (iv) the above company had no material non-compliance prior to its deregistration.

---

## DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

---

Mr. Xu Xiping was a director of the following company before its respective deregistration:

Name of company	Place of incorporation	Principal business activity prior to cessation of business	Date of dissolution	Position	Means for dissolution	Reasons of dissolution
Aigeli Investment	The PRC	Investment holding	26 July 2019	Director	Deregistered	Cessation of business

Mr. Xu confirmed that (i) the above company was solvent and inactive, and had no outstanding claims or liabilities at the time of its respective deregistration; (ii) there was no wrongful act on his part leading to the deregistration of the above company; (iii) he is not aware of any actual or potential claim which has been or will be made against him as a result of the respective deregistration of the above company; and (iv) the above company had no material non-compliance prior to its respective deregistration.

Ms. Yi Hongliang was a supervisor of the following company before its deregistration:

Name of company	Place of incorporation	Principal business activity prior to dissolution	Date of dissolution	Position	Means for dissolution	Reasons of dissolution
Aigeli Investment	The PRC	Investment holding	26 July 2019	Supervisor	Deregistered	Cessation of business

Ms. Yi confirmed that (i) the above company was solvent and inactive, and had no outstanding claims or liabilities at the time of its deregistration; (ii) there was no wrongful act on her part leading to the deregistration of its company; (iii) she is not aware of any actual or potential claim which has been or will be made against her as a result of the deregistration of the above company; and (iv) the above company had no material non-compliance prior to its deregistration.

### GENERAL

Save as disclosed above and in “Substantial Shareholders” and “Statutory and General Information – D. Disclosure of Interests” in Appendix VII to this prospectus, each of our Directors and Supervisors confirms with respect to him/her that:

- (i) does not hold other positions in our Company or other members of our Group as at the Latest Practicable Date;
- (ii) 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;

---

## DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

---

- (iii) had no other relationship with any Directors, Supervisors, senior management or substantial shareholders or Controlling Shareholders of our Company as at the Latest Practicable Date;
- (iv) 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;
- (v) does not have any interest in any business which competes or is likely to compete, directly or indirectly, with our Group, which is disclosable under the Listing Rules;
- (vi) to the best knowledge, information and belief of our Directors and Supervisors, having made all reasonable enquiries, there are no other matters concerning our Director's and Supervisors' appointment that need to be brought to the attention of our Shareholders and the Stock Exchange or shall be disclosed pursuant to Rules 13.51(2) of the Listing Rules as at the Latest Practicable Date; and
- (vii) to the best of the knowledge, information and belief of our Directors and Supervisors, having made all reasonable enquiries, there are no other matters with respect to the appointment of our Directors and Supervisors that needs to be brought to the attention of our Shareholders.

Each of our Directors confirm that he or she (i) obtained the legal advice referred to under Rule 3.09D of the Listing Rules on 9 September 2024; and (ii) understood his or her obligations as a director of a listed issuer under the Listing Rules.

Each of our independent non-executive Directors confirm (i) his independence as regards each of the factors referred to in Rule 3.13(1) to (8) of the Listing Rules; (ii) that he had no past or present financial or other interest in the business of our Company or our subsidiaries or any connection with any core connected person of our 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.

### JOINT COMPANY SECRETARIES

**Ms. Hu Yan (胡彦)**, please see “– Directors – Executive Directors” in this section for details.

**Mr. Ng Chun Hoi (吳浚鎧)**, aged 39, was appointed as one of the joint company secretaries of our Company on 9 September 2024. Mr. Ng is a Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants and a member of the Hong Kong Institute of Accredited Accounting Technicians.

---

## DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

---

Mr. Ng has over 14 years of experience in the audit field and currently is a senior accounting manager at a law firm. Mr. Ng was a senior accountant at Venture Smart Services Limited (意博資本金融服務有限公司) and Anue Group (鉅亨有限公司) from June 2019 to August 2023 and from March 2017 to June 2019, respectively. From March 2011 to March 2012 and from April 2012 to May 2016, Mr. Ng was an Audit & Account Junior and an Audit Semi-Senior at Eric C W Ko & Company (高超雲會計師事務所), respectively. From May 2009 to September 2010, Mr. Ng was an assistant accountant at Ronald W.F. Chan & Co. (陳永輝會計師事務所).

Mr. Ng obtained his bachelor's degree in business administration (accounting and finance) from Napier University in the United Kingdom in January 2010.

### BOARD COMMITTEES

Our Board delegates certain responsibilities to various committees. In accordance with the relevant PRC laws and regulations and the Corporate Governance Code, Appendix C1 to the Listing Rules, our Company has established four Board committees, namely the audit committee, the remuneration committee, the nomination committee and the strategic committee.

#### Audit committee

Our audit committee consists of Dr. Gu Zhaoyang, Dr. Huang Hanxiong and Dr. Li Jiannan. Dr. Gu Zhaoyang is the chairman of the audit committee, who is an independent non-executive Director with the appropriate accounting and related financial management expertise as required under Rules 3.10(2) and 3.21 of the Listing Rules. The primary duties of our audit committee include, but not limited to, the following:

- (i) to review the performance of external auditors and making recommendations to our Board on the appointment, reappointment and removal of external auditors;
- (ii) to coordinate communication between our Company and external auditors, review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process;
- (iii) to develop and implement policy on engaging an external auditor to supply non-audit services;
- (iv) to review our Company's accounting policies, financial condition and reporting procedures, review financial statements, annual and half-year reports of our Company and ensure compliance with the relevant accounting standards, laws, and regulations; and
- (v) to oversee internal control procedures of our Company.

---

## DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

---

### Remuneration committee

Our remuneration committee consists of Dr. Li Jiannan, Ms. Ji Ying and Dr. Gu Zhaoyang. Dr. Li Jiannan is the chairman of our remuneration committee. The primary duties of our remuneration committee include, but not limited to, the following:

- (i) to make recommendations on the remuneration policy for our Directors, Supervisors and senior management and on the establishment of a formal and transparent procedure for developing remuneration policy;
- (ii) to review and approve the management's remuneration proposals with reference to our Board's corporate goals and objectives;
- (iii) to evaluate performance of our Board and senior management and make recommendations as to year-end bonus for our Board's approval;
- (iv) to make recommendations to the board on the remuneration packages of individual executive directors and senior management;
- (v) to consider salaries paid by comparable companies, time commitment and responsibilities and employment conditions elsewhere in our Group;
- (vi) to ensure none of our Directors is involved in deciding his/her own remuneration; and
- (vii) to review and/or approve matters relating to share schemes under Chapter 17 of the Listing Rules.

### Nomination committee

Our nomination committee consists of Dr. Huang Hanxiong, Ms. Ji Ying and Dr. Li Jiannan. Dr. Huang Hanxiong is the chairman of our nomination committee. The primary duties of our nomination committee include, but not limited to, the following:

- (i) to formulate and review selection criteria and procedures for our Directors and senior management;
- (ii) to review the structure, size and composition of our Board on a regular basis;
- (iii) to identify individuals suitably qualified to become Board members;
- (iv) to assess the independence of our independent non-executive Directors; and
- (v) to make recommendations to our Board on relevant matters relating to the appointment or reappointment of our Directors.

---

## DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

---

### Strategic committee

Our strategic committee consists of Mr. Pan Yun, Dr. Huang Hanxiong and Ms. Li Youxiang. Mr. Pan Yun is the chairman of our strategic committee. The primary duties of our strategic committee include, but not limited to, the following:

- (i) to research and recommend to our Board long-term development and strategic plans of our Company;
- (ii) to research and recommend to our Board significant investment and financing schemes, and major capital operations and asset management projects of our Company which are subject to the approval from our Board according to the Articles of Association;
- (iii) to research and recommend to our Board matters that are material to the development of our Company;
- (iv) to check the implementation of the aforementioned matters that are approved via Board meetings or Shareholders' meetings; and
- (v) to deal with other strategic matters that are authorised by our Board.

### BOARD DIVERSITY POLICY

We have adopted a board diversity policy (the “**Board Diversity Policy**”) which sets out the objective and approach to achieve and maintain diversity of our Board in order to enhance the effectiveness of our Board. Pursuant to the Board Diversity Policy, we seek to achieve diversity of our Board through the consideration of a number of factors when selecting candidates to our Board, including but not limited to professional experience, skills, knowledge, gender, age, cultural and education background, ethnicity and length of service. Our Company recognises and embraces the benefits of having a diverse Board and sees increasing diversity at the Board level, including gender diversity, as an essential element in maintaining our Company's competitive advantage and enhancing its ability to attract talents and to retain and motivate employees. We have also taken and will continue to take steps to promote gender diversity at all levels of our Company, including but not limited to our Board and the senior management levels.

---

## **DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT**

---

Our Directors have a balanced mix of knowledge and skills. They completed studies in various majors including but without limitation to business management, accounting, finance and legal studies. The ages of our Directors range from 40 years old to 67 years old, and we have both male and female representatives on the Board. Our nomination committee will review and assess the composition of the Board and make recommendations to the Board on appointment of members of the Board. Meanwhile, our nomination committee will consider the benefits of all aspects of diversity, including without limitation, professional experience, skills, knowledge, education background, age, gender, cultural background, ethnicity and length of service, in order to maintain an appropriate range and balance of talents, skills, experience and diversity of perspectives on the Board.

### **COMPLIANCE ADVISER**

We have appointed Sinolink Securities (Hong Kong) Company Limited as our compliance adviser upon the Listing pursuant to Rules 3A.19 and 19A.05 of the Listing Rules. Pursuant to Rule 3A.23 of the Listing Rules, our Compliance Adviser will advise us when we consult our Compliance Adviser in the following circumstances:

- (i) before the publication of any regulatory announcement, circular or financial report;
- (ii) where a transaction, which might be a notifiable or connected transaction under the Listing Rules, is contemplated by our Group, including share issues and share repurchases;
- (iii) where our Group proposes to use the proceeds of the Global Offering in a manner different from that detailed in this prospectus or where our Group's business activities, developments or results of operation deviate from any forecast, estimate or other information in this prospectus; and
- (iv) where the Stock Exchange makes an inquiry of our Company regarding unusual movements in the price or trading volume of the Shares.

The terms of appointment of our Compliance Adviser shall commence on the Listing Date and end on the date on which our Group complies with Rule 13.46 of the Listing Rules in respect of our financial results for the first full financial year commencing after the Listing Date and such appointment may be subject to extension by mutual agreement.



---

## **DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT**

---

### **COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE**

Our Group considers that appointing Mr. Pan Yun as both the chairman of our Board and the general manager of our Company will provide us with strong and consistent leadership, resulting in more effective planning and management of our Group. Pursuant to code provision C.2.1 of Appendix C1 to the Listing Rules, the roles of chairperson and chief executive should be separate and should not be performed by the same individual. However, in view of Mr. Pan Yun's extensive industry experience, personal profile and critical role in our Group's historical development, we believe that it would be beneficial for our Group's business prospects if Mr. Pan Yun continues to act as both the chairman of our Board and the general manager of our Company upon Listing.

Save as disclosed above, we are in compliance with all applicable code provisions as set out in the Corporate Governance Code as contained in Appendix C1 to the Listing Rules.

### **REMUNERATION POLICY**

Our Directors, Supervisors and senior management receive their remuneration in the form of Directors' or Supervisors' salary and allowances, discretionary bonuses, retirement benefit scheme contributions and other benefits in kind (if applicable).

The aggregate amounts of remuneration (including fees, salaries, allowances and benefits in kind, discretionary bonus and contributions to defined contribution plans) for our Directors and Supervisors was approximately RMB6.3 million for FY2022, RMB6.8 million for FY2023 and RMB7.4 million for FY2024. None of our Directors or Supervisors waived any remuneration during the aforesaid periods.

For FY2022, FY2023 and FY2024, the five highest paid individuals of our Company included four, four and four Directors respectively. The aggregate remuneration (including salaries, allowances and benefits in kind and contributions to defined contribution plans) paid to our Group's five highest remuneration individuals were approximately RMB4.9 million, RMB5.3 million and RMB5.7 million, respectively.

Under the arrangements currently in force, we estimate that the aggregate amounts of remuneration, excluding discretionary bonus, of our Directors and Supervisors for the year ending 31 December 2025 to be RMB7.5 million. The actual remuneration of Directors and Supervisors in 2025 may be different from the expected remuneration.

During the Track Record Period, no emolument was paid by our Group to any of our Directors, Supervisors or the five highest paid individuals (including Directors and employees) as an inducement to join or upon joining our Group or as compensation for loss of office. None of our Directors or Supervisors has waived or agreed to waive any emoluments during the Track Record Period.

Save as disclosed above, no other payments of remuneration have been made, or are payable, in respect of the Track Record Period, by our Group to or on behalf of any of our Directors or Supervisors.

---

## SUBSTANTIAL SHAREHOLDERS

---

### SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, immediately following the completion of the Global Offering and without taking into account any Shares which may be issued pursuant to the exercise of the Over-allotment Option, the following persons will have an interest or short position in the Shares or underlying Shares which would fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or will be, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company:

Name of Shareholder	Capacity/ Nature of interest	Class of Shares	Shares held as at the Latest Practicable Date and immediately prior to the Global Offering <sup>(1)</sup>		Shares held immediately following the completion of the Global Offering (assuming the Over-allotment Option is not exercised) <sup>(1)</sup>	
			Number	Approximate percentage in the total share capital of our Company	Number	Approximate percentage in the total share capital of our Company
Mr. Pan Yun	Beneficial Interest	Domestic Unlisted Shares	110,659,509 (L)	54.07%	110,659,509 (L)	40.55%
	Interest in controlled corporation <sup>(2)</sup>	Domestic Unlisted Shares	94,000,000 (L)	45.93%	94,000,000 (L)	34.45%
Ms. Cao Chengling	Interest of spouse <sup>(3)</sup>	Domestic Unlisted Shares	204,659,509 (L)	100.00%	204,659,509 (L)	75.00%
X.J. Management (Qichun)	Beneficial Interest	Domestic Unlisted Shares	54,000,000 (L)	26.39%	54,000,000 (L)	19.79%
Qichun Hengxing	Beneficial Interest	Domestic Unlisted Shares	40,000,000 (L)	19.54%	40,000,000 (L)	14.66%

---

## SUBSTANTIAL SHAREHOLDERS

---

*Notes:*

1. The letter “L” denotes the entity/person’s long position (as defined under Part XV of the SFO) in such Shares.
2. As at the Latest Practicable Date, X.J. Management (Qichun) and Qichun Hengxing were owned by Mr. Pan Yun as to 70.37% and 47.50%, respectively. Mr. Pan Yun was the sole general partner of X.J. Management (Qichun) and Qichun Hengxing. X.J. Management (Qichun) and Qichun Hengxing were interested in 54,000,000 Domestic Unlisted Shares and 40,000,000 Domestic Unlisted Shares, respectively. Accordingly, Mr. Pan Yun is deemed to be interested in the Domestic Unlisted Shares held by X.J. Management (Qichun) and Qichun Hengxing under the SFO.
3. Ms. Cao Chengling is the spouse of Mr. Pan Yun and is deemed to be interested in the Shares in which Mr. Pan Yun is interested under the SFO.

Save as disclosed herein, our Directors are not aware of any persons who will, immediately following the completion of the Global Offering and without taking into account any Shares which may be issued pursuant to the exercise of the Over-allotment Option, have an interest or short position in the Shares or underlying Shares which would fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, will be, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company or any other member of our Group. Our Directors are not aware of any arrangement which may at a subsequent date result in a change of control of our Company.

### THE CORNERSTONE PLACING

We have entered into cornerstone investment agreements (each a “**Cornerstone Investment Agreement**”, and together the “**Cornerstone Investment Agreements**”) with the cornerstone investors set out below (each a “**Cornerstone Investor**”, and together the “**Cornerstone Investors**”), pursuant to which the Cornerstone Investors have agreed to, subject to certain conditions, subscribe, or cause their designated entities to subscribe, at the Offer Price for such number of Offer Shares (rounded down to the nearest whole board lot of 1,000 H Shares) as set out in the tables below (the “**Cornerstone Placing**”).

Assuming an Offer Price of HK\$2.86 per H Share, being the low-end of the indicative Offer Price range set out in this prospectus, the total number of Offer Shares to be subscribed for by the Cornerstone Investors would be 30,016,000 H Shares, representing approximately 44.00% of the Offer Shares and approximately 11.00% of the total issued share capital of our Company immediately upon completion of the Global Offering (assuming the Over-allotment Option is not exercised).

Assuming an Offer Price of HK\$3.11 per H Share, being the midpoint of the indicative Offer Price range set out in this prospectus, the total number of Offer Shares to be subscribed for by the Cornerstone Investors would be 27,603,000 H Shares, representing approximately 40.46% of the Offer Shares and approximately 10.12% of the total issued share capital of our Company immediately upon completion of the Global Offering (assuming the Over-allotment Option is not exercised).

Assuming an Offer Price of HK\$3.35 per Offer Share, being the high-end of the indicative Offer Price range set out in this prospectus, the total number of Offer Shares to be subscribed for by the Cornerstone Investors would be 25,626,000 H Shares, representing approximately 37.56% of the Offer Shares and approximately 9.39% of the total issued share capital of our Company immediately upon completion of the Global Offering (assuming the Over-allotment Option is not exercised).

Our Company is of the view that the Cornerstone Placing provides an impression of commitment, confidence and interests of the Cornerstone Investors in our Group’s business and prospect and help to raise the profile of our Company. Our Company became acquainted with (i) Hubei Shunjie Investment (Hong Kong) Co., Limited (湖北順捷投資(香港)有限公司) (“**Shunjie Investment**”), (ii) Hong Kong Xinghuang Holdings Limited (香港興黃控股有限公司) (“**Xinghuang Holdings**”) and (iii) Hong Kong Yunxing Technology Trade Management Co., Limited (香港雲星科技貿易管理有限公司) (“**Yunxing Technology**”) through the business network of our Group.

---

## CORNERSTONE INVESTORS

---

The Cornerstone Placing will form part of the International Offering, and, the Cornerstone Investors and their respective close associates will not subscribe for any Offer Shares under the Global Offering (other than pursuant to the Cornerstone Investment Agreements). The Offer Shares to be subscribed by the Cornerstone Investors will rank *pari passu* in all respects with the fully paid H Shares in issue following the Global Offering of the Company and will be counted towards the public float of our Company under Rule 8.08 of the Listing Rules. The three largest public Shareholders will not hold more than 50% of the Shares held in public hands at the time of the Listing in compliance with Rule 8.08(3) and Rule 8.24 of the Listing Rules.

Immediately following the completion of the Global Offering, the Cornerstone Investors or their close associates will not, by virtue of their cornerstone investments, have any Board representation in our Company; and none of the Cornerstone Investors and their close associates will become a substantial Shareholder of our Company. Other than a guaranteed allocation of the relevant Offer Shares at the final Offer Price, the Cornerstone Investors do not have any preferential rights under each of their respective Cornerstone Investment Agreements, as compared with other public Shareholders. There are no side arrangements or agreements between our Company and the Cornerstone Investors or any benefit, direct or indirect, conferred on the Cornerstone Investors by virtue of or in relation to the Global Offering, other than a guaranteed allocation of the relevant Offer Shares at the final Offer Price, following the principles as set out in Chapter 4.15 of the Guide for New Listing Applicants.

To the best knowledge of our Company, each of the Cornerstone Investors and their beneficial owners is (i) an Independent Third Party and is not our connected person (as defined under the Listing Rules); (ii) not accustomed to take instructions from our Company or any of our Directors, Supervisors, chief executive, our Controlling Shareholders, substantial Shareholders or existing Shareholders or any of their subsidiaries or their respective close associates in relation to the acquisition, disposal, voting or other disposition of the Shares registered in their name or otherwise held by them; (iii) not financed directly and indirectly by our Company or any of our Directors, Supervisors, chief executive of our Company, our Controlling Shareholders, substantial Shareholders, existing Shareholders or any of their subsidiaries or their respective close associates; and (iv) independent of the other Cornerstone Investors, our Group, our connected persons and their respective associates, and is not an existing Shareholder or a close associate of our Group.

To the best knowledge of our Company and as confirmed by each of the Cornerstone Investors, each of the Cornerstone Investors make independent investment decisions, and their subscription under the Cornerstone Placing would be financed by its own internal financial resources and it has sufficient funds to settle its respective investment under the Cornerstone Placing. None of the Cornerstone Investors or their holding companies is listed on any stock exchange, and each of the Cornerstone Investors has confirmed that all necessary approvals have been obtained with respect to the Cornerstone Placing and that no specific approval from any stock exchange or its shareholders or other regulatory authorities is required for the relevant Cornerstone Placing.

---

## CORNERSTONE INVESTORS

---

The Cornerstone Investors have agreed to pay for the relevant Offer Shares that they have subscribed before dealings in the Company's H Shares commence on the Stock Exchange. Each of the Cornerstone Investors has agreed that our Company and the Overall Coordinators in their sole discretion may defer the delivery of all or part of the Offer Shares it will subscribe to on a date later than the Listing Date. Where delayed delivery takes place, each of the Cornerstone Investors that may be affected by such delayed delivery has agreed that it shall nevertheless pay for the relevant Offer Shares before the Listing. There is no deferred settlement arrangement for all of the Cornerstone Investors under their respective Cornerstone Investment Agreement.

The total number of Offer Shares to be subscribed by the Cornerstone Investors may be affected by reallocation of the Offer Shares between the International Offering and the Hong Kong Public Offering. If the total demand for H Shares in the Hong Kong Public Offering falls within the circumstance as set out in the section headed "Structure of the Global Offering – The Hong Kong Public Offering – Reallocation" in this prospectus, our Company and the Overall Coordinators have the absolute discretion, but not obliged, to deduct the number of Offer Shares to be subscribed by the Cornerstone Investors on a pro rata basis under the Hong Kong Public Offering pursuant to Practice Note 18 of the Listing Rules. Further, each of the Cornerstone Investors has agreed that in the event that the requirements under Rule 8.08(3) of the Listing Rules, which stipulates that no more than 50% of the Shares in public hands can be beneficially owned by the three largest public shareholders of the Company, may not be complied with on the Listing Date, the number of the H Shares to be subscribed for by the Cornerstone Investors may be adjusted to ensure compliance with Rule 8.08(3) of the Listing Rules. Details of the actual number of Offer Shares to be allocated to the Cornerstone Investors will be disclosed in the allotment results announcement of our Company to be published on or around 24 June 2025.

### THE CORNERSTONE INVESTORS

The information about our Cornerstone Investors set forth below has been provided by the Cornerstone Investors in connection with the Cornerstone Placing.

#### Shunjie Investment

Shunjie Investment is a limited liability incorporated in Hong Kong on 10 March 2025 and is principally engaged in management consulting, investment and trading. Shunjie Investment is a wholly-owned subsidiary of Hubei Shunjie Tourism Co., Ltd\* (湖北順捷旅遊有限公司), which is indirectly wholly-owned by the State-owned Assets Operation Centre of Qichun County\* (蕪春縣國有資產運營中心) in Hubei Province, and is in turn directly under Qichun County People's Government\* (蕪春縣人民政府).

**Xinghuang Holdings**

Xinghuang Holdings is a limited liability incorporated in Hong Kong on 10 March 2025 and is principally engaged in management consulting, investment and trading. Xinghuang Holdings is a wholly-owned subsidiary of the State-owned Assets Management Co., Ltd. of Huanggang City\* (黃岡市國有資產經營有限公司) in Hubei Province, which is wholly-owned by the Huanggang Municipal People's Government State-owned Assets Supervision and Administration Commission\* (黃岡市人民政府國有資產監督管理委員會).

**Yunxing Technology**

Yunxing Technology is a limited liability incorporated in Hong Kong on 10 April 2025 and is principally engaged in management consulting, investment and trading. Yunxing Technology is a wholly-owned subsidiary of Hubei Xingfulong Technology Co., Ltd.\* (湖北興富隆科技有限公司) (“**Xingfulong Technology**”). Xingfulong Technology is owned as to 67% and 33% by Hangzhou Gongwang Wine Co., Ltd.\* (杭州公望酒業有限公司) (“**Gongwang Wine**”) and Xinjiang Hualing Wogou Supply Chain Co., Ltd.\* (新疆華凌沃購供應鏈有限公司) (“**Hualing Wogou**”), respectively. Gongwang Wine is owned as to 80% and 20% by Shenzhen Xinmingyuan Investment Co., Ltd.\* (深圳鑫銘源投資有限公司) (“**Xinmingyuan Investment**”) and Xu Xiaoyu (許小裕), respectively. Xinmingyuan Investment is owned as to 90% and 10% by Beijing Mishu Digital Asset Management Co., Ltd.\* (北京米黍數科資產管理有限公司) (“**Mishu Digital**”) and Tian Guirong (田貴容), respectively. Mishu Digital is owned as to 95% and 5% by Shanghai Siqing Industrial Development Center\* (上海思慶實業發展中心) (“**Siqing Industrial**”) and Cao Haijing (曹海菁), respectively. Siqing Industrial is wholly-owned by Xu Tiantian (徐甜甜). Hualing Wogou is owned as to 47.89%, 28.17% and 23.94% by Wu Dongliang (吳棟樑), Wang Xinyang (王新陽) and Shanghai Aiyue E-commerce Co., Ltd.\* (上海艾悅電子商務有限公司) (“**Aiyue E-commerce**”), respectively. Aiyue E-commerce is owned as to 65% and 35% by Miao Meihong (繆美紅) and Xue Jianbing (薛建兵), respectively.

## CORNERSTONE INVESTORS

The table below sets forth the details of the Cornerstone Placing:

Based on an Offer Price of HK\$2.86 per H Share (being the low-end of the Offer Price range)						
Cornerstone Investor	Subscription amount <sup>(1)</sup> (RMB)	Number of Offer Shares <sup>(2)</sup>	Assuming the Over-allotment Option is not exercised	Assuming the Over-allotment Option is exercised in full		
			Approximate % of the total Shares immediately	Approximate % of the total Shares immediately		
			upon the	upon the		
			completion of	completion of		
			the Global	the Global		
			Offering	Offering		
Shunjie Investment	40,000,000	15,008,000	22.00%	5.50%	19.13%	5.30%
Xinghuang Holdings	30,000,000	11,256,000	16.50%	4.12%	14.35%	3.98%
Yunxing Technology	10,000,000	3,752,000	5.50%	1.37%	4.78%	1.33%
<b>Total</b>	<b>80,000,000</b>	<b>30,016,000</b>	<b>44.00%</b>	<b>11.00%</b>	<b>38.26%</b>	<b>10.60%</b>

Based on an Offer Price of HK\$3.11 per H Share (being the midpoint of the Offer Price range)						
Cornerstone Investor	Subscription amount <sup>(1)</sup> (RMB)	Number of Offer Shares <sup>(2)</sup>	Assuming the Over-allotment Option is not exercised	Assuming the Over-allotment Option is exercised in full		
			Approximate % of the total Shares immediately	Approximate % of the total Shares immediately		
			upon the	upon the		
			completion of	completion of		
			the Global	the Global		
			Offering	Offering		
Shunjie Investment	40,000,000	13,802,000	20.23%	5.06%	17.59%	4.88%
Xinghuang Holdings	30,000,000	10,351,000	15.17%	3.79%	13.19%	3.66%
Yunxing Technology	10,000,000	3,450,000	5.06%	1.26%	4.40%	1.22%
<b>Total</b>	<b>80,000,000</b>	<b>27,603,000</b>	<b>40.46%</b>	<b>10.12%</b>	<b>35.18%</b>	<b>9.75%</b>



## CORNERSTONE INVESTORS

Based on an Offer Price of HK\$3.35 per H Share (being the high-end of the Offer Price range)						
Cornerstone Investor			Assuming the Over-allotment Option is not exercised		Assuming the Over-allotment Option is exercised in full	
			Approximate % of the total Shares		Approximate % of the total Shares	
			immediately		immediately	
			upon the		upon the	
			completion of		completion of	
	Subscription amount <sup>(1)</sup> (RMB)	Number of Offer Shares <sup>(2)</sup>	% of the total number of the Offer Shares	the Global Offering	% of the total number of the Offer Shares	the Global Offering
Shunjie Investment	40,000,000	12,813,000	18.78%	4.70%	16.33%	4.53%
Xinghuang Holdings	30,000,000	9,610,000	14.09%	3.52%	12.25%	3.39%
Yunxing Technology	10,000,000	3,203,000	4.70%	1.17%	4.08%	1.13%
<b>Total</b>	<b>80,000,000</b>	<b>25,626,000</b>	<b>37.56%</b>	<b>9.39%</b>	<b>32.66%</b>	<b>9.05%</b>

*Notes:*

- (1) Inclusive of brokerage of 1.0%, SFC transaction levy of 0.0027%, Stock Exchange trading fee of 0.00565% and AFRC transaction levy of 0.00015%.
- (2) Subject to rounding down to the nearest whole board lot of 1,000 Offer Shares. Calculated based on the exchange rate set out in the section headed “Information about this Prospectus and the Global Offering – Exchange Rate Conversion”.

## CLOSING CONDITIONS

The obligation of each Cornerstone Investor to subscribe for the Offer Shares under the respective Cornerstone Investment Agreement is subject to, among other things, the following closing conditions:

- (a) the Underwriting Agreements for the Hong Kong Public Offering and the International Offering being entered into and having become effective and unconditional (in accordance with their respective original terms or as subsequently waived or varied by agreement of the parties thereto) by no later than the time and date as specified in the Underwriting Agreements, and neither of the aforesaid Underwriting Agreements having been terminated;
- (b) the Offer Price having been agreed upon between our Company and the Sole Sponsor-Overall Coordinator (for itself and on behalf of the Underwriters);

---

## CORNERSTONE INVESTORS

---

- (c) the Stock Exchange having granted the approval for the listing of, and permission to deal in, the H Shares (including the H Shares subscribed for by the Cornerstone Investors) as well as other applicable waivers and approvals, and such approval, permission or waiver having not been revoked prior to the commencement of dealings in the H Shares on the Stock Exchange;
- (d) no laws shall have been enacted or promulgated by any governmental authority which prohibits the consummation of the transactions contemplated in the Global Offering or in the respective Cornerstone Investment Agreements and there shall be no orders or injunctions from a court of competent jurisdiction in effect precluding or prohibiting consummation of such transactions; and
- (e) the respective acknowledgements, representations, warranties, undertakings and confirmations of relevant Cornerstone Investor under the respective Cornerstone Investment Agreement are accurate and true in all respects and not misleading and that there is no material breach of the Cornerstone Investment Agreement on the part of the relevant Cornerstone Investor.

### RESTRICTIONS ON THE CORNERSTONE INVESTORS

Each of Shunjie Investment, Xinghuang Holdings and Yuxing Technology has agreed that it will not, and will cause its affiliates not to, whether directly or indirectly, at any time during the period of five years, three years and three years, respectively, from (and inclusive of) the Listing Date (the “**Lock-up Period**”), dispose of, in any way, any of the Offer Shares or any interest in any company or entity holding such Offer Shares that they have purchased pursuant to the relevant Cornerstone Investment Agreement, save for certain limited circumstances, such as transfers to any of its wholly-owned subsidiaries who will be bound by the same obligations of such Cornerstone Investor, including the Lock-up Period restriction.

---

## SHARE CAPITAL

---

### SHARE CAPITAL

As at the Latest Practicable Date, the registered capital of our Company is RMB204,659,509, divided into 204,659,509 Domestic Unlisted Shares with a nominal value of RMB1.00 each.

Assuming that the Over-allotment Option is not exercised, the share capital of our Company immediately following the completion of the Global Offering will be increased to RMB272,879,509 and set out as follows:

Number of Shares	Description of Shares	Approximate % of the Enlarged Share Capital after the Global Offering
204,659,509	Domestic Unlisted Shares	75.00%
68,220,000	H Shares to be issued under the Global Offering	25.00%
<hr/> 272,879,509 <hr/>		<hr/> 100% <hr/>

Assuming that the Over-allotment Option is exercised in full, the share capital of our Company immediately following the completion of the Global Offering will be increased to RMB283,112,509 and set out as follows:

Number of Shares	Description of Shares	Approximate % of the Enlarged Share Capital after the Global Offering
204,659,509	Domestic Unlisted Shares	72.29%
68,220,000	H Shares to be issued under the Global Offering	24.10%
10,233,000	H Shares to be issued upon full exercise of the Over-allotment Option	3.61%
<hr/> 283,112,509 <hr/>		<hr/> 100% <hr/>

---

## SHARE CAPITAL

---

### PUBLIC FLOAT REQUIREMENTS

Rules 8.08(1)(a) and (b) of the Listing Rules provides that there must be an open market in the securities for which listing is sought. It normally means that the minimum public float of a listed issuer must at all times be at least 25% of the issuer's total issued share capital.

Based on the information in the above tables, our Company will meet the public float requirement under the Listing Rules after the completion of the Global Offering (whether or not the Over-allotment Option is exercised in full). We will make appropriate disclosure of our public float and confirm the sufficiency of our public float in successive annual reports after the Listing.

### OUR SHARES

The H Shares in issue following the completion of the Global Offering and the Domestic Unlisted Shares are ordinary Shares in the share capital of our Company, and are considered as one class of Shares. However, apart from certain qualified domestic institutional investors in the PRC, qualified PRC investors under the Shanghai-Hong Kong Stock Connect, the Shenzhen-Hong Kong Stock Connect or other persons who are entitled to hold our H Shares pursuant to the relevant PRC laws and regulations or upon approvals of any competent authorities, including our existing Shareholders who may convert their Domestic Unlisted Shares into H Shares upon completion of filing with the CSRC, H Shares generally may not be subscribed for by or traded between legal or natural persons of the PRC.

The Domestic Unlisted Shares and H Shares will rank *pari passu* with each other in all respects and, in particular, will rank equally for all dividends or distributions declared, paid or made after the date of this prospectus.

All dividends for H Shares will be denominated and declared in Renminbi, and paid in Hong Kong dollars or Renminbi, whereas all dividends for Domestic Unlisted Shares will be paid in Renminbi. Other than cash, dividends could also be paid in the form of shares.

### CONVERSION OF OUR DOMESTIC UNLISTED SHARES INTO H SHARES

Our Domestic Unlisted Shares are unlisted Shares which are currently not listed or traded on any stock exchange.

According to stipulations by the State Council securities regulatory authority and the Articles of Association, the Domestic Unlisted Shares may be converted into H Shares. Such converted Shares may be listed or traded on an overseas stock exchange provided that the conversion and trading of such converted Shares shall only be effected after all requisite internal approval process have been duly completed and the approval from the relevant PRC regulatory authorities (including the CSRC) and the relevant overseas stock exchange have been obtained.

---

## SHARE CAPITAL

---

In addition, such conversion and trading shall in all respects comply with the regulations prescribed by the State Council securities regulatory authority and the regulations, requirements and procedures prescribed by the relevant overseas stock exchange.

If any of the Domestic Unlisted Shares are to be converted to H Shares and to be traded on the Stock Exchange, such conversion requires the approval of the relevant PRC regulatory authorities, including the CSRC. Approval of the Stock Exchange is required for the listing of such converted Shares on the Stock Exchange. Subject to fulfilling the procedures below, our Company may apply for the listing of all or any portion of the Domestic Unlisted Shares on the Stock Exchange as H Shares before any proposed conversion so that the conversion process can be completed promptly upon notice to the Stock Exchange and delivery of shares for entry on the H Share register. As any listing of additional Shares after our Company's initial listing on the Stock Exchange is ordinarily considered by the Stock Exchange to be a purely administrative matter, it does not require prior application for listing as at the time of our Company's initial listing in Hong Kong. A vote by our Shareholders in general meeting is not required for the listing and trading of the converted Shares on an overseas stock exchange. Any listing of the converted Shares on the Stock Exchange after the initial listing is subject to prior notification by way of announcement to inform Shareholders and the public of any proposed conversion.

After all the requisite approvals have been obtained, the relevant Domestic Unlisted Shares will be withdrawn from the Domestic Unlisted Share register, and our Company will re-register such Shares on the H Share register maintained in Hong Kong and instruct the H Share Registrar to issue H Share certificates. Registration on the H Share register of our Company will be on the conditions that (i) the H Share Registrar lodges with the Stock Exchange a letter confirming the entry of the relevant H Shares on the H Share register and the due dispatch of H Share certificates; and (ii) the admission of the H Shares to be traded on the Stock Exchange complies with the Listing Rules and the General Rules of HKSCC and the HKSCC Operational Procedures in force from time to time. Until the converted Shares are re-registered on the H Share register of our Company, such Shares would not be listed as H Shares.

### **RESTRICTIONS OF SHARE TRANSFER**

In accordance with the PRC Company Law, the shares issued prior to any public offering of shares by a company cannot be transferred within one year from the date on which such publicly offered shares are listed and traded on the relevant stock exchange. As such, the Shares 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 Listing Date.

---

## SHARE CAPITAL

---

Our Directors, Supervisors and members of the senior management of our Company shall declare their shareholdings in our Company and any changes in their shareholdings. Shares transferred by our Directors, Supervisors and members of the senior management each year during their term of office shall not exceed 25% of their total respective shareholdings in our Company. The Shares that the aforementioned persons held in our Company cannot be transferred within one year from the date on which the shares are listed and traded, nor within half a year after they leave their positions in our Company. The Articles of Association may contain other restrictions on the transfer of the Shares held by our Directors, Supervisors and members of senior management of our Company.

For details of the lock-up undertaking given by our Controlling Shareholders pursuant to Rule 10.07 of the Listing Rules, please see “Underwriting – Underwriting Arrangements – Undertakings to the Stock Exchange – Undertaking by our Controlling Shareholders” in this prospectus.

### INCREASE IN SHARE CAPITAL

As advised by our PRC Legal Advisers, pursuant to the Articles of Association and subject to the requirements of the relevant PRC laws and regulations, our Company, upon the Listing of our H Shares, is eligible to enlarge its share capital by issuing either new H Shares or new Domestic Unlisted Shares on condition that such proposed issuance shall be approved by a special resolution of Shareholders in general meeting conducted in accordance with the provisions of the Articles of Association and that such issuance complies with the Listing Rules and other relevant laws and regulations of Hong Kong. To adopt a special resolution of Shareholders in general meeting, more than the two thirds votes represented by the Shareholders (including proxies) present at the general meeting must be exercised in favour of the resolution.

### GENERAL MANDATE TO ISSUE SHARES

Subject to the completion of the Global Offering, pursuant to the Shareholders resolutions of our Company passed on 24 September 2024, our Board was granted with a general mandate to allot and issue Shares at any time within a period up to the date of the conclusion of the next annual general meeting of the Shareholders or the date on which the Shareholders pass a special resolution to revoke or change such mandate, whichever is earlier, upon such terms and conditions and for such purposes and to such persons as our Board in their absolute discretion deem fit, and to make necessary amendments to the Articles of Association, provided that, the number of Shares to be issued shall not exceed 20% of the number of the Shares (including any sale or transfer of the treasury Shares out of treasury) in issue as at the Listing Date.

---

## SHARE CAPITAL

---

### **CIRCUMSTANCES UNDER WHICH GENERAL MEETINGS ARE REQUIRED**

For details of circumstances under which our Shareholders' general meetings are required, please see "Appendix V – Summary of the Articles of Association" in this prospectus.

### **REGISTRATION OF SHARES NOT LISTED ON THE OVERSEAS STOCK EXCHANGE**

According to the Guidelines for the "Full Circulation" Program for Domestic Unlisted Shares of H-share Listed Companies (H股公司境內未上市股份申請“全流通”業務指引) announced by the CSRC, the domestic shareholders of unlisted shares shall handle share transfer registration business in accordance with the relevant business rules of the China Securities Depository and Clearing Corporation Limited (中國證券登記結算有限責任公司) (the "CSDC"). Further, H-share companies should submit the relevant status reports to the CSRC within 15 days after the transfer registration with the CSDC of the shares involved in the application is completed.

---

## FINANCIAL INFORMATION

---

*The following discussion and our analysis should be read in conjunction with our consolidated financial statements and the notes thereto included in the Accountants' Report in Appendix I to this prospectus which has been prepared in accordance with IFRS, and the selected historical financial information and operating data included elsewhere in this prospectus.*

*The following discussion and analysis contains certain forward-looking statements that involve risks and uncertainties. These statements are based on assumptions and analysis made by us in light of our experience and perception of historic trends, current conditions and expect 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 over which we do not have control. For further information, you should see "Risk factors" and "Forward-looking statements" in this prospectus.*

### OVERVIEW

We are a manufacturer of lifestyle household goods in the PRC. We mainly operate on ODM/OEM basis and have built a customer portfolio comprising globally reputable and long standing names, such as Walmart, Telebrands, SEB, Sensio, Hamilton Beach and Philips etc. According to the F&S Report, we were the 10th largest company with a market share of 0.8% in terms of export value in 2024 in the small kitchen appliance industry in the PRC.<sup>(1)</sup> Our electric kettles had a market share of approximately 24.6% and 59.6% in the respective category classified by the General Administration of Customs of the PRC in terms of export volume from the PRC to the U.S. and Canada, respectively, in 2024. Our motor-driven products such as mixers had a market share of approximately 3.8% in the respective category classified by the General Administration of Customs of the PRC in terms of export volume from the PRC to the U.S. in 2024.

We focus on research and development, design, manufacturing and sales of electric home appliances and non-electric household goods. Our electric home appliances consist of three categories, namely (i) electro-thermic appliances, such as electric griddles, air fryers and kettles, (ii) motor-driven appliances, such as blenders, mixers and electric can openers and (iii) electronic appliances such as digital scales, humidifiers and laser projector lights. We also offer non-electric household goods such as garden hoses and cookware.

For further information about our Group's business and operations, please see "Business" in this prospectus.

<sup>(1)</sup> According to Frost & Sullivan, small kitchen appliance accounted for the largest share of the global small home appliance industry.



---

## FINANCIAL INFORMATION

---

During the Track Record Period, we shipped most of our products to North America and Europe as per the request of our ODM/OEM customers, while a small portion of our products were shipped to Oceania, South America, Africa, the PRC and other Asian countries, including Korea, Japan and Saudi Arabia. Leveraging our experience and knowledge in the industry and capabilities we have developed throughout the last two decades, as a strategic approach, in 2016, we started our OBM business to design, develop, manufacture and sell home appliances under our own brands. For FY2022, FY2023 and FY2024, the total revenue of our Group amounted to RMB1,097.0 million, RMB1,188.3 million and RMB1,501.5 million, respectively. The net profit of our Group for the same years were RMB80.3 million, RMB121.5 million and RMB140.4 million, respectively.

### **BASIS OF PRESENTATION OF HISTORICAL FINANCIAL INFORMATION**

The historical financial information has been prepared based on the accounting policies set out in note 4 of the Accountants' Report in Appendix I to this prospectus, which conform with the IASs and IFRSs issued by the IASB, amendments to IFRSs and the related interpretations issued by the IASB, which are effective for the accounting period beginning on 1 January 2024 throughout the Track Record Period.

The historical financial information has been prepared under the historical cost convention except for certain financial instruments which have been measured at fair value at the end of each of period of the Track Record Period.

### **KEY FACTORS AFFECTING OUR GROUP'S RESULTS OF OPERATION AND FINANCIAL CONDITION**

The results of operations and financial condition during the Track Record Period have been and will continue to be affected by a number of factors, including those set forth in the section headed "Risk Factors" in this prospectus.

We have set out below the key factors affecting our Group's results of operation and financial condition.

#### **The economy and consumer demand in overseas markets**

Given our ODM/OEM business represented the major portion of our revenue, consumer demand for products that we manufactured for our ODM/OEM customers, in particular, products shipped to North America and Europe will affect our Group's results of operations.

---

## FINANCIAL INFORMATION

---

During the Track Record Period, we have derived a significant portion of our revenue from sales of products shipped to North America and Europe, which accounted for 92.0%, 93.0% and 93.0% of our Group's revenue for FY2022, FY2023 and FY2024, respectively. Our Group's financial performance mainly relies on general economic conditions in the North America and Europe and their impacts on consumer confidence and spending.

Economic factors in the North America and Europe, such as inflation and unemployment level, interest rates, financial market volatility, recession, and other factors affecting consumer spending behaviour such as acts of terrorism or major epidemics could reduce demand for our Group's products.

### **Fluctuation in foreign exchange rate**

Our consolidated financial results are affected by currency exchange rate fluctuations. During the Track Record Period, our export sales to regions outside of the PRC are usually denominated in USD. On the other hand, our costs, including our transactions with our top five suppliers in each year during the Track Record Period, are general denominated in RMB. Accordingly, fluctuations in exchange rate of USD and RMB may affect our price competitiveness and harm our business operation and financial performance. For FY2022, FY2023 and FY2024, we recorded a net foreign exchange gain of RMB14.4 million, RMB9.9 million and RMB16.7 million, respectively.

Furthermore, our multi-country operations subject us to foreign exchange fluctuations on translation from functional currencies of our foreign operation to our presentation currency (i.e. RMB). We have subsidiaries in the United States, Indonesia, and Thailand, and most of our foreign operations are denominated in its local currency which is different from our presentation currency. Therefore, we are exposed to foreign currency risks related to exchange differences arising on translation of foreign operations. For FY2022, FY2023 and FY2024, we recorded positive exchange differences arising on translation of foreign operations of RMB1.5 million, RMB0.3 million and RMB0.9 million, respectively. As a result of foreign currency fluctuations, it could be more difficult to detect underlying trends in our business and results of operations and we may record negative exchange differences arising on translation of foreign operations.

During the Track Record Period, we have entered into foreign currency forward contracts with a view to manage risks associated with foreign exchange fluctuations. For FY2022, we incurred loss from disposal of foreign currency forward contracts in the amount of RMB8.0 million. All of our foreign currency forward transactions have been settled by FY2022. Currently, our Group does not have a foreign exchange hedging policy. However, the management of our Group will monitor foreign exchange exposure and will consider hedging significant foreign exchange exposure should the need arise.

---

## FINANCIAL INFORMATION

---

### **Reliance on major customers**

A majority of our revenue is derived from a limited number of customers. For FY2022, FY2023 and FY2024, sales to our five largest customers accounted for 62.4%, 72.4% and 77.9% of our total revenue for each year, respectively and sales to our largest customer for FY2022, FY2023 and FY2024 accounted for 21.3%, 28.5% and 24.1% of our total revenue of the corresponding years, respectively. During the Track Record Period, one of our major customers, namely, Telebrands was the only customer of our garden hoses which represented 16.5%, 18.7%, 19.0% of our total revenue, for FY2022, FY2023 and FY2024, respectively.

Our current concentration on a few major customers exposes us to the risks of substantial losses if such major customers stop engaging in businesses with us or significantly reduce orders to us, which may in turn cause material fluctuations or declines in our revenue and have a material and adverse effect on our business, financial condition and results of operations.

### **The Sino-U.S. and global trade tension may adversely affect our business, financial conditions and results of operation**

During the Track Record Period, a significant portion of our revenue was derived from the sale of our products to the U.S. as shipment destination, while all of our products are manufactured in the PRC. During the Track Record Period, sales of our products with the U.S. as the shipment destination accounted for 68.8%, 80.6% and 76.5% of our total revenue, respectively.

Since 2018, the Office of the U.S. Trade Representative has released different lists of Chinese imported goods to be the subject of different level of tariffs. Recently, such trade tension has escalated further to a global context that does not only affect China but also the other countries. The development of Sino-U.S. and global trade tension has been highly unpredictable. In relation to Chinese goods, since early 2025, applicable tariff rose from 10% and once reached 145% in April 2025 yet subsequently lowered to 30% with the release of the 512 Joint Announcement. In relation to Thailand and Indonesia, where we were setting up new production facilities, applicable tariff once reached 36% and 32% on 7 April 2025 and subsequently lowered to 10% as the US government announced a 90-day pause on tariff imposed on Thailand and Indonesia on 9 April 2025. It is uncertain and unpredictable the higher tariff on China, Thailand and Indonesia will resume or go even higher in the future. Although, as advised by our U.S. Legal Advisers, the liability for payment for the U.S. import duties belongs to the importer of the goods (i.e. our customers), our sales to the U.S. in the future may be affected in light of the significant uncertainties to the development of the Sino-U.S. and the global trade tension. Any trade restrictions imposed by the U.S. on our products (regardless they are shipped from China, Thailand or Indonesia) may significantly increase our U.S. customers' purchase costs of our products and hence lower our competitiveness.

---

## FINANCIAL INFORMATION

---

Any further escalation in the Sino-U.S. and the global trade tensions could negatively impact our sales into the U.S. and other markets, whether due to tariffs, duties, export controls, restrictions on market access, other regulatory measures or the consequential impact on the macro-economy or demand of lifestyle household goods. Consequently, our business, results of operations and financial condition may be adversely and materially affected.

For details, please see “Risk Factors – Risks Relating to Our Industry and Business – The Sino-U.S. and global trade tension may adversely affect our business, financial conditions and results of operation” in this prospectus.

### **Price Volatility of raw materials**

Our cost of raw materials represented the majority of our cost of sales. For FY2022, FY2023 and FY2024, our total cost of materials consumed amounted to RMB600.5 million, RMB619.9 million and RMB836.5 million, respectively, representing 68.8%, 68.7% and 71.3% of our total cost of sales in the respective years. Our raw materials for production may be subject to price fluctuations. During the Track Record Period, we closely monitored the prices of our raw materials in order to better manage our production costs. However, to the extent we cannot pass on the price increases in these raw materials to our customers, our business operations and financial performance could be adversely affected.

Please see “Sensitivity analysis” in this section below for a sensitivity analysis, which illustrates the impact of hypothetical fluctuation in material costs on our profit before tax during the Track Record Period.

### **MATERIAL ACCOUNTING POLICIES AND CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS**

The discussion and analysis of our Group’s financial position and results of operations as included in this prospectus are based on the consolidated financial statements prepared using the material accounting policies set forth in note 4 of the Accountants’ Report set out in Appendix I to this prospectus, which conform with IFRS accounting standards issued by the IASB.

In the application of our Group’s accounting policies, the management of our Group is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

---

## FINANCIAL INFORMATION

---

Below are accounting policies and estimates that our Directors consider to be the most significant, the details of which are set forth in notes 4 and 5 of the Accountants' Report set out in Appendix I to this prospectus.

### **Revenue Recognition**

All revenue from contracts with customers within the scope of IFRS 15 are recognised at a point in time.

Our Group sells electric home appliances and non-electric household goods directly to customers through offline channels and online channels.

Revenue is recognised when control of the goods has been transferred, being when the goods have been shipped to the customers' specific location (delivery for offline channel and at the point the goods are delivered to and accepted by the customers for online channel). Our Group requires an advance payment or grants the customers a credit period from 30 days to 135 days based on the assessed credit worthiness of the customers. A contract liability is recognised for advance payments received for sales in which revenue has yet been recognised.

### **Leases**

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Our Group assesses whether a contract is or contains a lease based on the definition under IFRS 16 "Lease" at inception of the contract. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

### ***Our Group as a lessee***

Our Group applies the short-term lease recognition exemption to leases for staff quarters and warehouses 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 recognised as expense on a straight-line basis over the lease term.

In respect of right-of-use assets, the cost of right-of-use assets includes the amount of the initial measurement of the lease liability and any lease payments made at or before the commencement date. Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

Right-of-use assets are depreciated on a straight-line basis over the shorter of their estimated useful lives and the lease terms. Our Group presents right-of-use assets as a separate line item on the consolidated statements of financial position.

---

## FINANCIAL INFORMATION

---

Refundable rental deposits paid are accounted under IFRS 9 “Financial Instruments” and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

In respect of lease liabilities, at the commencement date of a lease, our Group recognises 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, our Group uses the incremental borrowing rate at the lease commencement date as the interest rate implicit in the lease is not readily determinable.

The lease payments include fixed payments less any lease incentives receivable. After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

Our Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) when the lease term has changed, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.

Our Group presents lease liabilities as a separate line item on the consolidated statements of financial position.

Our Group accounts for a lease modification as a separate lease if: (i) the modification increases the scope of the lease by adding the right to use one or more underlying assets; and (ii) the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract; a lease contract is modified and the lease modification is not accounted for as a separate lease.

For a lease modification that is not accounted for as a separate lease, our Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification. Our Group accounts for the remeasurement of lease liabilities by making corresponding adjustments to the relevant right-of-use assets.

### **Property, plant and equipment**

Property, plant and equipment are tangible assets that are held for use in the production or supply of goods or services, or for administrative purposes (other than construction in progress). 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.

---

## FINANCIAL INFORMATION

---

Buildings, machinery and equipment in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management, including costs of testing whether the related assets is functioning properly and, for qualifying assets, borrowing costs capitalised in accordance with our Group's accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Depreciation is recognised so as to write off the cost of assets other than construction in progress 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 a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

### **Inventories**

Inventories are stated at the lower of cost and net realisable value. Cost of inventories are determined on the weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale. Costs necessary to make the sale include incremental costs directly attributable to the sale and non-incremental costs which our Group must incur to make the sale.

### **Net realisable value of inventories**

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less the estimated costs of completion and costs necessary to make the sale.

Our Group assess the net realisable value of inventories as well as the required amount of write-down of inventory provision at the end of each reporting period, which involves significant judgement on determination of the estimated selling prices, costs to completion and costs necessary to make the sale.

---

## FINANCIAL INFORMATION

---

### 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 recognised at the rates of exchange 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. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the re-translation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the Historical Financial Information, the assets and liabilities of our Group's operations are translated into the presentation currency of our Group (i.e. RMB) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the date of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserves.

### Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognised and derecognised 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 "Revenue from Contracts with Customers". Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets at FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets at FVTPL are recognised immediately in profit or loss.



## FINANCIAL INFORMATION

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

### Provision of ECL for trade receivables

Trade receivables of our Group with significant balances and credit-impaired are assessed for ECL individually. In addition, our Group uses practical expedient in estimating ECL on trade receivables which are not assessed individually using a provision matrix. The provision rates are based on ageing of debtors as groupings of various debtors taking into consideration our Group's historical default rates and forward-looking information that is reasonable and supportable available without undue costs or effort. At each reporting date, the historical observed default rates are reassessed and changes in the forward-looking information are considered.

The provision of ECL is sensitive to changes in estimates. The information about the ECL and our Group's trade receivables are disclosed in note 36 of the Accountants' Report set out in Appendix I to this prospectus.

## RESULTS OF OPERATIONS

Our Group's consolidated statements of profit or loss and other comprehensive income during the Track Record Period are summarised below, which have been extracted from the Accountants' Report set out in Appendix I to this prospectus.

	<b>FY2022</b> <i>RMB'000</i>	<b>FY2023</b> <i>RMB'000</i>	<b>FY2024</b> <i>RMB'000</i>
Revenue	1,096,965	1,188,321	1,501,510
Cost of sales	<u>(873,095)</u>	<u>(902,300)</u>	<u>(1,172,986)</u>
Gross profit	223,870	286,021	328,524
Other income	23,215	22,149	19,382
Impairment losses under expected credit loss (“ECL”) model, net of reversal	(1,610)	(2,494)	(865)
Other gains and losses	8,602	9,798	10,646
Selling expenses	(24,188)	(28,274)	(34,560)
Administrative expenses	(87,714)	(90,071)	(111,184)
Research and development expenses	(31,981)	(34,447)	(36,426)
Other expenses	(3,806)	(3,470)	(1,839)
Listing expenses	–	–	(370)
Finance costs	<u>(14,467)</u>	<u>(12,519)</u>	<u>(11,993)</u>

## FINANCIAL INFORMATION

	FY2022 <i>RMB'000</i>	FY2023 <i>RMB'000</i>	FY2024 <i>RMB'000</i>
Profit before tax	91,921	146,693	161,315
Income tax expense	<u>(11,660)</u>	<u>(25,231)</u>	<u>(20,890)</u>
Profit for the year	<u>80,261</u>	<u>121,462</u>	<u>140,425</u>
<b>Other comprehensive income (expense):</b>			
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising on translation of foreign operations	1,493	306	871
Fair value loss, net of ECL and reclassification adjustments upon derecognition of trade receivables at fair value through other comprehensive income (“FVTOCI”)	–	–	(20)
Other comprehensive income (“OCI”) for the year	<u>1,493</u>	<u>306</u>	<u>851</u>
Total comprehensive income for the year	<u><u>81,754</u></u>	<u><u>121,768</u></u>	<u><u>141,276</u></u>
Earnings per share			
– Basic ( <i>RMB</i> )	<u><u>0.39</u></u>	<u><u>0.59</u></u>	<u><u>0.69</u></u>

## PRINCIPAL COMPONENTS OF RESULTS OF OPERATIONS

### Revenue

We are a manufacturer of lifestyle household goods in the PRC. During the Track Record Period, we focus on the manufacture and export sales of lifestyle household goods on ODM or OEM model which contributed more than 90% of our total revenue. In addition to ODM/OEM operation, we also operated OBM business under which we design, manufacture and sell brands under our self-owned brands.

---

## FINANCIAL INFORMATION

---

### *By Business Model*

The following table sets forth the breakdown of the revenue of our Group by ODM, OEM and OBM basis during the Track Record Period:

	<b>FY2022</b>		<b>FY2023</b>		<b>FY2024</b>	
	<i>RMB'000</i>	<i>%</i>	<i>RMB'000</i>	<i>%</i>	<i>RMB'000</i>	<i>%</i>
ODM	938,536	85.6	1,056,623	88.9	1,289,950	86.0
OEM	97,056	8.8	81,992	6.9	170,407	11.3
OBM	61,373	5.6	49,706	4.2	41,153	2.7
<b>Total</b>	<b>1,096,965</b>	<b>100.0</b>	<b>1,188,321</b>	<b>100.0</b>	<b>1,501,510</b>	<b>100.0</b>

*Note:* Revenue from our OBM business represents revenue generated from Aigrentrading, Nawu Technology, Nuocheng E-Commerce and Weighmax. Revenue from our ODM and OEM business represents revenue generated from other subsidiaries of our Group.

### *ODM business*

During the Track Record Period, revenue from our ODM business accounted for the majority of our revenue. For FY2022, FY2023 and FY2024, our ODM sales amounted to RMB938.5 million, RMB1,056.6 million and RMB1,290.0 million, respectively, which accounted for 85.6%, 88.9% and 86.0%, respectively, of our total revenue during the same year.

The sales from ODM business increased from RMB938.5 million in FY2022 to RMB1,056.6 million in FY2023, due to the increases in sales of blenders, air fryers and electric griddles to Walmart, increase in sales of blenders to Sensio, increase in sales of garden hoses to Telebrands and sales of electric kettles to one of our customers, partially offset by the absence of sales of hand-held mixers to TGI in FY2023, which accounted for the majority of our sales of ODM products to TGI in FY2022. As we initiated product upgrade for garden hoses in FY2022, our sales of older version of garden hoses have decreased during the same year. The sales volume of our garden hoses increased rapidly in FY2023 following its upgrade in FY2022.

---

## FINANCIAL INFORMATION

---

Our sales from ODM business increased from RMB1,056.6 million in FY2023 to RMB1,290.0 million in FY2024, which was primarily due to the increase in sales of slow cookers and can opener to Sensio, the sales of a new product, i.e. heating plate to RJ in FY2024 and increase in sales of garden hoses and laser projector lights sold to Telebrands, partially offset by decrease in sales of waffle machines to Walmart and decrease in sales of mixers and rice cookers to another customer. Having established a strong relationship with Sensio, one of our top five customers during each year of the Track Record Period, Sensio began ordering ODM slow cookers from us in FY2024, demonstrating their recognition of our capabilities.

### *OEM business*

Our sales from OEM business amounted to RMB97.1 million, RMB82.0 million and RMB170.4 million for FY2022, FY2023 and FY2024, respectively, which accounted for 8.8%, 6.9% and 11.3%, respectively, of our total revenue for the same year. Our sales from OEM business decreased from RMB97.1 million for FY2022 to RMB82.0 million for FY2023, primarily due to a significant drop in sales of electric heaters to one of our major OEM customers, leading to a significant decrease in revenue from this customer, which accounted for 22.3% of our total revenue from OEM business for FY2022. Our sales from OEM business increased from RMB82.0 million in FY2023 to RMB170.4 million in FY2024, which was primarily due to the increase in sales of slow cookers to Sensio, increase in sales of electric heaters to one of the customers, partially offset by decrease in sales of weighing scales to one of the customers.

### *OBM business*

For FY2022, FY2023 and FY2024, our OBM sales amounted to RMB61.4 million, RMB49.7 million and RMB41.2 million, respectively, which accounted for 5.6%, 4.2% and 2.7%, respectively, of our total revenue during the same year. The overall decrease in our revenue from OBM business throughout the Track Record Period was primarily due to a decrease in our number of OBM products sold, mainly because our strategic emphasis has been placed on our ODM and OEM business, with limited resources allocated to our OBM business. For FY2022, FY2023 and FY2024, our number of OBM products sold amounted to approximately 1.1 million units, 0.8 million units and 0.6 million units, respectively.

## FINANCIAL INFORMATION

### *By Product Type*

We derived our revenue primarily from the manufacturing and sale of lifestyle household goods categorised into two categories: (i) electric home appliances and (ii) non-electric household goods. Electric home appliances are further categorised into (i) electro-thermic appliances, (ii) motor-driven appliances and (iii) electronic appliances. Non-electric household goods are further categorised into (i) garden hoses and (ii) others. The following table sets forth the breakdown of the revenue of our Group by product type during the Track Record Period:

	<b>FY2022</b>		<b>FY2023</b>		<b>FY2024</b>	
	<i>RMB'000</i>	<i>%</i>	<i>RMB'000</i>	<i>%</i>	<i>RMB'000</i>	<i>%</i>
<b>Electric home appliances</b>						
– Electro-thermic appliances	459,013	41.8	499,099	42.0	757,883	50.5
– Motor-driven appliances	317,623	29.0	321,937	27.1	315,560	21.0
– Electronic appliances	122,997	11.2	111,570	9.4	115,066	7.7
<b>Subtotal</b>	<u>899,633</u>	<u>82.0</u>	<u>932,606</u>	<u>78.5</u>	<u>1,188,509</u>	<u>79.2</u>
<b>Non-electric household goods</b>						
– Garden hose	181,460	16.5	221,788	18.7	285,118	19.0
– Others <sup>(Note)</sup>	15,872	1.5	33,927	2.8	27,883	1.8
<b>Subtotal</b>	<u>197,332</u>	<u>18.0</u>	<u>255,715</u>	<u>21.5</u>	<u>313,001</u>	<u>20.8</u>
<b>Total</b>	<u><b>1,096,965</b></u>	<u><b>100.0</b></u>	<u><b>1,188,321</b></u>	<u><b>100.0</b></u>	<u><b>1,501,510</b></u>	<u><b>100.0</b></u>

*Note:* Others include cookware, cleaning tools and other household goods etc.

---

## FINANCIAL INFORMATION

---

### *Electro-thermic appliances*

Electro-thermic appliances primarily include electric griddle, air fryer and kettle, which represented the largest portion of our revenue during the Track Record Period among different product types, representing 41.8%, 42.0% and 50.5% of our total revenue for FY2022, FY2023 and FY2024, respectively. Our total sales of electro-thermic appliances increased from RMB459.0 million for FY2022 to RMB499.1 million for FY2023, primarily attributable to the increases in sales of our electric kettles and air fryers, partially offset by a decrease in sales of our electric heaters. Our total sales of electro-thermic appliances increased from RMB499.1 million for FY2023 to RMB757.9 million for FY2024, mainly due to the increase in sales of slow cooker, including ODM slow cookers, which Sensio began to order from us in FY2024 and electric kettles and sale of a new products, i.e. heating plate, partially offset by decrease in sales of waffle machines.

### *Motor-driven appliances*

Motor-driven appliances primarily include blender, mixer and electric can opener. For FY2022, FY2023 and FY2024, revenue generated from this product category represented 29.0%, 27.1% and 21.0% of our total revenue, respectively. Our total sales of motor-driven appliances increased from RMB317.6 million for FY2022 to RMB321.9million for FY2023, primarily attributable to the increases in sales of our blenders, electric knives and electric can openers, partially offset by decrease in sales of our hand-held mixers in FY2023, as our major buyer of our hand-held mixers for FY2022 did not make any purchase of hand-held mixer in FY2023. Our total sales of motor-driven appliances decreased from RMB321.9 million for FY2023 to RMB315.6 million for FY2024, primarily attributable to the decrease in sales of blender and ice cream machine, partially offset by the increase in sales of electric can opener, juicer and electric grinder.

### *Electronic appliances*

Electronic appliances primarily include digital scale, humidifier and laser projector light. For FY2022, FY2023 and FY2024, revenue generated from this product category represented 11.2%, 9.4% and 7.7% of our total revenue, respectively. Our total sales of electronic appliances decreased from RMB123.0 million for FY2022 to RMB111.6 million for FY2023, primarily attributable to the decrease of sales of our digital scales, such as platform scales and kitchen scales, as well as our salt grinders and knife sharpeners. Our total sales of electronic appliances remained stable at RMB111.6 million for FY2023 and RMB115.1 million for FY2024, respectively.

## FINANCIAL INFORMATION

### *Garden hose*

Most of our revenue under the non-electric household goods came from sales of garden hoses during the Track Record Period. For FY2022, FY2023 and FY2024, revenue generated from this product category represented 16.5%, 18.7% and 19.0% of our total revenue, respectively. Sales from garden hoses increased from RMB181.5 million for FY2022 to RMB221.8 million for FY2023, reflecting the success of its upgrade in FY2022. Sales from garden hoses increased from RMB221.8 million for FY2023 to RMB285.1 million for FY2024, primarily attributable to the continued growth in sales of our garden hoses due to increased demand from customer and decrease in selling price.

### *Others*

Others include our cookware, cleaning tools and other household goods. For FY2022, FY2023 and FY2024, revenue generated from this product category represented 1.5%, 2.8% and 1.8% of our total revenue, respectively.

### *By shipping destination*

The table below sets out the breakdown of our sales of products by shipping destination of our products during the Track Record Period:

	FY2022		FY2023		FY2024	
	RMB'000	%	RMB'000	%	RMB'000	%
North America						
The U.S.	755,142	68.8	958,315	80.6	1,148,669	76.5
Others <sup>(Note)</sup>	25,987	2.4	35,634	3.0	107,647	7.2
Europe	227,672	20.8	111,730	9.4	139,551	9.3
Oceania	44,073	4.0	28,834	2.4	57,219	3.8
Asia (excluding mainland China)	26,331	2.4	35,833	3.0	34,258	2.3
South America	8,527	0.8	12,228	1.0	7,369	0.5
Africa	552	0.1	759	0.1	476	0.0
Mainland China	8,681	0.7	4,988	0.5	6,321	0.4
Total	<u>1,096,965</u>	<u>100.0</u>	<u>1,188,321</u>	<u>100.0</u>	<u>1,501,510</u>	<u>100.0</u>

*Note:* Others include Canada and Mexico.

---

## FINANCIAL INFORMATION

---

Based on the delivery destinations of our products requested by our customers, our products were exported to more than 70 countries and regions worldwide. During the Track Record Period, North America was our largest market, which contributed 71.2%, 83.6% and 83.7% of our total revenue, respectively. Europe was our second largest market during the Track Record Period, which accounted for 20.8%, 9.4% and 9.3% of our total revenue, respectively.

### *Sales of products shipped to North America*

Sales of our products shipped to North America increased by RMB212.8 million from RMB781.1 million in FY2022 to RMB993.9 million in FY2023, which was mainly attributable to the increase of sales from Telebrands and Walmart, which accounted for approximately 77.5% of our increase in sales of products shipped to North America in FY2023, compared with FY2022. The increase in sales from Telebrands in FY2023 was mainly attributable to increase in sales of garden hoses following its upgrade in FY2022. Our revenue from Walmart increased in FY2023, primarily due to increase in sales of blenders, air fryers and electric griddles to Walmart in the year.

Sales of our products shipped to North America increased by RMB262.4 million from RMB993.9 million in FY2023 to RMB1,256.3 million in FY2024, which was mainly attributable to the increase in sales of slow cookers to Sensio, including ODM slow cookers, which Sensio began to order from us in FY2024, as well as the sales of heating plate to RJ which was not sold in FY2023.

### *Sales of products shipped to Europe*

Sales of our products shipped to Europe decreased by RMB116.0 million from RMB227.7 million in FY2022 to RMB111.7 million in FY2023 mainly attributable to that sales from TGI and one of our customers declined significantly in FY2023. The decrease in sales from TGI was mainly due to absence of sales of hand-held mixers in FY2023, which we sold to TGI in FY2022. The decrease in sales from the other customer mentioned in FY2023 was mainly due to absence of revenue from the majority of products we sold to that customer in FY2022. We noted a relatively low gross profit margin from that customer, and scaled down our business with that customer since FY2023.

Sales of our products shipped to Europe increased by RMB27.9 million from RMB111.7 million in FY2023 to RMB139.6 million in FY2024, which was mainly attributable to the increase in sales of air fryers, electric griddle and blenders.

### *Sales of products shipped to Oceania*

Sales of our products shipped to Oceania decreased by RMB15.3 million from RMB44.1 million in FY2022 to RMB28.8 million in FY2023, which was mainly attributable to the decrease in sales of electric heaters from one of our customers.



## FINANCIAL INFORMATION

Sales of our products shipped to Oceania increased by RMB28.4 million from RMB28.8 million in FY2023 to RMB57.2 million in FY2024, which was mainly attributable to increase in sales of garden hoses to Telebrands and increase in sales of slow cookers and blenders to another customer.

### *Sales of products shipped to Asia (excluding mainland China)*

Sales of our products shipped to Asia (excluding mainland China) increased by RMB9.5 million from RMB26.3 million in FY2022 to RMB35.8 million in FY2023, which was mainly attributable to sales of our blenders from a new customer increase in sales of our toasters and blenders from another customer in FY2023, partially offset by decrease in sales from few of our customers.

Sales of our products shipped to Asia (excluding mainland China) decreased by RMB1.5 million from RMB35.8 million for FY2023 to RMB34.3 million for FY2024 mainly due to increase of sales of egg cooker and toaster to a multinational conglomerate, partially offset by the decrease in sales of blender to one customer.

### *Sales of products delivered to Mainland China*

Sales of our products delivered to Mainland China further decreased by RMB3.7 million from RMB8.7 million in FY2022 to RMB5.0 million in FY2023, mainly attributable to the decrease in our sales from our OBM products sold at various e-commerce market places. In FY2024, our sales from products shipped to Mainland China increased by RMB1.3 million or 26.0% compared to FY2023. The overall downward trend of our revenue contributed from the Mainland China market was due to that our strategic emphasis has been placed on overseas market, with less resources allocated to our business in the Mainland China market.

### **Cost of sales**

The following table sets forth the breakdown of the cost of sales of our Group during the Track Record Period:

	<b>FY2022</b>		<b>FY2023</b>		<b>FY2024</b>	
	<i>RMB'000</i>	<i>%</i>	<i>RMB'000</i>	<i>%</i>	<i>RMB'000</i>	<i>%</i>
Cost of materials						
consumed	600,522	68.8	619,946	68.7	836,537	71.3
Direct labour cost	120,837	13.8	114,543	12.7	145,696	12.4
Overhead	93,121	10.7	93,104	10.3	93,918	8.0
Subcontracting fees	35,148	4.0	50,742	5.6	69,214	5.9
Others	23,467	2.7	23,965	2.7	27,621	2.4
Total	<u>873,095</u>	<u>100.0</u>	<u>902,300</u>	<u>100.0</u>	<u>1,172,986</u>	<u>100.0</u>

## FINANCIAL INFORMATION

Cost of materials consumed constitutes the majority of our cost of sales including metal and plastic raw materials, components and accessories. Direct labour cost mainly consists of wages for our production employees. Overhead mainly consists of depreciation cost of our leasehold lands, properties, plants and equipment, indirect labour cost and utilities. Subcontracting fees mainly represented service fees we paid to our subcontractors for certain production processes we outsourced. Others mainly represented transportation cost of our products

For FY2022, FY2023 and FY2024, our cost of sales represented 79.6%, 75.9% and 78.1% of our total revenue for the corresponding year, respectively.

Cost of materials consumed was the largest component of our cost of sales during the Track Record Period, which accounted for 68.8%, 68.7% and 71.3% of our total cost of sales for the FY2022, FY2023 and FY2024, respectively. During the Track Record Period, fluctuations of our cost of materials consumed was generally in line with the trend of sales of our products.

### Gross Profit and Gross Profit Margin

#### *By Business Model*

The following table sets forth the breakdown of the gross profit and gross profit margin (calculated by dividing gross profit by revenue of the business model) of our Group by business model during the Track Record Period:

	FY2022		FY2023		FY2024	
	Gross Profit	Gross profit margin	Gross Profit	Gross profit margin	Gross Profit	Gross profit margin
	RMB'000	%	RMB'000	%	RMB'000	%
ODM	185,347	19.7	252,129	23.9	275,186	21.3
OEM	18,282	18.8	14,450	17.6	36,461	21.4
OBM	20,241	33.0	19,442	39.1	16,877	41.0
<b>Total</b>	<b>223,870</b>	<b>20.4</b>	<b>286,021</b>	<b>24.1</b>	<b>328,524</b>	<b>21.9</b>

---

## FINANCIAL INFORMATION

---

### *ODM business*

Our gross profit from ODM business increased by 36.0% from RMB185.3 million for FY2022 to RMB252.1 million for FY2023, primarily attributable to an increase in sales from ODM business and its improved gross profit margin during the same year. Our gross profit margin of ODM business increased from 19.7% for FY2022 to 23.9% for FY2023, primarily due to the lower raw materials cost which led to the overall increase in gross profit margins of our major product categories, except for garden hoses. Our gross profit margin of sales from garden hoses decreased primarily attributable to that in FY2023 we sold several types of garden hoses previously not sold in FY2022, which have a relatively low gross profit margin compared with other types of garden hoses we sold in FY2023.

Our gross profit from ODM business increased by 9.2% from RMB252.1 million for FY2023 to RMB275.2 million for FY2024, primarily attributable to the increase in sales from ODM business, partially offset by the decrease in its gross profit margin. Our gross profit margin of ODM business decreased from 23.9% for FY2023 to 21.3% for FY2024, primarily attributable to the decrease in gross profit margins of our motor-driven appliances and garden hoses. The decrease in gross profit margins of our garden hoses was mainly attributable to the decrease in average selling price of our garden hoses, following negotiations with our customer taking into account the trend of appreciation of the USD against RMB as well as the bulk volume of order such customer had placed with us in recent years. The decrease in gross profit margins of our motor-driven appliances was mainly attributable to the increase in average costs of two types of our blenders, the sales of which account for more than 50% of our total sales of blenders in FY2024 from ODM business, and the sale of a type of blender with relatively low profit margin which was not sold in FY2023.

### *OEM business*

Our gross profit from OEM business further decreased by 20.8% from RMB18.3 million for FY2022 to RMB14.5 million for FY2023 primarily due to the decrease in both sales from OEM business and its gross profit margin. The gross profit margin of our OEM business decreased slightly from 18.8% for FY2022 to 17.6% for FY2023 mainly attributable to the decrease of gross profit margin of our electro-thermic appliances. Such decrease was primarily due to (i) the decrease in sales of our electric heaters to one of our customers, which had a higher gross profit margin and (ii) increase in sales to a renowned multinational conglomerate, with a negative gross profit margin. We offered our products at a low price to foster our relationship with the multinational conglomerate.

Our gross profit from OEM business increased by 151.7% from RMB14.5 million for FY2023 to RMB36.5 million for FY2024, primarily attributable to the increase in sales from OEM business and the increase in its gross profit margin. The increase in the gross profit margin for the OEM business was mainly due to the improved profitability of our electro-thermic appliances, including our slow cookers.

## FINANCIAL INFORMATION

### *OBM business*

Our gross profit from OBM business decreased throughout the Track Record Period, which was in line with the decline in our revenue from OBM business during the same period. However, the gross profit margin of our OBM business showed an upward trend from FY2022 to FY2023 mainly because of the improvement of gross profit margin of postal scales, revenue from which accounted for over 50% of our total revenue from OBM business during the same period. Gross profit margin of our OBM business remained relatively stable at 39.1% for FY2023 and 41.0% for FY2024.

### *By Product Type*

The following table sets forth the breakdown of the gross profit and gross profit margin (calculated by dividing gross profit by revenue of the product type) of our Group by product type during the Track Record Period:

	FY2022		FY2023		FY2024	
	Gross Profit	Gross profit margin	Gross Profit	Gross profit margin	Gross Profit	Gross profit margin
	RMB'000	%	RMB'000	%	RMB'000	%
<b>Electric home appliances</b>						
– Electro-thermic appliances	63,665	13.9	88,944	17.8	133,501	17.6
– Motor-driven appliances	50,132	15.8	67,057	20.8	54,851	17.4
– Electronic appliances	35,201	28.6	38,650	34.6	39,451	34.3
<b>Subtotal</b>	<u>148,998</u>	<u>16.6</u>	<u>194,651</u>	<u>20.9</u>	<u>227,803</u>	<u>19.2</u>
<b>Non-electric household goods</b>						
– Garden hose	72,876	40.2	85,082	38.4	94,629	33.2
– Others <sup>(Note)</sup>	<u>1,996</u>	<u>12.6</u>	<u>6,288</u>	<u>18.5</u>	<u>6,092</u>	<u>21.8</u>
<b>Subtotal</b>	<u>74,872</u>	<u>37.9</u>	<u>91,370</u>	<u>35.7</u>	<u>100,721</u>	<u>32.2</u>
<b>Total/Overall gross profit margin</b>	<u>223,870</u>	<u>20.4</u>	<u>286,021</u>	<u>24.1</u>	<u>328,524</u>	<u>21.9</u>

*Note:* Others include cookware, cleaning tools and other household goods etc.

---

## FINANCIAL INFORMATION

---

### *Electro-thermic appliances*

Our gross profit from sales of electro-thermic appliances increased by 39.6% from RMB63.7 million for FY2022 to RMB88.9 million for FY2023 as a result of an increase in sales of electro-thermic appliances and the improved gross profit margin. Despite that our customers negotiated with us to reduce the selling price of our major products considering the trend of appreciation of the USD against RMB for FY2023, our gross profit margin of sales from electro-thermic appliances increased to 17.8% for the same year. This was mainly because price of our key raw materials decreased in 2023 and that the decrease in the average cost of sales of electro-thermic appliances outweighed the decrease in average selling price of electro-thermic appliances in FY2023.

Our gross profit from sales of electro-thermic appliances increased by 50.2% from RMB88.9 million for FY2023 to RMB133.5 million for FY2024, which was primarily attributable to the increase in sales of this type of product during the same period. The gross profit margin from sales of electro-thermic appliances remained stable at 17.8% and 17.6% for FY2023 and FY2024, respectively.

### *Motor-driven appliances*

Our gross profit from sales of motor-driven appliances increased by 33.9% from RMB50.1 million for FY2022 to RMB67.1 million for FY2023 as a result of an increase in sales of motor-driven appliances and the improved gross profit margin. Despite that our customers negotiated with us to reduce the selling price of our major products considering the trend of appreciation of the USD against RMB for FY2023, our gross profit margin of sales from motor-driven appliances increased to 20.8% for the same year. This was mainly because price of our key raw materials decreased in FY2023 and that the decrease in the average cost of sales of motor-driven appliances outweighed the decrease in average selling price of motor-driven appliances in FY2023.

Our gross profit from sales of motor-driven appliances decreased by 18.2% from RMB67.1 million for FY2023 to RMB54.9 million for FY2024, which was primarily attributable to the decrease in sales, as well as reduction in gross profit margin for this type of product. The gross profit margin of motor-driven appliances decreased from 20.8% for FY2023 to 17.4% for FY2024, which was mainly due to the sales of new types of blender sold to a customer, which account for more than 50% of our sales of blenders in FY2024, such blenders has a relatively high production costs, leading to a low gross profit margin.

---

## FINANCIAL INFORMATION

---

### *Electronic appliances*

Our gross profit from sales of electronic appliances further increased by 9.9% to RMB38.7 million for FY2023, primarily attributable to the increase in gross profit margin from sales of electronic appliances, partially offset by the decrease in our sales of electronic appliances during the same year. Our gross profit margin of sales from electronic appliances increased from 28.6% for FY2022 to 34.6% for FY2023, primarily reflected by the increases in gross profit margin of digital scale sold to Amazon and laser projector lights sold to Telebrands.

Our gross profit from sales of electronic appliances increased by 2.1% from RMB38.7 million for FY2023 to RMB39.5 million for FY2024, which was primarily attributable to the increase in sales of this type of product during the same period. The gross profit margin from sales of electronic appliances remained stable at 34.6% and 34.3% for FY2023 and FY2024, respectively.

### *Garden hose*

Our gross profit from sales of garden hoses increased by 16.7% from RMB72.9 million for FY2022 to RMB85.1 million for FY2023, primarily attributable to the increase in our sales of garden hoses during the same year, partially offset the decrease in gross profit margin from sales of garden hoses. Our gross profit margin of sales from garden hoses decreased slightly from 40.2% for FY2022 to 38.4% for FY2023 primarily due to that in FY2023 we sold a type of garden hose previously not sold in FY2022, which has a relatively low gross profit margin compared with other types of garden hoses we sold.

Our gross profit from sales of garden hoses increased by 11.2% from RMB85.1 million for FY2023 to RMB94.6 million for FY2024, which was primarily attributable to the increase in sales of garden hoses, partially offset by decrease in gross profit margin from sales of garden hoses in FY2024. The gross profit margin from sales of garden hoses decreased from 38.4% to 33.2%, which was primarily attributable to that the decrease of average selling price of garden hoses for FY2024 as compared with FY2023 following negotiations with our customer taking into account the trend of appreciation of the USD against RMB as well as the bulk volume of order such customer had placed with us in recent years.

## FINANCIAL INFORMATION

### *By shipping destination*

The following table sets forth the breakdown of the gross profit and gross profit margin of our Group by shipping destination of our products during the Track Record Period:

	FY2022		FY2023		FY2024	
	Gross Profit (loss)	Gross profit margin	Gross Profit (loss)	Gross profit margin	Gross Profit (loss)	Gross profit margin
	RMB'000	%	RMB'000	%	RMB'000	%
North America <sup>(Note)</sup>	175,185	22.4	257,460	25.9	295,409	23.5
Europe	33,239	14.6	16,688	14.9	19,612	14.1
Oceania	8,130	18.4	4,509	15.6	11,447	20.0
Asia (excluding mainland China)	3,762	14.3	4,060	11.3	1,835	5.4
South America	1,473	17.3	2,519	20.6	1,658	22.5
Africa	115	20.8	259	34.1	79	16.6
Mainland China	1,966	22.6	526	10.5	(1,516)	(24.0)
<b>Total</b>	<b>223,870</b>	<b>20.4</b>	<b>286,021</b>	<b>24.1</b>	<b>328,524</b>	<b>21.9</b>

*Note:* North America includes the U.S., Canada and Mexico.

### *Products shipped to North America*

Our gross profit from sales of products shipped to North America increased from RMB175.2 million in FY2022 to RMB257.5 million in FY2023, primarily attributable to the increase in our sales of products shipped to North America in FY2023 and the increase in gross profit margin on sales of products shipped to North America during the same year. Our gross profit margin for products shipped to North America increased from 22.4% in FY2022 to 25.9% in FY2023, mainly attributable to the relatively low prices of our key raw materials, which led to the overall increase in gross profit margins of our various product categories, except for our garden hoses. Our gross profit margin on sales of garden hoses decreased primarily attributable to that in FY2023 we sold a type of garden hose previously not sold in FY2022, which has a relatively low gross profit margin compared with other types of garden hoses we sold.

---

## FINANCIAL INFORMATION

---

Our gross profit from sales of products shipped to North America increased from RMB257.5 million for FY2023 to RMB295.4 million for FY2024, primarily attributable to the increase in our sales of products shipped to North America for FY2024, partially offset by decrease in gross profit margin from sale of products shipped to North America from 25.9% for FY2023 to 23.5% for FY2024. The decline in gross profit margin was mainly due to a reduced gross profit margin for garden hoses sold to Telebrands in FY2024, as well as decreased in gross profit margin for blenders sold to Walmart in FY2024. Additionally, the introduction of a type of blender with low gross profit margin sold to Walmart in FY2024, which was previously not sold in FY2023, also contributed to the decrease in the gross profit margin.

### *Products shipped to Europe*

Our gross profit from sales of products shipped to Europe decreased from RMB33.2 million in FY2022 to RMB16.7 million in FY2023, primarily attributable to the decrease in our sales of products shipped to Europe during FY2023. Our gross profit margin on sale of products shipped to Europe remained stable at 14.6% and 14.9% in FY2022 and FY2023, respectively.

Our gross profit from sales of products shipped to Europe increased from RMB16.7 million for FY2023 to RMB19.6 million for FY2024, primarily attributable to the increase in our sales of products shipped to Europe during FY2024. Our gross profit margin from sale of products shipped to Europe remained stable at 14.9% and 14.1% in FY2023 and FY2024, respectively.

### *Products shipped to Oceania*

Our gross profit from sales of products shipped to Oceania decreased from RMB8.1 million in FY2022 to RMB4.5 million in FY2023, primarily attributable to the decrease in sales of products shipped to Oceania in FY2023 and the decrease of gross profit margin on sales of products shipped to Oceania during the same year. Our gross profit margin on sale of products shipped to Oceania decreased from 18.4% in FY2022 to 15.6% in FY2023, mainly because sales of our electric heaters and heater stands to the aforesaid key customer of FY2021 and FY2022 decreased significantly or dropped to zero in FY2023, leading to a decrease our overall gross profit and gross profit margin in FY2023.

Our gross profit from sales of products shipped to Oceania increased from RMB4.5 million for FY2023 to RMB11.4 million for FY2024. Such growth was primarily driven by an increase in sales of products shipped to Oceania during FY2024, as well as an improved gross profit margin for these products from 15.6% for FY2023 to 20.0% for FY2024. The improvement of gross profit margin was mainly due to that we started to sell garden hoses which had higher gross profit margin compared with other products we sold to Telebrands with Oceania as shipping destination, since the fourth quarter of FY2023.



---

## FINANCIAL INFORMATION

---

### *Products shipped to Asia (excluding mainland China)*

Our gross profit from sales of products shipped to Asia (excluding mainland China) increased from RMB3.8 million in FY2022 to RMB4.1 million in FY2023, primarily attributable to the increase in sales of products shipped to Asia (excluding mainland China) in FY2023, partially offset by decrease in gross profit margin on sales of products shipped to Asia (excluding mainland China) during the same year.

Our gross profit from sales of products shipped to Asia (excluding mainland China) decreased from RMB4.1 million for FY2023 to RMB1.8 million for FY2024, which was primarily attributable to the decrease in sales shipped to Asia (excluding mainland China), as well as a decreased gross profit margin for FY2024.

Our gross profit margin on sale of products shipped to Asia (excluding mainland China) decreased from 14.3% in FY2022 to 11.3% in FY2023 and further decreased to 5.4% in FY2024. Such decrease was mainly due to the increase of sales from a multinational conglomerate in FY2023 and FY2024, as we recorded a negative profit margin on sales of products to that customer throughout the Track Record Period. We offered our products at a relatively low price to foster our relationship with that customer.

### *Products delivered to Mainland China*

Our gross profit from sales of products delivered to Mainland China decreased from RMB2.0 million in FY2022 to RMB0.5 million in FY2023, primarily attributable to the decrease in sales of products delivered to Mainland China in FY2023 and the decrease in gross profit margin on sales of products delivered to Mainland China during the same year. Our gross profit margin on sale of products delivered to Mainland China decreased from 24.6% in FY2021 to 22.6% in FY2022 and further decreased to 10.5% in FY2023. Such decrease was mainly attributed to the price reductions of our products under our Aigoli and Weighmax brands, aiming at boosting our sales, in face of fierce market competition. These price reductions led to lower gross profit margins and, in some cases, negative profit margins on sales to several online platforms.

Our gross profit from sales of products delivered to Mainland China decreased from RMB0.5 million for FY2023 to a gross loss of RMB1.5 million for FY2024, primarily attributable to the decrease in gross profit margin for products shipped to Mainland China, partially offset by increase in sales for these products.

The turnaround of positive gross profit margin from sales of products delivered to Mainland China from 10.5% for FY2023 to a negative gross profit margin of 24.0% was mainly attributable to sales of toaster and electric kettle to a new customer in FY2024 at a low price.

---

## FINANCIAL INFORMATION

---

### Sensitivity analysis

Our gross profit, gross profit margin and profit before tax are affected by our cost of sales. Our cost of raw materials represented the majority of our cost of sales, which accounted for 68.8%, 68.7% and 71.3% of our total cost of sales in FY2022, FY2023 and FY2024, respectively. For illustration purpose, we set out below a sensitivity analysis of the estimated increase/decrease in our profit before tax for the respective year with reference to a hypothetical change in our cost of raw materials during the Track Record Period, assuming all other factors remain unchanged:

#### *Hypothetical Fluctuation in our cost of raw materials*

	Impact on our profit before tax		
	FY2022	FY2023	FY2024
	RMB'000	RMB'000	RMB'000
Hypothetical increase/ decrease in cost of raw materials:			
5%	(30,026)	(30,997)	(41,827)
10%	(60,052)	(61,995)	(83,654)
15%	(90,078)	(92,992)	(125,480)
-5%	30,026	30,997	41,827
-10%	60,052	61,995	83,654
-15%	90,078	92,992	125,480

Our financial performance has also been impacted by fluctuations in foreign currency exchange rates as most of our sales was export sales denominated in USD while our cost of sales, including our transactions with our top five suppliers in each year during the Track Record Period, were generally denominated in RMB during the Track Record Period. In the event of fluctuations in the foreign exchange rate of USD and RMB, our results of operations and financial condition may be affected.

## FINANCIAL INFORMATION

### Other income

The following table sets forth the breakdown of the other income of our Group during the Track Record Period:

	FY2022 <i>RMB'000</i>	FY2023 <i>RMB'000</i>	FY2024 <i>RMB'000</i>
Government grants			
– related to expense items	13,117	7,890	4,267
– related to assets	<u>163</u>	<u>163</u>	<u>163</u>
	<u>13,280</u>	<u>8,053</u>	<u>4,430</u>
Interest income	6,081	10,168	11,650
Compensation income from customers	344	7	118
Sales of materials, mouldings and scraps	2,342	2,793	1,946
Rental income	924	647	951
Others	<u>244</u>	<u>481</u>	<u>287</u>
	<u><u>23,215</u></u>	<u><u>22,149</u></u>	<u><u>19,382</u></u>

The government grants primarily consist of subsidies provided by local authorities in the PRC, such as those aiming to encourage exports, and to support listings on local exchanges. These government grants are typically awarded on a one-off basis once specific conditions are met. For instance, recipients may need to achieve a certain value of exported goods within a year or to reach a particular phase in the listing process, such as filing of listing application and related documents with local exchanges or the CSRC.

Other income principally comprises (i) government grants, (ii) interest income, (iii) compensation income from customers and (iv) sales of materials, mouldings and scraps.

Our compensation income mainly included compensation fee for materials we prepared but not used for orders from Sensio, one of our top five customers in each year during the Track Record Period. The orders were subsequently canceled, resulting in the compensation.

Other income from sales of materials, mouldings and scraps primarily consists of income generated from selling of materials such as stainless steel, mouldings used in the manufacture of products such as waffle machine and toasters and our unused materials such as aluminum scraps and copper wire coil.

## FINANCIAL INFORMATION

### Impairment losses under expected credit loss (“ECL”) model, net of reversal

The following table sets forth the breakdown of impairment losses under ECL model, net of reversal, of our Group during the Track Record Period:

	<b>FY2022</b> <i>RMB'000</i>	<b>FY2023</b> <i>RMB'000</i>	<b>FY2024</b> <i>RMB'000</i>
Impairment losses recognised (reversed) on:			
– Trade receivables	2,450	2,015	1,143
– Trade receivables at fair value through other comprehensive income (“ <b>FVTOCI</b> ”)	127	190	(318)
– Other receivables	(967)	289	40
	<u>1,610</u>	<u>2,494</u>	<u>865</u>

We record impairment loss and reversal of impairment loss under ECL model, which represented the impairment losses recognised or reversed on our trade and bills receivables, trade receivables at FVTOCI and other receivables.

### Other gains and losses

The following table sets forth the breakdown of other gains or losses of our Group during the Track Record Period.

	<b>Year ended 31 December</b>		
	<b>2022</b> <i>RMB'000</i>	<b>2023</b> <i>RMB'000</i>	<b>2024</b> <i>RMB'000</i>
Gain from wealth management products measured at FVTPL	2,874	561	–
Gain from termination of lease contracts	12	15	–
Loss from foreign currency forward contracts	(8,004)	–	–
Gain on disposal of property, plant and equipment	53	7	51
Net foreign exchange gains	14,386	9,939	16,706
Impairment losses recognised on investment property	–	–	(2,000)
Loss on trade receivables at FVTOCI reclassified from equity upon derecognition	–	–	(3,597)
Others	(719)	(724)	(514)
	<u>8,602</u>	<u>9,798</u>	<u>10,646</u>

## FINANCIAL INFORMATION

Other gains or losses of our Group principally comprises (i) gain from wealth management products measured at FVTPL, (ii) loss from foreign currency forward contracts, which we entered into with a view to manage risks associated with foreign exchange fluctuations, (iii) net foreign exchange gain or losses and (iv) others, which include provision for litigations, gain from termination of lease contracts, compensation paid by us and gain or loss on disposal of property, plant and equipment.

### Selling expenses

The following table sets forth the breakdown of the selling expenses of our Group during the Track Record Period:

	<b>FY2022</b>		<b>FY2023</b>		<b>FY2024</b>	
	<i>RMB'000</i>	<i>%</i>	<i>RMB'000</i>	<i>%</i>	<i>RMB'000</i>	<i>%</i>
Staff cost	9,733	40.2	10,435	36.9	12,615	36.5
Marketing and promotion expenses	10,214	42.2	9,037	32.0	7,359	21.3
Testing and inspection fees	2,777	11.5	3,651	12.9	5,477	15.8
Export insurance cost	920	3.8	2,074	7.3	4,446	12.9
Traveling and entertainment expenses	375	1.6	1,554	5.5	2,112	6.1
Others	169	0.7	1,523	5.4	2,551	7.4
<b>Total</b>	<b>24,188</b>	<b>100.0</b>	<b>28,274</b>	<b>100.0</b>	<b>34,560</b>	<b>100.0</b>

For FY2022, FY2023 and FY2024, our selling expenses represented 2.2%, 2.4% and 2.3% of our total revenue for the corresponding year, respectively.

Our selling expenses primarily include (i) staff cost for our sales and marketing staff, (ii) marketing and promotion expense which includes fees paid to ecommerce market place, (iii) fees for product testing and inspection services, (iv) export insurance costs, (v) traveling and entertainment expenses and (vi) others.

## FINANCIAL INFORMATION

### Administrative expenses

The following table sets forth the breakdown of the administrative expenses of our Group during the Track Record Period:

	<b>FY2022</b>		<b>FY2023</b>		<b>FY2024</b>	
	<i>RMB'000</i>	<i>%</i>	<i>RMB'000</i>	<i>%</i>	<i>RMB'000</i>	<i>%</i>
Staff cost	47,107	53.7	45,282	50.3	52,587	47.3
Depreciation and amortisation expenses	15,007	17.1	16,160	17.9	21,582	19.4
Office expenses	7,209	8.2	8,505	9.4	10,469	9.4
Travelling and entertainment expenses	2,347	2.7	4,096	4.5	4,707	4.2
Rental and utilities	4,296	4.9	3,108	3.5	3,951	3.6
Labour Fees	2,500	2.9	2,491	2.8	3,001	2.7
Professional fees	2,822	3.2	2,878	3.2	3,544	3.2
Tax and surplus	2,461	2.8	2,581	2.9	4,134	3.7
Bank charges	927	1.1	692	0.8	1,371	1.2
Others	3,038	3.5	4,278	4.7	5,838	5.3
Total	<u>87,714</u>	<u>100.0</u>	<u>90,071</u>	<u>100.0</u>	<u>111,184</u>	<u>100.0</u>

For FY2022, FY2023 and FY2024, our administrative expenses represented 8.0%, 7.6% and 7.4% of our total revenue for the corresponding year, respectively.

Our administrative expenses primarily include (i) staff cost for our managerial and administrative staff, (ii) depreciation and amortisation expenses, (iii) office expenses, which include purchase of office equipments and fees paid for enterprise management software, (iv) travelling and entertainment expense, (v) rental and utilities, (vi) labour fees, (vii) professional fees, include fees paid for legal services, (viii) tax and surplus, (ix) bank charges and (x) others.

## FINANCIAL INFORMATION

### Research and Development Expenses

The following table sets forth the breakdown of our Group's research and development expenses during the Track Record Period:

	FY2022		FY2023		FY2024	
	RMB'000	%	RMB'000	%	RMB'000	%
Staff cost	20,206	63.2	19,577	56.9	21,908	60.1
Direct costs	5,591	17.5	6,651	19.3	7,281	20.0
Depreciation expenses	4,399	13.8	3,549	10.3	3,622	9.9
Rental, utilities and property management fee	727	2.3	1,006	2.9	1,132	3.1
Others	1,058	3.2	3,664	10.6	2,483	6.8
Total	<u>31,981</u>	<u>100.0</u>	<u>34,447</u>	<u>100.0</u>	<u>36,426</u>	<u>100.0</u>

For FY2022, FY2023 and FY2024, our research and development expenses represented 2.9%, 2.9% and 2.4% of our total revenue for the corresponding year, respectively.

Our research and development expenses primarily include (i) staff costs for our R&D staff; (ii) direct costs, which mainly represent expenses for raw materials used in R&D purposes, (iii) depreciation expenses, (iv) rental, utilities and property management fee and (v) others.

### Other expenses

The following table sets forth the breakdown of the other expenses of our Group during the Track Record Period:

	FY2022		FY2023		FY2024	
	RMB'000	%	RMB'000	%	RMB'000	%
Professional Fees	3,686	96.8	3,280	94.5	1,356	73.7
Donation	120	3.2	190	5.5	483	26.3
Total	<u>3,806</u>	<u>100.0</u>	<u>3,470</u>	<u>100.0</u>	<u>1,839</u>	<u>100.0</u>

---

## FINANCIAL INFORMATION

---

For FY2022, FY2023 and FY2024, our other expenses represented 0.3%, 0.3% and 0.1% of our total revenue for the corresponding year, respectively.

Our other expenses include (i) professional fees incurred in connection with our previous A share listing attempt, which was terminated in 2024 and (ii) donations.

### Finance Costs

The following table sets forth the breakdown of the finance costs of our Group during the Track Record Period:

	<b>FY2022</b>	<b>FY2023</b>	<b>FY2024</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Interest on borrowings	13,014	14,689	11,809
Interest on lease liabilities	<u>2,361</u>	<u>2,629</u>	<u>2,722</u>
Total borrowing costs	15,375	17,318	14,531
Less: amounts capitalised in the cost of qualifying assets	<u>(908)</u>	<u>(4,799)</u>	<u>(2,538)</u>
	<u><u>14,467</u></u>	<u><u>12,519</u></u>	<u><u>11,993</u></u>

The finance costs principally comprise of (i) interest on borrowings; (ii) interest on lease liabilities, less the amounts capitalised in the cost of qualifying assets.

### Income tax expenses

For FY2022, FY2023 and FY2024, our Group recorded income tax expenses of RMB11.7 million, RMB25.2 million and RMB20.9 million, respectively. We are subject to varying tax rates in different jurisdictions. See note 11 to the Accountants' Report set out in Appendix I to this prospectus.

Our Company and most of our subsidiaries are located in the PRC. In PRC, pursuant to the Enterprise Income Tax Law and Implementation Regulation of the Enterprise Income Tax Law, the tax rate of our PRC subsidiaries was 25% during the Track Record Period.

Our Company enjoyed preferential tax treatments, due to preferential tax policies for being approved as High and New Technology Enterprise (高新技術企業). According to the Enterprise Income Tax Law and Implementation Regulation of the Enterprise Income Tax Law, our Company was subject to Enterprise Income Tax rate of 15% during the Track Record Period. We have been awarded "High and New Technology Enterprise" since 2016.



---

## FINANCIAL INFORMATION

---

Our Hong Kong subsidiaries domiciled in Hong Kong are subject to a two-tiered income tax rate for taxable income earned in Hong Kong effectively since 1 April 2018. The first 2 million Hong Kong dollars of profits earned by the qualifying group entity are subject to be taxed at an income tax rate of 8.25%, while the remaining profits will continue to be taxed at the existing tax rate, 16.5%.

Pursuant to the applicable U.S. federal and state income tax laws, our U.S. subsidiaries have provided income taxes on their federal and state taxable income at the 21% U.S. federal statutory corporate income tax rate and states statutory corporate tax rates of up to 8.84% throughout the Track Record Period, respectively.

Our effective income tax rate, which was calculated by dividing our income tax expense of each year by our profit before tax of the corresponding year, was 12.7%, 17.2% and 12.9% in FY2022, FY2023 and FY2024, respectively.

Our Directors confirm that, during the Track Record Period and up to the Latest Practicable Date, we had no material disputes or unresolved tax issues with the relevant tax authorities.

### PERIOD-TO-PERIOD COMPARISON OF RESULTS OF OPERATIONS

#### **FY2024 compared to FY2023**

##### ***Revenue***

The revenue of our Group increased by RMB313.2 million or 26.4% from RMB1,188.3 million for FY2023 to RMB1,501.5 million for FY2024, which was primarily due to the increase in revenue from sales of electro-thermic appliances of RMB258.8 million and increase in revenue from sales of garden hoses of RMB63.3 million. The increase in revenue from sales of electro-thermic appliances for FY2024 was primarily due to the increase in sales of slow cookers, including ODM slow cookers, which Sensio began to order from us in FY2024 and electric kettles and sale of a new product, i.e. heating plate, partially offset by decrease in sales of waffle machines. The increase in revenue from sales of garden hoses for FY2024 was mainly attributable to the continued growth in sales of garden hoses, during FY2024.

The above increases were partially offset by decrease in sales of motor-driven appliances such as blender and ice cream machine and decrease in sales of other products.

##### ***Costs of sales***

The costs of sales of our Group increased by RMB270.7 million or 30.0% from RMB902.3 million for FY2023 to RMB1,173.0 million for FY2024, which was primarily due to the increases in our total sales. The growth rate of our cost of sales was higher than that of our revenue, which was mainly attributable to the change of our sales structure, as we sold more products with relatively low gross profit margins in FY2024.

---

## FINANCIAL INFORMATION

---

### ***Gross profit and Gross Profit Margin***

The gross profit of our Group increased by RMB42.5 million or 14.9% from RMB286.0 million for FY2023 to RMB328.5 million for FY2024, which was primarily due to revenue growth for most of our product categories, save for motor-driven appliances and others, partially offset by a decrease in our overall gross profit margin.

The decrease in our overall gross profit margin was mainly due to the decrease in gross profit margin for our motor-driven appliances and garden hoses in FY2024, primarily attributable to new blenders with low gross profit margin sold in FY2024, as well as a reduction in the average selling price of garden hoses following negotiations with our customer taking into account the trend of appreciation of the USD against RMB as well as the bulk volume of order such customer had placed with us in recent years.

### ***Other income***

The other income of our Group decreased by RMB2.7 million or 12.2% from RMB22.1 million for FY2023 to RMB19.4 million for FY2024. Such decrease was mainly due to the absence of specific special government subsidies, previously available in FY2023 and that less export foreign exchange rewards were issued in FY2024 as compared to FY2023.

### ***Impairment losses under expected credit loss model, net of reversal***

Our impairment losses under expected credit loss model, decreased from RMB2.5 million for FY2023 to RMB0.9 million for FY2024, primarily due to the decrease of impairment losses on trade receivables.

### ***Other gains and losses***

Our other gains and losses increased from RMB9.8 million for FY2023 to RMB10.6 million for FY2024, which was primarily attributable to the increase in net foreign exchange gains, partially offset by (i) impairment losses recognised on investment property and (ii) loss on trade receivables at FVTOCI reclassified from equity upon derecognition.

### ***Selling expenses***

The selling expenses of our Group increased by RMB6.3 million from RMB28.3 million for FY2023 to RMB34.6 million for FY2024. Such increase was mainly the result of increase in (i) staff costs of RMB2.2 million, and (ii) increase in export insurance costs of RMB2.4 million.

---

## FINANCIAL INFORMATION

---

### *Administrative expenses*

The administrative expenses of our Group increased by RMB21.1 million or 23.4% from RMB90.1 million for FY2023 to RMB111.2 million for FY2024, which was primarily attributable to the increase in (i) staff costs of RMB7.3 million, (ii) depreciation and amortization expenses of RMB5.4 million and (iii) office expenses of RMB2.0 million.

The increase in administrative staff costs was in line with our growth of revenue and increase in number of administrative staff for FY2024.

### *Research and Development Expenses*

Our Group's research and development expenses increased by RMB2.0 million or 5.8% from RMB34.4 million for FY2023 to RMB36.4 million for FY2024, which was primarily attributable to the increase in research and development staff costs of RMB2.3 million, partially offset by decrease in other research and development expenses.

### *Other Expenses*

Our Group's other expenses decreased by RMB1.7 million or 48.6%, from RMB3.5 million for FY2023 to RMB1.8 million for FY2024, which was mainly attributable to the decrease of professional fees in connection to our previous A share listing attempt. We voluntarily withdrew our A share listing application in the first half of 2024. For details, please see "History, Development and Corporate Structure – Previous A Share Listing Attempt" in this prospectus.

### *Finance Costs*

Our finance costs for FY2023 and FY2024 remained stable at RMB12.5 million and RMB12.0 million, respectively.

### *Profit before tax*

As a result of the foregoing, our profit before tax increased from RMB146.7 million for FY2023 to RMB161.3 million for FY2024.

### *Income tax expenses*

The income tax expenses of our Group decreased by 17.1% from RMB25.2 million for FY2023 to RMB20.9 million for FY2024, mainly due to the over provision in prior years in respect of PRC Enterprise Income Tax in the amount of RMB6.3 million. Such amount represents the overcharged tax in prior years and, as notified by the relevant tax authority in FY2024, was deductible against the tax payable in FY2024.

---

## FINANCIAL INFORMATION

---

### *Profit for the year*

As a result of the foregoing, profit for the year increased by RMB18.9 million or 15.6% from RMB121.5 million for FY2023 to RMB140.4 million for FY2024.

### **FY2023 compared to FY2022**

#### *Revenue*

The revenue of our Group increased by RMB91.3 million or 8.3% from RMB1,097.0 million for FY2022 to RMB1,188.3 million for FY2023, which was primarily attributable to an overall higher sales of our product categories, except for electronic appliances. Revenue from our electro-thermic appliances increased in FY2023 primarily due to the increases in sales of electric kettles and air fryers, partially offset by less sales of electric heaters. Revenue from garden hoses increased in FY2023 as we initiated product upgrade for garden hose in FY2022 and during the same year, our sales of older version of garden hoses have decreased. Following its upgrade in FY2022, the sales volume of our garden hoses increased rapidly in FY2023. The increase of sales from our other non-electric household goods was mainly because more door stop, hooks and cleaning tools were sold in FY2023. Sales from our motor-driven appliances also increased in FY2023 was primarily due to more sales of blenders, electric knives and electric can openers, partially offset by a decrease in sales of hand-held mixers.

The above increases were partially offset by the decrease in sales from electronic appliances. In particular, there was a decrease in sales of electronic scales, salt grinders and knife sharpeners.

#### *Cost of Sales*

The cost of sales of our Group increased by RMB29.2 million or 3.3% from RMB873.1 million for FY2022 to RMB902.3 million for FY2023. The growth rate of our cost of sales in FY2023 was lower than that of our revenue during the same year was primarily due to the decrease in price of our major raw materials in FY2023 which outpaced the decrease in the average selling prices of our products. Considering the trend of appreciation of the USD against RMB and the decrease in price our raw materials, our customers negotiated with us to reduce the selling price of our major products.

#### *Gross profit and Gross Profit Margin*

The gross profit of our Group increased by RMB62.1 million or 27.7% from RMB223.9 million for FY2022 to RMB286.0 million for FY2023, which was primarily due to revenue growth in most product categories and the improvement of our overall gross profit margin. The lower raw materials cost led to an overall increase in gross profit margins of our various product categories in FY2023, except for garden hoses. Our gross profit margin of sales from garden hose decreased slightly from 40.2% for FY2022 to 38.4% for FY2023 primarily due to that in FY2023 we sold a type of garden hose previously not sold in FY2022, which has a relatively low gross profit margin compared with other types of garden hoses we sold.

---

## FINANCIAL INFORMATION

---

### *Other income*

The other income of our Group decreased by RMB1.1 million or 4.7% from RMB23.2 million for FY2022 to RMB22.1 million for FY2023, which was primarily attributable to the absence of government grant in relation to our previous A share listing attempt for FY2023, partially offset by the increase in interest income from bank deposits.

### *Impairment losses under expected credit loss model, net of reversal*

Our impairment losses under expected credit loss model, included an increase from an impairment loss of RMB1.6 million for FY2022 to an impairment loss of RMB2.5 million for FY2023. This increase was primarily due to the turnaround from the impairment losses reversal on other receivables in FY2022 to impairment losses recognised on other receivables in FY2023.

### *Other gains and losses*

Our Group recorded other gains of RMB8.6 million and RMB9.8 million for FY2022 and FY2023, respectively. The increase in other gains was primarily because our Group did not record a loss from foreign currency forward contracts in FY2023, unlike in FY2022, where we recorded a loss of RMB8.0 million from foreign currency forward contracts, which was partially offset by (i) decrease in net gain from wealth management products at FVTPL; and (ii) decrease in net foreign exchange gains.

### *Selling expenses*

The selling expenses of our Group increased by RMB4.1 million or 16.9% from RMB24.2 million for FY2022 to RMB28.3 million for FY2023. Such increase was mainly due to the increase in the sales of our products, reflected by the increases in (i) export insurance costs of RMB1.2 million, (ii) testing and inspection fees of RMB0.9 million and (iii) other expenses of RMB1.4 million. Our export insurance costs increased in FY2023 primarily as a result of the reduction in government subsidies associated with export credit insurance.

### *Administrative expenses*

The administrative expenses of our Group increased by RMB2.4 million or 2.7% from RMB87.7 million for FY2022 to RMB90.1 million for FY2023. Such increase was mainly due to the increase in the sales of our products, reflected by the increases in (i) office expenses and (ii) travelling and entertainment expenses, partially offset by the decrease in staff cost for our managerial and administrative staff.

Despite our revenue increased in FY2023, as compared with FY2022, our managerial and administrative staff costs decreased in FY2023, which was primarily attributable to decrease in salary of managerial and administrative staff. Such decrease was in line with the decrease in number of managerial and administrative staff, including staff in charge of warehouse management.

---

## FINANCIAL INFORMATION

---

### ***Research and development expenses***

Our Group's research and development expenses increased by RMB2.4 million or 7.5% from RMB32.0 million for FY2022 to RMB34.4 million for FY2023, primarily due to increase in other expenses (including designing expenses for various research and development projects).

### ***Other Expenses***

Our Group's other expenses decreased by RMB0.3 million or 7.9% from RMB3.8 million for FY2022 to RMB3.5 million for FY2023, mainly attributable to the decrease of professional fees incurred in connection to our previous A share listing attempt.

### ***Finance Costs***

Our Group recorded net finance costs of RMB14.5 million and RMB12.5 million for FY2022 and FY2023, respectively. Such decrease was primarily attributable to the increase of the amounts capitalised in the costs of construction in progress of RMB3.9 million primarily arisen from the construction of our XJ Intelligence Factory.

### ***Profit before tax***

As a result of the foregoing, our profit before tax increased from RMB91.9 million in FY2022 to RMB146.7 million in FY2023.

### ***Income tax expenses***

The income tax expenses of our Group increased by RMB13.5 million or 115.4% from RMB11.7 million for FY2022 to RMB25.2 million for FY2023, which was due to the increase in profit before tax for FY2023.

### ***Profit for the Year***

As a result of the foregoing, profit for the year increased by RMB41.2 million or 51.3% from RMB80.3 million in FY2022 to RMB121.5 million in FY2023.

---

## FINANCIAL INFORMATION

---

### DISCUSSION OF CERTAIN KEY ITEMS OF STATEMENTS OF FINANCIAL POSITION

#### Property, plant and equipment

Our property, plant and equipment mainly represent buildings, machinery and equipment, motor vehicles, electronic equipment, leasehold improvement and construction in progress. As at 31 December 2022, 2023 and 2024, the carrying value of our property, plant and equipment amounted to RMB322.7 million, RMB433.7 million and RMB503.7 million, respectively. Such increase throughout the Track Record Period was primarily due to the construction of our XJ Intelligence Factory and purchase of machinery and equipment.

#### Right-of-use assets

Our right-of-use assets mainly consisted of leasehold lands and leased properties. Leased terms of our leased properties are fixed with various period, from 1 to 10 years. During the Track Record Period, we leased certain properties from Mr. Pan Yun, and for details, please see “Connected Transactions” in this prospectus.

As at 31 December 2022, 2023 and 2024, the carrying amounts of our right-of-use assets was RMB111.5 million, RMB119.8 million and RMB100.0 million, respectively.

Our right-of-use assets increased from RMB111.5 million as at 31 December 2022 to RMB119.8 million as at 31 December 2023, primarily due to addition of lease in respect of our Indonesia Factory. Our right-of-use assets decreased from RMB119.8 million as at 31 December 2023 to RMB100.0 million as at 31 December 2024, primarily due to the depreciation charge in respect of our leasehold lands and leased properties.

## FINANCIAL INFORMATION

### Inventories

The following table sets forth details of our inventories as at the dates indicated:

	As at 31 December		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
Raw materials	69,211	62,323	75,195
Work in progress	67,265	63,978	74,869
Finished goods	43,209	41,865	64,942
Goods in transit	21,562	42,382	27,308
	<u>201,247</u>	<u>210,548</u>	<u>242,314</u>
Less: provision	<u>(27,509)</u>	<u>(36,933)</u>	<u>(34,957)</u>
	<u>173,738</u>	<u>173,615</u>	<u>207,357</u>

Our inventories (before net of provision) increased by 4.6% to RMB210.5 million as at 31 December 2023, which were generally in line with the fluctuation in our revenue during the same period. Our inventories (before net of provision) increased to RMB242.3 million as at 31 December 2024, as we actively stocked up on inventories due to more sales orders on hand.

Our Group assesses the net realisable value of inventories as well as the required amount of write-down of inventory provision at the end of each reporting period.

As at 31 December 2022, 2023 and 2024, we recorded inventory provisions in the amount of RMB27.5 million, RMB36.9 million and RMB35.0 million, respectively.

Our inventory provision increased as at 31 December 2023, primarily attributable to: (i) the upgrading of our older garden hoses and (ii) cancellation of order for our kettles and toasters by a customer, leading us to make inventory provisions for the affected products. Subsequently, our inventory provision decreased as at 31 December 2024, following the sale of part of the inventories for which we had made provisions as at 31 December 2023.



## FINANCIAL INFORMATION

The following is an ageing analysis of our Group's inventories:

	<b>As at 31 December</b>		
	<b>2022</b>	<b>2023</b>	<b>2024</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Within and 6 months	132,541	156,336	193,083
Between 6 months and 1 year	18,326	9,804	7,220
Between 1 and 2 years	25,118	13,864	9,916
Between 2 and 3 years	8,434	14,014	7,055
Over 3 years	16,828	16,530	25,040
	<u>201,247</u>	<u>210,548</u>	<u>242,314</u>
Total	<u>201,247</u>	<u>210,548</u>	<u>242,314</u>

Inventories are stated at the lower of cost and net realisable value. As at 31 December 2022, 2023 and 2024, our inventories aged over one year amounted to RMB50.4 million, RMB44.4 million and RMB42.0 million, representing 25.0%, 21.1% and 17.3% of our inventories during the respective years.

We assess the net realisable value of inventories as well as the required amount of write-down of inventory provision at the end of each reporting period, which involves significant judgement on determination of the estimated selling prices, costs to completion and costs necessary to make the sale.

The provision for inventories is affected by multiple factors, including but not limited to the aging of inventories and the expected life cycle of our products. In particular, the net realisable value of the inventories decreases along with the aging of inventories and the reduction of product life cycle.

Our Directors consider that there is no recoverability issue for the inventories aged over one year and the provision for inventories are sufficient, considering (i) our historical sales performance, in particular, during the Track Record Period, we had not encountered any material impairment loss that have materially and adversely affected our business operations caused by slow-moving inventories; (ii) for inventories in stock as at 31 December 2022, 2023 and 2024, we have made provision account for over 55%, 70% and 70% of our inventories aged over 1 year, stated at the lower of cost and net realisable value and (iii) we may sell slow moving inventories at a discount.

## FINANCIAL INFORMATION

The following table sets forth our Group's inventory turnover days for the years indicated:

	<b>FY2022</b>	<b>FY2023</b>	<b>FY2024</b>
Inventory turnover days <sup>(note)</sup>	88	71	60

*Note:* Inventory turnover days are calculated based on the average of the beginning and ending balance of inventory (net of provision) divided by the cost of sales for the relevant year multiplied by number of days in the relevant year (i.e. 365 days for FY2022, FY2023 and FY2024). Average inventory is calculated as the sum of the beginning balance and ending balance for the relevant year, divided by two.

We recorded the highest inventories turnover days of 88 days for FY2022, and our inventory turnover days decreased to 71 days for FY2023, which was primarily due to a higher average balance of inventories for FY2022. Our inventory turnover days further decreased to 60 days for FY2024, primarily attributable to the increased consumption of raw materials, components and accessories purchased to meet the need for our sales growth in FY2024.

As of the Latest Practicable Date, RMB79.5 million, or 32.8%, of our inventories as at 31 December 2024 had been subsequently sold.

### Trade and bills receivables

The following table sets forth details of our trade and bills receivables as at the dates indicated:

	<b>As at 31 December</b>		
	<b>2022</b>	<b>2023</b>	<b>2024</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Trade receivables	135,154	150,596	241,286
Bills receivable	168	–	–
Less: allowance for ECL	(2,486)	(4,503)	(5,646)
	<u>132,836</u>	<u>146,093</u>	<u>235,640</u>
Trade receivables at FVTOCI	<u>11,479</u>	<u>15,750</u>	<u>2,145</u>
<b>Total</b>	<b><u>144,315</u></b>	<b><u>161,843</u></b>	<b><u>237,785</u></b>

During the Track Record Period, our trade and bill receivables fluctuated generally in line with trends of our revenue. Our trade and bill receivables increased from RMB144.3 million for 31 December 2022 to RMB161.8 million and RMB237.8 million as at 31 December 2023 and 31 December 2024, respectively.

## FINANCIAL INFORMATION

The following table sets out the turnover days of trade and bills receivables for the years indicated:

	FY2022	FY2023	FY2024
Trade and bills receivables turnover days <sup>(note)</sup>	63	49	50

*Note:* Trade and bills receivables turnover days are calculated based on the average of the beginning and ending balance of trade and bills receivables (including trade receivables, bills receivables and trade receivables of FVTOCI) divided by revenue for the relevant year multiplied by number of days in the relevant year (i.e. 365 days for FY2022, FY2023 and FY2024). Average trade and bills receivables are calculated as the sum of the beginning balance and ending balance for the relevant year, divided by two.

We typically require an advance payment or offer a credit period from 30 days to 135 days to our customers based on their assessed credit worthiness. For FY2022, FY2023 and FY2024, our trade receivables turnover days were 63 days, 49 days and 50 days, respectively. The relatively lower opening balance of our trade and bill receivables in FY2023 resulting in a lower average balance of our trade and bill receivables and a shorter trade receivable turnover days of 49 days in FY2023 compared to that of FY2022. Our trade receivable turnover days for FY2024 remained stable at 50 days, compared to that of FY2023.

As at 31 December 2022, 31 December 2023 and 31 December 2024, the ageing analysis of the trade receivables presented based on dates of delivery of good, which approximated the respective revenue recognition dates, is as follows:

	As at 31 December		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
Within 1 year	141,733	161,620	238,585
1–2 years	4,537	938	776
2–3 years	338	3,529	840
Over 3 years	25	259	3,230
	146,633	166,346	243,431

As Latest Practicable Date, RMB233.3 million, or 98.1%, of trade and bills receivables as at 31 December 2024 was settled.

## FINANCIAL INFORMATION

### Prepayments and Other Receivables

Our Group's prepayments primarily consist of (i) receivables for payments made on behalf of customers, (ii) other tax recoverable, (iii) prepayments, (iv) receivables from suppliers for litigation settlement, (v) prepaid professional fee, (vi) rental and other deposits (vii) refundable deposits for land and (viii) others.

Our receivables from suppliers for litigation settlement primarily consist of receivables from a third party, due to the third party's failure to deliver the agreed-upon quantity of goods stipulated under a procurement contract entered into between the third party and us in 2020. Our receivables for litigation settlement increased by RMB451,000 from RMB6.8 million as at 31 December 2022 to RMB7.3 million as at 31 December 2023, and remained at RMB7.3 million as at 31 December 2024. The RMB451,000 represents a deposit made by our Group, which is to be returned by another third party, following its failure to install elevators within an agreed timeframe. The Directors confirmed that the Group has demanded the return of the receivables from the parties, but to no avail, as of the Latest Practicable Date, the third party responsible for elevator installation was subject to multiple litigations; meanwhile, our Group's litigations with the other third party was still ongoing. Receivables from suppliers related to litigation settlements was recognised, given that it represents the amount already paid to and to be recovered from the third parties. However, having considered that the Group has not yet been able to recover the receivables from one third party and that litigation with other third party was still ongoing as of the Latest Practicable Date, a full provision has been made under the Expected Credit Loss (ECL) model for both matters.

	As at 31 December		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
Other tax recoverable	17,739	29,080	42,135
Prepayments	5,806	3,771	8,017
Prepaid professional fee	1,218	1,356	–
Deferred issue costs	–	–	15,085
Receivables for payments made on behalf of customers	–	–	24,957
Receivables from suppliers for litigation settlement	6,823	7,274	7,274
Rental and other deposits	3,916	4,442	6,150
Refundable deposits for land use rights	2,000	2,000	2,000
Others	3,629	1,262	2,600
	<u>41,131</u>	<u>49,185</u>	<u>108,218</u>
Less: Allowance for ECL	<u>(7,026)</u>	<u>(7,315)</u>	<u>(7,355)</u>
	<u>34,105</u>	<u>41,870</u>	<u>100,863</u>

## FINANCIAL INFORMATION

Our prepayments and other receivables increased from RMB34.1 million for FY2022 to RMB41.9 million for FY2023, mainly attributable to the increase of other tax recoverable from RMB17.7 million to RMB29.1 million. Other tax recoverable mainly consist of refundable value added tax paid on export goods and prepaid VAT that has not been deducted. Other tax recoverable increased significantly as at 31 December 2023 as compared to other tax recoverable as at 31 December 2022 primarily due to that (i) there was a time lag for export tax rebate at the end of 2023; and (ii) the construction of our XJ Intelligence Factory increased our input VAT, which has not been deducted at the end of 2023.

Our prepayments and other receivables increased from RMB41.9 million as at 31 December 2023 to RMB100.9 million as at 31 December 2024, mainly attributable to the (i) increase in other tax recoverable by RMB13.1 million which was mainly due to payment of a portion of construction fees for XJ Intelligence Factory; (ii) deferred issue costs of RMB15.1 million, which was due to capitalization of listing fees and (iii) receivables for payments made on behalf of customers of RMB25.0 million, which represents transportation fees paid on behalf of Telebrands, the only customer of our garden hoses.

As at the Latest Practicable Date, RMB62.2 million or 57.5% of our Group's prepayments and other receivables as at 31 December 2024 has been settled.

### Trade and bills payables

Our trade and bills payables mainly represented the outstanding amounts payable by us to our supplier of production materials and subcontracting fees. During the Track Record Period, we mainly settled our bills with suppliers through bank transfer and the credit period on purchases of goods and services granted to our Group by our suppliers was within 120 days. We may also settle our purchases for production materials by way of bills.

The table below sets out the breakdowns of our trade and bills payables as at the dates indicated below:

	<b>As at 31 December</b>		
	<b>2022</b>	<b>2023</b>	<b>2024</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Trade payables	192,270	257,273	264,457
Bills payables	16,527	17,357	28,017
	<u>208,797</u>	<u>274,630</u>	<u>292,474</u>

## FINANCIAL INFORMATION

Our trade and bills payables increased by 31.5% from RMB208.8 million as at 31 December 2022 to RMB274.6 million as at 31 December 2023, primarily due to an increase in our purchase of production materials from our suppliers and subcontracting fees, which was in line with the increase of sales during the same period. Our trade and bills payables further increased by 6.5% to RMB292.5 million as at 31 December 2024 as we actively stocked up on production materials due to more sales orders on hand.

As at 31 December 2022, 2023 and 2024, the ageing analysis of our Group's trade payables based on the date of goods and services received at the end of each year is as follows:

	As at 31 December		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
Within 1 year	186,790	254,672	262,081
1–2 years	3,572	371	104
2–3 years	344	558	251
Over 3 years	1,564	1,672	2,021
	<u>192,270</u>	<u>257,273</u>	<u>264,457</u>

The following table sets out the trade and bills payables turnover days for the years indicated:

	FY2022	FY2023	FY2024
Trade and bills payables turnover days <sup>(note)</sup>	105	98	89

*Note:* Trade and bills payables turnover days are calculated based on the average of the beginning and ending balance of trade and bills payables divided by the cost of sales for the relevant year multiplied by number of days in the relevant year (i.e. 365 days for FY2022, FY2023 and FY2024). Average trade and bills payables are calculated as the sum of the beginning balance and ending balance for the relevant year, divided by two.

Trade and bills payables turnover days remained relatively stable at 105 days, 98 days and 89 days for FY2022, FY2023 and FY2024, respectively, which fell within the range of credit periods granted by our suppliers.

As at the Latest Practicable Date, RMB277.0 million, or 94.7%, of our Group's trade and bills payables as at 31 December 2024 has been settled.

## FINANCIAL INFORMATION

### Other payables and accruals

Our payables and accruals consist of (i) accrued employees' benefits; (ii) payables for acquisition of property, plant and equipment; (iii) other accrued charges; (iv) settlement payables to suppliers on behalf of customers; (v) other taxes payable; (vi) deposits received and (vii) others. Our settlement payables to suppliers on behalf of customers primarily consist of (i) the prepayment from Telebrands for settlement of customs duties on Telebrands' behalf for goods purchased by Telebrands, and (ii) the payables to shipping agents responsible for transporting Telebrands' goods. As confirmed by the Directors, such arrangement was initiated by Telebrands during the pandemic when their staff were working remotely. The Group agreed to continue such practice post-pandemic, to foster its relationship with Telebrands, which is one of its major customers. As advised by Frost & Sullivan, it is not uncommon to adopt such settlement arrangement. The Directors confirmed that as of the Latest Practicable Date, there have been no difficulty in recovering the customs duties and shipping fees from Telebrands. As advised by our PRC Legal Advisers, the above arrangement is not prohibited under PRC laws.

The table below sets out the breakdowns of our other payables and accruals as at the dates indicated below:

	As at 31 December		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
Accrued employees' benefits	17,310	21,201	23,020
Payables for acquisition of property, plant and equipment	31,493	70,270	15,916
Other accrued charges	4,869	4,813	6,434
Settlement payables to suppliers on behalf of customers	5,113	2,009	4,688
Other taxes payable	4,108	3,607	2,766
Deposits received	757	929	871
Accrued issue costs	–	–	4,775
Others	322	401	436
	<u>63,972</u>	<u>103,230</u>	<u>58,906</u>

Our Group's other payables and accruals amounted to RMB64.0 million, RMB103.2 million and RMB58.9 million as at 31 December 2022, 2023 and 2024, respectively. The change in the amount of other payables and accruals as at 31 December 2022, 2023 and 2024 was mainly attributable to the payables for acquisition of property, plant and equipment incurred for the construction of XJ Intelligence Factory that we began in 2020.

Our other payables and accruals decreased as at 31 December 2024, which was mainly due to the fact that we had completed the construction of our XJ Intelligence Factory.

## FINANCIAL INFORMATION

As of the Latest Practicable Date, RMB45.3 million or 76.9% of our Group's other payables and accruals as at 31 December 2024 has been settled.

### Contract liabilities

Contract liabilities represented our obligations to provide the contracted products to customers. Our contract liabilities mainly arise from the advance payment made by customers while the underlying products are not yet to be provided. As at 31 December 2022, 2023 and 2024, we recorded contract liabilities of RMB36.3 million, RMB59.3 million and RMB43.5 million, respectively.

As of the Latest Practicable Date, RMB28.6 million or 65.7% of the outstanding balance of our contract liabilities as at 31 December 2024 was recognised as revenue.

### Net Current Assets

The following table sets forth the details of current assets and current liabilities of our Group as at the respective dates indicated.

	As at 31 December			As at
	2022	2023	2024	30 April
	RMB'000	RMB'000	RMB'000	2025
				RMB'000
				(unaudited)
<b>Current assets</b>				
Inventories	173,738	173,615	207,357	233,396
Income tax recoverable	252	3,093	2,491	3,590
Trade and bills receivables	132,836	146,093	235,640	222,473
Prepayments and other receivables	30,598	37,837	96,669	108,723
Trade receivables at fair value through other comprehensive income ("FVTOCI")	11,479	15,750	2,145	18,014
Pledged and restricted bank deposits	–	–	145	145
Bank balances and cash	381,560	548,338	474,154	490,330
	<u>730,463</u>	<u>924,726</u>	<u>1,018,601</u>	<u>1,076,672</u>
<b>Current liabilities</b>				
Trade and bills payables	208,797	274,630	292,474	307,865
Other payables and accruals	63,972	103,230	58,906	52,459
Income tax payable	6,497	9,010	8,082	883
Borrowings	115,112	129,294	207,055	255,154
Lease liabilities	19,679	23,636	19,806	16,731
Contract liabilities	36,261	59,338	43,508	29,729
Deferred income	163	163	163	163
	<u>450,481</u>	<u>599,301</u>	<u>629,994</u>	<u>662,984</u>
<b>Net current assets</b>	<u>279,982</u>	<u>325,425</u>	<u>388,607</u>	<u>413,688</u>



---

## FINANCIAL INFORMATION

---

Our Group had net current assets positions at the end of each reporting period and as at 30 April 2025. Despite the substantial amount of investment for the construction of XJ Intelligence Factory, our net current assets demonstrated an upward trend throughout the Track Record Period and further increased for the four-month period ended 30 April 2025. This was primarily due to that we did not declare or pay any dividend during the Track Record Period and continuously invested our internally generated cash flow into our Group's production and operation.

Our Group's net current assets increased by 16.2% from RMB280.0 million as at 31 December 2022 to RMB325.4 million as at 31 December 2023, mainly due to an increase in bank balances and cash of RMB166.8 million which was partially offset by an increase in trade and bills payables of RMB65.8 million and an increase in other payables and accruals of RMB39.3 million.

Our Group's net current assets increased by 19.4% from RMB325.4 million as at 31 December 2023 to RMB388.6 million as at 31 December 2024, mainly due to an increase of trade and bills receivables of RMB89.5 million and decrease in other payables and accruals of RMB44.3 million, which was partially offset by increase in borrowings of RMB77.8 million.

Our net current assets increased by 6.5% from RMB388.6 million as at 31 December 2024 to RMB413.7 million as at 30 April 2025. Such increase was mainly due to increase in inventories of RMB26.0 million, increase in trade receivables at fair value through other comprehensive income of RMB15.9 million, increase in bank balances and cash of RMB16.2 million and decrease in contract liabilities of RMB13.8 million, partially offset by increase in borrowings of RMB48.1 million.

### INDEBTEDNESS

As of 30 April 2025, being the most recent practicable date for the purpose of the statement of indebtedness, we had total indebtedness of RMB466.5 million, including (i) borrowings of RMB421.1 million; and (ii) lease liabilities of RMB45.4 million.

## FINANCIAL INFORMATION

The following table sets out our Group's indebtedness excluding contingent liabilities as at the respective dates:

	As at 31 December			As at
	2022	2023	2024	30 April
	RMB'000	RMB'000	RMB'000	2025
				RMB'000
				(unaudited)
<b>Current liabilities</b>				
Borrowings	115,112	129,294	207,055	255,154
Lease liabilities	19,679	23,636	19,806	16,731
	<u>134,791</u>	<u>152,930</u>	<u>226,861</u>	<u>271,885</u>
<b>Non-current liabilities</b>				
Borrowings	65,312	117,502	116,036	165,928
Lease liabilities	39,443	46,346	32,693	28,625
	<u>104,755</u>	<u>163,848</u>	<u>148,729</u>	<u>194,553</u>

### Borrowings

Our borrowings represents (i) secured and guaranteed; (ii) unsecured and guaranteed; and (iii) secured and unguaranteed bank loans. The following table sets out our Group's borrowings as at the respective dates:

	As at 31 December			As at
	2022	2023	2024	30 April
	RMB'000	RMB'000	RMB'000	2025
				RMB'000
				(unaudited)
Secured and guaranteed	122,856	183,417	154,918	–
Unsecured and guaranteed	57,568	63,379	–	–
Secured and unguaranteed	–	–	75,063	308,650
Unsecured and unguaranteed	–	–	93,110	112,432
	<u>180,424</u>	<u>246,796</u>	<u>323,091</u>	<u>421,082</u>

---

## FINANCIAL INFORMATION

---

Our borrowings increased by RMB98.0 million from RMB323.1 million as at 31 December 2024 to RMB421.1 million as at 30 April 2025, primarily due to increase in loan for the purpose of settling construction fees for the construction of XJ Intelligence Factory.

At the end of each reporting period, our secured bank borrowings were secured by bank deposits, trade receivables, property, plant and equipment, investment properties and leasehold land, and all of them were guaranteed by Mr. Pan Yun, our Controlling Shareholder and/or his spouse, Ms. Cao Chengling. As of 30 April 2025, we had bank borrowings of RMB421.1 million, among which, RMB308.7 million were secured by the assets of the Group and unguaranteed, RMB112.4 million were unsecured and unguaranteed. For details, please see note 28 to the Accountants' Report in Appendix I to this prospectus.

The annual interest rates of our Group's fixed rate bank borrowings ranged from 4.35–10.89% for bank borrowings as at 31 December 2022, ranged from 3.90–6.83% for bank borrowings as at 31 December 2023 and ranged from 2.80–5.99% for bank borrowings as at 31 December 2024.

The Directors confirm that there was no material delay or default in the repayment of bank borrowings and our Group did not have any difficulties in obtaining bank borrowings during the Track Record period and up to the Latest Practicable Date.

The Directors confirm that as at the Latest Practicable Date, there was no material covenant on any of the outstanding debt and there was no breach of any covenants during the Track Record Period and up to the Latest Practicable Date. The Directors further confirm that our Group did not have any material default in payment of trade and other payables and accruals, bank loans and other borrowings or breach of covenants during the Track Record Period and up to the Latest Practicable Date.

As at the Latest Practicable Date, our Group had unutilised banking facilities amounted to RMB451.7 million.

## FINANCIAL INFORMATION

### LEASE LIABILITIES

The following table sets forth details of our lease liabilities as at the dates indicated:

	As at 31 December			As at
	2022	2023	2024	30 April
	RMB'000	RMB'000	RMB'000	2025
				RMB'000
				(unaudited)
Lease liabilities payable:				
Within one year	19,679	23,636	19,806	16,731
Within a period of more than one year but not more than two years	19,269	17,152	12,740	12,546
Within a period of more than two years but not more than five years	20,174	21,061	14,130	10,936
Over five years	–	8,133	5,823	5,143
Total lease liabilities	59,122	69,982	52,499	45,356
Less: Amount due for settlement within 12 months shown under current liabilities	(19,679)	(23,636)	(19,806)	(16,731)
Amount due for settlement after 12 months shown under non-current liabilities	39,443	46,346	32,693	28,625

As of 30 April 2025, we had lease liabilities of RMB45.4 million, among which, RMB0.8 million were unsecured and unguaranteed, RMB44.6 million were secured and unguaranteed.

---

## FINANCIAL INFORMATION

---

Except as disclosed above, and apart from intra-group liabilities and normal trade payables, as of 30 April 2025, we did not have any material mortgages, charges, debentures, loan capital, debt securities, loans, bank overdrafts or other similar indebtedness, finance lease or hire purchase commitments, liabilities under acceptances (other than normal trade bills), acceptance credits, which are either guaranteed, unguaranteed, secured or unsecured, or guarantees, or material contingent liabilities. Our Directors confirm that there has not been any material change in our indebtedness since 30 April 2025 and up to the date of this prospectus.

### CAPITAL COMMITMENTS

The following table sets forth a summary of our capital commitments as of the dates indicated:

	As at 31 December		
	2022	2023	2024
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Capital expenditure contracted for but not provided for in the Historical Financial Information			
– Property, plant and equipment	<u>208,223</u>	<u>86,947</u>	<u>20,224</u>

### LIQUIDITY AND CAPITAL RESOURCES

During the Track Record Period, our operations were generally financed through a combination of internally generated cash flows and bank borrowings. Our Directors believe that in the long term, our operations will be funded primarily by cash generated from operations and bank and other borrowings, the net proceeds from the Listing and, if necessary, additional equity financing when the needs come.

## FINANCIAL INFORMATION

The following table sets forth the selected cash flow data from the consolidated statements of cash flows for the years as indicated:

	FY2022 RMB'000	FY2023 RMB'000	FY2024 RMB'000
Operating cash flows before movements in working capital changes	168,075	215,977	217,278
Change in working capital ( <i>note</i> )	62,297	52,827	(124,395)
Income tax paid	(5,908)	(26,014)	(21,595)
Net cash generated from operating activities	224,464	242,790	71,288
Net cash used in investing activities	(116,446)	(112,103)	(170,411)
Net cash (used in) generated from financing activities	(108,484)	24,598	7,030
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(466)</b>	<b>155,285</b>	<b>(92,093)</b>
Effect of foreign exchange rate changes	17,149	11,493	17,909
Cash and cash equivalents at the beginning of year	364,877	381,560	548,338
<b>Cash and cash equivalents at the end of year, represented by bank balances and cash</b>	<b>381,560</b>	<b>548,338</b>	<b>474,154</b>

*Note:* Represents change in working capital items, including, inventories, trade and bill receivables, trade receivables at FVTOCI, prepayments and other receivables, restricted bank deposits, trade and bill payables, other payables and accruals and contract liabilities

### Net cash generated from operating activities

Our cash flow from operating activities consists of revenue mainly from our export to overseas. Cash flow from operating activities reflects: (i) profit before tax adjusted for non-cash and non-operating items, such as finance costs, depreciation of property, plant and equipment and right-of-use assets, and net foreign exchange gain or loss; and (ii) the effects of movements in working capital.

Net cash generated from operating activities in FY2024 was RMB71.3 million, which was primarily attributable to our profit before tax for FY2024 of RMB161.3 million adjusted by certain non-cash and working capital items, including (i) positive adjustments, which primarily included, depreciation of property, plant and equipment of RMB43.9 million, depreciation of right-of-use assets of RMB26.9 million and financial costs of RMB12.0 million, and (ii) negative adjustments, which primarily included, interest income of RMB11.7 million and net foreign exchange gains of RMB16.7 million.

---

## FINANCIAL INFORMATION

---

Net cash generated from operating activities in FY2023 was RMB242.8 million, which was primarily attributable to our profit before tax for FY2023 of RMB146.7 million adjusted by certain non-cash and working capital items, including (i) positive adjustments, which primarily included, depreciation of property, plant and equipment of RMB40.0 million, depreciation of right-of-use assets of RMB24.9 million and increase in trade and bills payables of RMB65.8 million, primarily due to increase in our purchase of production materials from our suppliers and subcontracting fees, and (ii) negative adjustments, which primarily included interest income of RMB10.2 million and increase in trade and bills receivables of RMB15.3 million, which was in line with our revenue growth.

Net cash generated from operating activities in FY2022 was RMB224.5 million, which was primarily attributable to our profit before tax for FY2022 of RMB91.9 million adjusted by certain non-cash and working capital items, including (i) positive adjustments, which primarily include depreciation of property, plant and equipment of RMB47.1 million, depreciation of right-of-use assets of RMB23.7 million, decrease in inventories of RMB66.2 million, decrease in trade and bills receivables of RMB68.5 million, which was in line with our decrease in revenue, decrease in prepayments and other receivables of RMB17.8 million, and (ii) negative adjustments, which primarily included decrease in trade and bills payables of RMB84.9 million, primarily due to decrease in our purchase of production materials from our suppliers and subcontracting fees.

### **Net cash used in investing activities**

Our cash outflows from investing activities primarily consisted of purchase of property, plant and equipment, purchase of wealth management products at fair value through profit or loss. Our cash inflows from investing activities primarily consisted of redemption of wealth management products at fair value through profit or loss.

Net cash used in investing activities in FY2024 was RMB170.4 million, which was primarily attributable to purchase of property, plant and equipment of RMB165.3 million including payment of construction fees of XJ Intelligence Factory.

Net cash used in investing activities in FY2023 was RMB112.1 million, which was primarily attributable to purchase of property, plant and equipment of RMB124.5 million and purchase of wealth management products at FVTPL of RMB239.0 million, partially offset by proceeds from redemption of wealth management products at FVTPL of RMB239.6 million.

Net cash used in investing activities in FY2022 was RMB116.4 million, which was primarily attributable to purchase of wealth management products at FVTPL of RMB461.0 million and purchase of property, plant and equipment of RMB121.6 million, partially offset by proceeds from redemption of wealth management products at FVTPL of RMB463.9 million.

---

## FINANCIAL INFORMATION

---

### Net cash generated from (used in) financing activities

Our cash inflows from financing activities consisted of amounts received from new borrowing raised. Our cash outflows from financing activities consisted of interest paid for lease liabilities, repayment of lease liabilities, interest paid for borrowings and repayment of borrowings.

Net cash generated from financing activities in FY2024 was RMB7.0 million, which was primarily attributable to new borrowing raised of RMB587.6 million, partially offset by repayment of borrowings of RMB531.0 million and repayment of lease liabilities of RMB24.8 million.

Net cash generated from financing activities in FY2023 was RMB24.6 million, which was primarily attributable to new borrowing raised of RMB380.9 million, partially offset by repayment of lease liabilities RMB23.2 million and repayment of borrowings of RMB316.3 million.

Net cash used in financing activities in FY2022 was RMB108.5 million, which was primarily attributable to repayment of borrowings of RMB569.8 million and repayment of lease liabilities of RMB22.9 million, partially offset by new borrowings raised of RMB500.9 million.

### WORKING CAPITAL

The Directors are of the opinion that, taking into consideration our Group's internal resources, the banking facilities presently available to our Group, and the estimated net proceeds from the Global Offering, our Group has sufficient working capital for our Group's present requirements for at least the next 12 months commencing from the date of this prospectus.

### CAPITAL EXPENDITURES

The capital expenditure of our Group primarily consists of expenditures on buildings and machinery and equipment. The capital expenditures of our Group amounted to RMB139.7 million, RMB168.2 million and RMB114.7 million for FY2022, FY2023 and FY2024, respectively.



---

## FINANCIAL INFORMATION

---

The table below sets forth a breakdown of our historical capital expenditures for the periods indicated.

	<b>FY2022</b>	<b>FY2023</b>	<b>FY2024</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Buildings	–	–	11,564
Machinery and equipment	12,410	16,436	26,453
Motor vehicles	166	626	1,075
Electronic equipment	523	1,538	1,624
Leasehold improvement	426	1,192	1,298
Construction in progress	<u>126,208</u>	<u>148,435</u>	<u>72,692</u>
Total	<u><u>139,733</u></u>	<u><u>168,227</u></u>	<u><u>114,706</u></u>

The capital expenditures incurred during the Track Record Period mainly represented additions of plant, machinery and construction of our XJ Intelligence Factory, which was completed in FY2024. We financed our capital expenditures primarily through our cash generated from our operating activities and bank loans.

### CONTINGENT LIABILITIES

As of the Latest Practicable Date, we did not have any material contingent liabilities.

### OFF-BALANCE SHEET ARRANGEMENTS OR COMMITMENTS

Subsequent to the Track Record Period and up to the Latest Practicable Date, our Group did not have any off-balance sheet arrangements or commitments.

---

## FINANCIAL INFORMATION

---

### KEY FINANCIAL RATIOS

	For the year ended/As at 31 December		
	2022	2023	2024
Current ratio <sup>(1)</sup>	1.6 times	1.5 times	1.6 times
Quick ratio <sup>(2)</sup>	1.2 times	1.3 times	1.3 times
Return on equity <sup>(3)</sup>	12.1%	15.5%	15.2%
Return on total assets <sup>(4)</sup>	6.6%	7.8%	8.2%
Gearing ratio <sup>(5)</sup>	27.2%	31.4%	34.9%

*Notes:*

- (1) Current ratio is calculated by dividing current assets with current liabilities as at the end of the respective year.
- (2) Quick ratio is calculated by dividing total current assets net of inventory with current liabilities as at the end of the respective year.
- (3) Return on equity is calculated by profit for the year attributable to owners of our Company divided by equity attributable to owners of our Company as at the end of the respective year multiplied by 100%.
- (4) Return on total assets is calculated by profit for the year attributable to owners of our Company divided by total assets as at the end of the respective year multiplied by 100%.
- (5) Gearing ratio is calculated based on the total borrowings divided by total equity as at the end of respective year multiplied by 100%.

### Current ratio

Our current ratio remained relatively stable at 1.6 times, 1.5 times and 1.6 times as at 31 December 2022, 2023 and 2024.

### Quick ratio

Our quick ratio remained relatively stable at 1.2 times, 1.3 times and 1.3 times as at 31 December 2022, 2023 and 2024.

### Return on equity

Our Group's return on equity increased from 12.1% for FY2022 to 15.5% for FY2023. Such increase was primarily due to the growth of our profit outpaced that of our total equity during FY2023.

Our Group's return on equity remained relatively stable at 15.2% for FY2024.

---

## FINANCIAL INFORMATION

---

### Return on total assets

Our return on total assets increased from 6.6% for FY2022 to 7.8% for FY2023 and further increased to 8.2% for 2024, which primarily attributable to the increase in our net profit during FY2023 and FY2024, outweighed the increase in our total assets.

### Gearing ratio

Our gearing ratio increased from 27.2% as at 31 December 2022 to 31.4% as at 31 December 2023, mainly because the increase in our borrowings outpaced the increase in our equity. Our borrowings increased significantly by 36.8% primarily due to increased long-term bank loans which was used to finance the construction of XJ Intelligence Factory in FY2023.

Our Group's gearing ratio remained relatively stable at 34.9% for FY2024.

### MATERIAL RELATED PARTY TRANSACTIONS

We enter into transactions with our related parties from time to time. For details relating to our related party transactions, please see “Connected Transactions” and Note 37 to the Accountants' Report set out in Appendix I to this prospectus. The Directors are of the view that our transactions with related parties during the Track Record Period were conducted in the ordinary course of business and on an arm's length basis, and they did not distort our results of operations or make our historical results not reflective of our future performance.

### FINANCIAL RISKS

Our business activities expose us to a variety of financial risks including foreign exchange risks, credit risks and liquidity risks. For details of our financial risk management, please see Note 36 of the Accountants' Report included in Appendix I to this prospectus.

---

## FINANCIAL INFORMATION

---

### PROPERTY INTERESTS AND PROPERTY VALUATION

Our property valuer, AVISTA Group, has valued certain of our Group's properties as at 31 March 2025. Details of the valuation are summarised in Appendix III to this prospectus. The following table sets out the fair value of our Group's property interest as at 31 December 2024 and their net book value as at 31 December 2024, details of which is set out in notes 17 and 19 of the Accountants' Report in Appendix I to this prospectus for further details:

#### Group I – Property interests held for owner occupation by our Group in the PRC

	<i>RMB'000</i>
Net book value of the property as at 31 December 2024	365,381
Net valuation surplus/(loss)	N/A
Valuation as at 31 March 2025	No Commercial Value <sup>Note</sup>

*Note:* According to the Valuation Report in Appendix III to this prospectus, no commercial value was assigned to the property since X.J. Electrical Appliances has yet to obtain proper title certificates of building ownership due to certain law deficiencies. As confirmed by our Directors, based on the circumstances as at Latest Practicable Date, our Group targeted to obtain the relevant title certificates of XJ Intelligence Factory by the end of June 2025. For reference purposes, our property Valuer is of the opinion that the estimated value of the property as at 31 March 2025 would be RMB375,130,000, assuming the property could be freely transferred in the market.

#### Group II – Property interests held for investment by our Group in the PRC

	<i>RMB'000</i>
Net book value of the property as at 31 December 2024	11,631
Less: Movements for the three months ended 31 March 2025	
– Depreciation and amortization (unaudited)	(193)
Net valuation surplus/(loss)	(798)
Valuation as at 31 March 2025	10,640

## FINANCIAL INFORMATION

### UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS OF OUR GROUP ATTRIBUTABLE TO OWNERS OF OUR COMPANY

The following unaudited pro forma statement of adjusted consolidated net tangible assets of our Group attributable to owners of our Company prepared in accordance with paragraph 4.29 of the Listing Rules is set out below to illustrate the effect of the Global Offering (as defined in this prospectus) on the audited consolidated net tangible assets of our Group attributable to owners of our Company at 31 December 2024 as if the Global Offering had taken place on that date.

The unaudited pro forma statement of adjusted consolidated net tangible assets of our Group attributable to owners of our 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 our Group attributable to owners of our Company as at 31 December 2024 or any future dates following the Global Offering.

The following unaudited pro forma statement of adjusted consolidated net tangible assets of our Group attributable to owners of our Company is prepared based on the audited consolidated net tangible assets of our Group attributable to owners of our Company as at 31 December 2024 as derived from the Accountants' Report, the text of which is set out in Appendix I to this prospectus, and adjusted as described below:

	Audited consolidated net tangible assets of our Group attributable to owners of our Company as at 31 December 2024 <sup>(1)</sup> RMB'000	Estimated net proceeds from Global Offering <sup>(2)</sup> RMB'000	Unaudited pro forma adjusted consolidated net tangible assets of our Group attributable to owners of our Company as at 31 December 2024 RMB'000	Unaudited pro forma adjusted consolidated net tangible assets of our Group attributable to owners of our Company as at 31 December 2024 per Share RMB <sup>(3)</sup>	HK\$ <sup>(4)</sup>
Based on an Offer Price of HK\$2.86 per Offer Share	926,086	143,889	1,069,975	3.92	4.25
Based on an Offer Price of HK\$3.35 per Offer Share	926,086	173,186	1,099,272	4.03	4.37

---

## FINANCIAL INFORMATION

---

*Notes:*

- (1) The amount is calculated based on the audited consolidated net assets of our Group attributable to owners of our Company amounted to RMB926,211,000 as at 31 December 2024, with adjustment for intangible assets of our Group attributable to owners of our Company as at 31 December 2024 of RMB125,000 as extracted from the Accountants' Report set forth in Appendix I to this prospectus.
- (2) The estimated net proceeds from the Global Offering are based on 68,220,000 H shares to be issued at the Offer Price of HK\$2.86 and HK\$3.35 per Offer Share, being the low end and high end of the indicated Offer Price range respectively, after deduction of the estimated listing expenses and share issue costs (including underwriting fees and other related expenses) incurred or expected to be incurred by the Group subsequent to 31 December 2024, other than those expenses which had been recognised in profit or loss prior to 31 December 2024. It does not take into account (i) any Shares which may be allotted and issued upon the exercise of the Over-allotment Option or (ii) any Shares which may be issued or repurchased by our Company pursuant to the general mandates.

For the purpose of calculating, the estimated net proceeds from the Global Offering, the amount denominated in Hong Kong dollars has been converted into Renminbi at an exchange rate of HK\$1 to RMB0.9226, which was the exchange rate prevailing on 7 March 2025 with reference to the rate published by the People's Bank of China. No representation is made that Hong Kong dollar amounts have been, could have been or may be converted to Renminbi, or vice versa, at that rate or at any other rates or at all.

- (3) The number of shares used for the calculation of unaudited pro forma adjusted consolidated net tangible assets of our Group attributable to owners of our Company per Share is based on 272,879,509 Shares comprising 204,659,509 Shares in issue as at 31 December 2024 and 68,220,000 H Shares to be issued, assuming the Global Offering had been completed on 31 December 2024. It does not take into account (i) any Shares which may be allotted and issued upon the exercise of the Over-allotment Option or (ii) any Shares which may be issued or repurchased by our Company pursuant to the general mandates.
- (4) The unaudited pro forma adjusted consolidated net tangible assets of our Group attributable to owners of our Company per Share is converted from Renminbi to Hong Kong dollars at the rate of HK\$1 to RMB0.9226, which was the exchange rate prevailing on 7 March 2025 with reference to the rate published by the People's Bank of China. No representation is made that the Renminbi amounts have been, would have been or may be converted to Hong Kong dollars, or vice versa, at that date or at any other rates or at all.
- (5) No adjustment has been made to the unaudited pro forma adjusted consolidated net tangible assets of our Group attributable to owners of our Company as at 31 December 2024 to reflect any operating result or other transactions of our Group entered into subsequent to 31 December 2024.
- (6) Certain property interests of the Group as at 31 March 2025 have been valued by AVISTA Valuation Advisory Limited, an independent property valuer. By comparing the valuation of the Group's property interests of approximately RMB401,570,000 provided by AVISTA Valuation Advisory Limited and the carrying amounts of these properties of approximately RMB368,428,000 as at 31 December 2024, the valuation surplus is approximately RMB33,142,000 as at 31 March 2025, which was not reflected in the above adjusted consolidated net tangible assets of the Group attributable to owners of the Company as at 31 December 2024. The revaluation surplus has not been included in the Historical Financial Information as at 31 December 2024 as set out in Appendix I to this prospectus. If the revaluation surplus was recorded in the Group's consolidated financial statements, the annual depreciation of the Group would increase by approximately RMB1,337,000.

---

## FINANCIAL INFORMATION

---

### LISTING EXPENSES

The total listing expenses are expected to be HK\$40.4 million, which is approximately 19.0% of the gross proceeds from the Global Offering (assuming Over-allotment Option will not be exercised and based on an Offer Price of HK\$3.11 per Offer Share, being the mid-point of the indicative Offer Price range) with (i) an amount of approximately HK\$35.7 million being directly attributable to the issuance of H Shares will be deducted from our equity upon completion of the Global Offering; and (ii) approximately HK\$0.4 million was charged to our consolidated statements of profit or loss and other comprehensive income for the year ended 31 December 2024, with an additional HK\$4.3 million to be charged thereafter. Such listing expenses comprise underwriting-related expenses of HK\$10.6 million and non-underwriting expenses of HK\$29.8 million, which includes (i) professional fees paid and payable to the legal advisers, and the reporting accountants of HK\$16.9 million, and (ii) fees paid and payable to other working parties and other expenses in relation to the Listing and the Global Offering of HK\$12.9 million.

For FY2022, FY2023 and FY2024, listing expenses charged to our consolidated statements of profit or loss and other comprehensive income amounted to nil, nil and RMB0.4 million, respectively. The listing expenses above are our Directors' best estimate as of the Latest Practicable Date and for reference only, and the actual amount may differ from this estimate.

### DISTRIBUTABLE RESERVES

As at 31 December 2024, we had RMB575.9 million of retained earnings available for distribution to our Shareholders.

### DIVIDENDS AND DIVIDEND POLICY

During the Track Record Period, we did not declare or distribute any dividend.

In order to return capital to our Shareholders in line with our growth, we have adopted in our general dividend policy a dividend payout ratio of no less than 30% of our annual distributable net profit of the immediately preceding year for each of the three financial years upon Listing (including the year of the Listing) (the “**Initial Period**”). After the Initial Period, pursuant to such general policy, we will determine the dividend payout ratio with reference to our results of operations, cash flows, financial condition, operating and capital expenditure requirements, distributable profits and other factors that our Directors may consider relevant. We may declare and pay dividends by way of cash or by other means that we consider appropriate. The dividend payout ratio will be decided by our Board at their discretion and distribution of dividends will be subject to Shareholders' approval. In addition, our dividend policy will also be subject to our Articles of Association, the PRC Company Law and any other applicable law and regulations.

---

## FINANCIAL INFORMATION

---

### **NO MATERIAL ADVERSE CHANGE**

Our Directors confirm that, save for the estimated non-recurring Listing expenses, up to the date of this prospectus, there has been no material adverse change in our financial operational and/or trading position or prospects of our Group since 31 December 2024, which is the end date of the period reported on in the Accountants' Report in Appendix I to this prospectus, and there is no event since 31 December 2024 and up to the date of this prospectus which would materially affect the information shown in the Accountants' Report in Appendix I to this prospectus.

### **DISCLOSURE REQUIRED UNDER THE LISTING RULES**

Our Directors have confirmed that as at the Latest Practicable Date, there are no circumstances that would give rise to a disclosure requirement under Rule 13.13 to Rule 13.19 of the Listing Rules.



## FUTURE PLANS AND USE OF PROCEEDS

### FUTURE PLANS

For a detailed description of our future plans, please see “Business – Our Strategies” in this prospectus.

### USE OF PROCEEDS

We estimate that we will receive net proceeds from the Global Offering, after deducting the underwriting fees and expenses payable by us in the Global Offering, of approximately HK\$171.8 million (i.e. approximately RMB158.5 million), assuming (i) an Offer Price of HK\$3.11 per H Share, being the midpoint of the indicative Offer Price range, and (ii) no exercise of the Over-allotment Option. In line with our strategies, we intend to use our net proceeds from the Global Offering for the purposes in the amounts and timeframe set forth below:

	For the period from 1 January 2025 to 31 December 2025 <i>(RMB million)</i>	For the period from 1 January 2026 to 31 December 2026 <i>(RMB million)</i>	After 1 January 2027 <i>(RMB million)</i>	Total <i>(RMB million)</i>	Approximate % of net proceeds
<b>Set up our Thailand Factory to enhance our global presence</b>					
– Acquisition of land	3.1	–	–	3.1	2.0
– Construction and renovation of production space	26.7	–	–	26.7	16.8
– Acquisition and installation of machines and equipment	20.7	15.8	–	36.6	23.1
<b>Subtotal</b>	<b>50.5</b>	<b>15.8</b>	<b>–</b>	<b>66.4</b>	<b>41.9</b>
<b>Increase the level of automation and digitalisation</b>					
– Acquisition and installation of machines and equipment	5.0	17.0	3.1	25.1	15.8
<b>Set up a new R&amp;D Centre</b>					
– Construction and renovation of the R&D centre	4.9	11.3	–	16.2	10.2
– Acquisition of equipment and software	–	12.7	4.6	17.3	10.9
– Procurement of materials and consumables for R&D	0.4	9.3	4.9	14.6	9.2
– Recruitment of staff	–	5.6	5.4	11.0	6.9
<b>Subtotal</b>	<b>5.3</b>	<b>38.9</b>	<b>14.9</b>	<b>59.1</b>	<b>37.3</b>
<b>General working capital</b>	<b>7.9</b>	<b>–</b>	<b>–</b>	<b>7.9</b>	<b>5.0</b>
<b>Total</b>	<b>68.8</b>	<b>71.7</b>	<b>18.0</b>	<b>158.5</b>	<b>100.0</b>

---

## FUTURE PLANS AND USE OF PROCEEDS

---

- approximately RMB66.4 million (i.e. approximately HK\$71.9 million), representing 41.9% of the net proceeds will be used for setting up our Thailand Factory to enhance our global presence. Net proceeds will be used for paying the relevant suppliers directly or by repaying a loan designated for the same use<sup>(Note)</sup>. In particular,
  - approximately RMB3.1 million (i.e. approximately HK\$3.4 million) will be used for acquiring a parcel of land in Rayong Province, Thailand;
  - approximately RMB26.7 million (i.e. approximately HK\$28.9 million) will be used for the construction and renovation of production space in the Thailand Factory; and
  - approximately RMB36.6 million (i.e. approximately HK\$39.6 million) will be used for the acquisition and installation of machines and equipment.

For the reasons, timetable, costs involved and other details of our plan of setting up the Thailand Factory, please see “Business – Our Strategies – Set up our Thailand Factory to enhance our global presence” in this prospectus.

- approximately RMB25.1 million (i.e. approximately HK\$27.2 million), representing 15.8% of the net proceeds will be used for increasing the level of automation and digitalisation for sustainable growth. In particular, such proceeds will be used for acquiring and installing machines and equipment.

For details of our plan of increasing the level of automation and digitalisation for sustainable growth, please see “Business – Our Strategies – Increase the level of automation and digitalisation” in this prospectus.

- approximately RMB59.1 million (i.e. approximately HK\$64.1 million), representing 37.3% of the net proceeds will be used for setting up a new R&D Centre. In particular:
  - approximately RMB16.2 million (i.e. approximately HK\$17.6 million) will be used for the construction and renovation of the R&D centre;
  - approximately RMB17.3 million (i.e. approximately HK\$18.8 million) will be used for acquiring equipment and software for R&D activities;

*Note:* On 31 March 2025, we entered into an agreement with a licensed bank, an Independent Third Party, for a loan facility up to RMB100.0 million designated for setting up our Thailand Factory. The loan carries a fixed interest rate to be determined on the date of drawdown with reference to the loan prime rate in China or the U.S. secured overnight financing rate and matures one year after the drawdown date but in no event later than 15 February 2027. As at the Latest Practicable Date, we had drawn down RMB23.6 million of such loan.

---

## FUTURE PLANS AND USE OF PROCEEDS

---

- approximately RMB14.6 million (i.e. approximately HK\$15.8 million) will be used for the procurement of materials and consumables for R&D; and
- approximately RMB11.0 million (i.e. approximately HK\$11.9 million) will be used for the recruitment of 59 staff including technicians, electronics engineers and software engineers.

For details of setting up a new R&D Centre, please see “Business – Our Strategies – Set up a new R&D Centre” in this prospectus.

- approximately RMB7.9 million (i.e. approximately HK\$8.6 million), representing 5.0% of the net proceeds will be used for the general working capital of our Group.

The above allocation of the net proceeds will be adjusted on a pro rata basis in the event that the Offer Price is fixed at a higher or lower level compared to the mid-point of the indicative Offer Price range or the Over-allotment Option is exercised.

Our Directors consider that our Group has a genuine funding need taking into account our internal and external resources and recent changes in the regulatory and economic environment.

As at 30 April 2025, our cash and cash equivalents amounted to RMB490.3 million.

Our monthly operating cost (excluding impairment losses and other losses), which is mainly consisted of our cost of sales, selling expenses, administrative expenses, research and development expenses, other operating expenses and finance costs, for FY2022, FY2023 and FY2024 amounted to RMB86.3 million, RMB89.3 million and RMB114.1 million, respectively.

As at 30 April 2025, we had current liabilities of RMB663.0 million, which mainly consisted of trade and bill payables and borrowings. There can be no assurance that we will receive full payments from our customers before we are required to settle the current liabilities and therefore our Directors consider that it is financially prudent for our Group to maintain sufficient immediately available cash and bank balances that are in the similar amount of our current liabilities at any point in time.

Although our Group has obtained banking facilities, our Directors believe that it is necessary for us to maintain a disciplined financial strategy without exposing our Group to aggressive gearing in order to achieve sustainable growth and a cash level sufficient to support our Group’s existing operations, in particular, given the rapidly changing geopolitical condition. Our gearing ratio as at 31 December 2022, 2023 and 2024 was approximately 27.2%, 31.4% and 34.9%, respectively. The gearing ratio increased significantly from 2022 to 2024 as our borrowings increased significantly primarily due to the increased long-term bank loans which were used to finance the construction of XJ Intelligence Factory for FY2023. Given the increase in gearing ratio during the Track Record Period, our Group prefers equity fund raising over bank borrowing to fund our future growth as the latter will inevitably place undue financial burden on our Group in terms of cash flow for both repayment and interest expenses. There is also the risk

---

## FUTURE PLANS AND USE OF PROCEEDS

---

of calling loan on demand by the banks under the terms of the current facilities letters. If the loans are demanded in a short period of time, our Group's current liabilities will increase, which will negatively affect our financial position. The bank borrowing entails contractual principal repayment and interest payment obligations. In contrast, equity financing does not involve recurring interest expenses and repayment of principal, allowing our Group to have better control over the cash flow for business expansion.

Along with the implementation of our expansion plan, it is expected that the operation costs and minimum working capital required will increase. Based on all of the aforesaid, our Directors consider that our Group has a genuine funding need taking into account our internal and external resources and recent changes in the regulatory and economic environment.

If the Offer Price is determined at HK\$3.35 per Offer Share, being the high end of the Offer Price range stated in this prospectus, after deducting the underwriting fees and expenses payable by us in respect with the Global Offering, we will receive net proceeds of approximately HK\$187.3 million, assuming that the Over-allotment Option is not exercised.

If the Offer Price is determined at HK\$2.86 per Offer Share, being the low end of the Offer Price range stated in this prospectus, after deducting the underwriting fees and expenses payable by us in connection with the Global Offering, we will receive net proceeds of approximately HK\$155.6 million, assuming that the Over-allotment Option is not exercised.

If the Over-allotment Option is exercised in full, we will receive the additional net proceeds from approximately HK\$27.8 million (assuming an Offer Price of HK\$2.86 per Offer Share, being the low end of the indicative Offer Price range) to HK\$32.6 million (assuming an Offer Price of HK\$3.35 per Offer Share, being the high end of the indicative Offer Price range), after deducting the underwriting fees and expenses payable by us in connection with the Global Offering.

To the extent that the net proceeds of the Global Offering are not immediately used for the above purposes or if we are unable to effect any part of our future development plans as intended, to the extent permitted by applicable law and regulations, we will only deposit those net proceeds into short-term interest-bearing accounts at licenced commercial banks and/or other authorised financial institutions (as defined under the SFO or applicable laws and regulations in other jurisdictions). In such event, we will comply with the appropriate disclosure requirements under the Listing Rules. Our Directors consider that the net proceeds from the Global Offering together with the internal resources of our Group will be sufficient to finance the implementation of our Group's business plans as set out in this section.

---

## UNDERWRITING

---

### HONG KONG UNDERWRITERS

Sinolink Securities (Hong Kong) Company Limited  
CCB International Capital Limited  
ABCI Securities Company Limited  
CMB International Capital Limited  
CMBC Securities Company Limited  
First Fidelity Capital (International) Limited  
UZen Securities Limited  
Valuable Capital Limited

### UNDERWRITING

This prospectus is published solely in connection with the Hong Kong Public Offering. The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters on a conditional basis. The International Offering is expected to be fully underwritten by the International Underwriters subject to the terms and conditions of the International Underwriting Agreement. If, for any reason, the Offer Price is not agreed between the Sole Sponsor-Overall Coordinator (on behalf of the Underwriters) and our Company, the Global Offering will not proceed and will lapse.

The Global Offering comprises the Hong Kong Public Offering of initially 6,822,000 Hong Kong Offer Shares and the International Offering of initially 61,398,000 International Offer Shares, subject, in each case, to reallocation on the basis as described in “Structure of the Global Offering”.

### UNDERWRITING ARRANGEMENTS

#### Hong Kong Public Offering

#### *Hong Kong Underwriting Agreement*

Pursuant to the Hong Kong Underwriting Agreement, we are offering 6,822,000 Hong Kong Offer Shares (subject to reallocation) for subscription by the public in Hong Kong on the terms and subject to the conditions in this prospectus at the Offer Price.

Subject to (a) the Stock Exchange granting approval for the listing of, and permission to deal in, the H Shares in issue and to be issued pursuant to the Global Offering as mentioned in this prospectus and such approval not having been withdrawn; and (b) the conditions set out in the Hong Kong Underwriting Agreement being satisfied (or, as the case may be, waived), the Hong Kong Underwriters have agreed, severally but not jointly, to subscribe, or procure subscribers to subscribe, for the Hong Kong Offer Shares which are being offered but are not taken up under the Hong Kong Public Offering on the terms and subject to the conditions set out in this prospectus and the Hong Kong Underwriting Agreement.

---

## UNDERWRITING

---

The Hong Kong Underwriting Agreement is conditional on and subject to, among other things, the International Underwriting Agreement having been signed and becoming unconditional and not having been terminated in accordance with its terms.

### **Grounds for termination of the Hong Kong Underwriting Agreement**

If any of the events set out below shall occur at any time prior to 8:00 a.m. (Hong Kong time) on the Listing Date, the Sole Sponsor-Overall Coordinator (for itself and on behalf of the Hong Kong Underwriters) in its sole and absolute discretion may, by giving notice or in writing to our Company to terminate the Hong Kong Underwriting Agreement with immediate effect:

- (a) there develops, occurs, exists or comes into force:
  - (i) any new law or regulation or any change in existing laws or regulations or any change in the interpretation or application thereof by any court or other competent authority in Hong Kong, the PRC or any other jurisdiction(s) relevant to our Company and our subsidiaries (collectively, the “**Specific Jurisdictions**”) or any other similar event which in the sole and absolute opinion of the Sole Sponsor-Overall Coordinator (for itself and on behalf of the Hong Kong Underwriters) has or is likely to have a material adverse effect on the business or financial conditions or prospects of our Group or which may be expected to adversely affect the business or financial condition or prospects of our Group in a material way; or
  - (ii) any change (whether or not permanent) in national, regional, international, financial, military, industrial or economic conditions or prospects, stock market, fiscal or political conditions, regulatory or market conditions and matters and/or disasters in any Specific Jurisdictions or any other similar event which in the sole and absolute opinion of the Sole Sponsor-Overall Coordinator (for itself and on behalf of the Hong Kong Underwriters) has or is likely to have a material adverse effect on the business or financial conditions or prospects of our Group or which may be expected to adversely affect the business or financial condition or prospects of our Group in a material way; or
  - (iii) without prejudice to sub-paragraph (i) of paragraph (a) above, the imposition of any moratorium, suspension or restriction on trading in securities generally on the Stock Exchange due to exceptional financial circumstances or otherwise; or
  - (iv) any event, or series of events, beyond the control of the Hong Kong Underwriters (including, without limitation, acts of government, strikes, lockout, fire, explosion, flooding, civil commotion, acts of war or acts of God or accident) in the sole and absolute opinion of the Sole Sponsor-Overall Coordinator (for itself and on behalf of the Hong Kong Underwriters) would or might have a material adverse effect on any member of our Group or its present or prospective shareholders in their capacity as such; or

---

## UNDERWRITING

---

- (v) any change or development occurs involving a prospective change in taxation or in exchange control or the implementation of any exchange controls in any Specific Jurisdiction(s) which in the sole and absolute opinion of the Sole Sponsor-Overall Coordinator (for itself and on behalf of the Hong Kong Underwriters) would or might have a material adverse effect on any member of our Group or its present or prospective shareholders in their capacity as such in a material way; or
- (vi) any litigation or claim of material importance to the business, financial or operations of our Group being threatened or instituted against any member of our Group, our substantial shareholders, or any Directors; or
- (vii) the imposition of economic sanctions, in whatever form, directly or indirectly, in any Specific Jurisdiction(s); or
- (viii) any governmental or regulatory commission, board, body, authority or agency, or any stock exchange, self-regulatory organisation or other non-government regulatory authority, or any court, tribunal or arbitrator, whether national, central, federal, provincial, state, regional, municipal, local, domestic or foreign, or a political body or organisation in any Specific Jurisdiction(s) commencing any investigation or other action, or announcing an intention to investigate or take other action, against any members of our Group or Director; or
- (ix) order or petition for the winding up of any members of our Group or any composition or arrangement made by any members of our Group with its creditors or a scheme of arrangement entered into by any members of our Group or any resolution for the winding up of any members of our Group or the appointment of a provisional liquidator, receiver or manager over all or part of the material assets or undertaking of any members of our Group or anything analogous thereto occurring in respect of any members of our Group; or
- (x) any such event, which, individually, or in the aggregate, in the sole and absolute opinion of the Sole Sponsor-Overall Coordinator (for itself and on behalf of the Hong Kong Underwriters), (I) has or may have a material adverse effect on the success of the Global Offering, or the level of applications under the Hong Kong Public Offering or the level of interest under the International Offering; or (II) has or will or may have a material adverse effect on the assets, liabilities, business, prospects, trading or financial position of our Group as a whole; or (III) makes it inadvisable or impracticable to proceed with the Global Offering; or (IV) has or will or may have the effect of making any part of the Hong Kong Underwriting Agreement (including underwriting) incapable of performance in accordance with its terms or preventing the processing of applications and/or payments pursuant to the Global Offering or pursuant to the underwriting thereof; or

---

## UNDERWRITING

---

- (b) there comes to the notice of the Sole Sponsor-Overall Coordinator (for itself and on behalf of the Hong Kong Underwriters) any matter or event showing any of the representations and warranties contained in the Hong Kong Underwriting Agreement to be untrue or inaccurate or, if repeated immediately after the occurrence thereof, would be untrue or inaccurate in any respect considered by the Sole Sponsor-Overall Coordinator (for itself and on behalf of the Hong Kong Underwriters) in its sole and absolute opinion to be material or showing any of the obligations or undertakings expressed to be assumed by or imposed on our Company or the covenantors under the Hong Kong Underwriting Agreement not to have been complied with in any respect considered by the Sole Sponsor-Overall Coordinator (for itself and on behalf of the Hong Kong Underwriters) in its sole and absolute opinion to be material; or
- (c) there comes to the notice of the Sole Sponsor-Overall Coordinator (for itself and on behalf of the Hong Kong Underwriters) any breach on the part of our Company or any of the covenantors of any provisions of the Hong Kong Underwriting Agreement in any respect which is considered by the Sole Sponsor-Overall Coordinator (for itself and on behalf of the Hong Kong Underwriters) in its sole and absolute opinion to be material; or
- (d) any statement contained in this prospectus, notices, advertisements, announcements, application proof prospectus, post hearing information pack, the submissions, documents or information provided to the Sole Sponsor-Overall Coordinator (for itself and on behalf of the Hong Kong Underwriters), the Stock Exchange, the legal advisers to the Sole Sponsor and the Underwriters and any other parties involved in the Global Offering which in the sole and absolute opinion of the Sole Sponsor-Overall Coordinator (for itself and on behalf of the Hong Kong Underwriters) has become or been discovered to be untrue, incorrect, incomplete or misleading in any material respect; or
- (e) matters have arisen or have been discovered which would, if this prospectus, notices, advertisements, announcements, application proof prospectus, post hearing information pack was to be issued at that time, constitute, in the sole and absolute opinion of the Sole Sponsor-Overall Coordinator (for itself and on behalf of the Hong Kong Underwriters) a material omission of such information; or
- (f) there is any material adverse change or prospective material adverse change in the business or in the financial or trading position or prospects of our Group which in the sole and absolute opinion of the Sole Sponsor-Overall Coordinator (for itself and on behalf of the Hong Kong Underwriters) is material; or



---

## UNDERWRITING

---

- (g) the approval of the Listing Committee of the Stock Exchange of the listing of, and permission to deal in, the H Shares in issue or to be issued pursuant to the Global Offering is refused or not granted, other than subject to customary conditions, on or before 8:00 a.m. (Hong Kong time) on the Listing Date, or if granted, the approval is subsequently withdrawn, qualified (other than by customary conditions) or withheld; or
- (h) any expert, who has given opinion or advice which are contained in this prospectus, has withdrawn its respective consent to the issue of this prospectus with the inclusion of its reports, letters, opinions or advices and references to its name included in the form and context in which it respectively appears prior to the issue of this prospectus; or
- (i) our Company withdraws this prospectus (and/or any other documents issued or used in connection with the Global Offering) or the Global Offering; or
- (j) there comes to the notice of the Sole Sponsor-Overall Coordinator or any of the Underwriters any information, matter or event which in the sole and absolute opinion of the Sole Sponsor-Overall Coordinator (for itself and on behalf of the Hong Kong Underwriters) would cast any serious doubt on the integrity or reputation of any Director or the reputation of our Group.

### **Undertakings to the Stock Exchange**

#### ***Undertaking by our Company***

Pursuant to Rule 10.08 of the Listing Rules, we have undertaken to the Stock Exchange that, no further Shares or securities convertible into our equity securities (whether or not of a class already listed) may be issued by us or form the subject of any agreement to such an issue by us within six months from the Listing Date (whether or not such issue of our Shares or our securities will be completed within six months from the Listing Date), except pursuant to the Global Offering (including the Over-allotment Option) or under any of the circumstances prescribed by Rule 10.08 of the Listing Rules.

---

## UNDERWRITING

---

### *Undertaking by our Controlling Shareholders*

Pursuant to Rule 10.07(1) of the Listing Rules, each of the Controlling Shareholders undertakes to the Stock Exchange and to our Company that except pursuant to the Global Offering (including the Over-allotment Option), they will not at any time:

- (a) during the period commencing on the date by reference to which disclosure of his/its interests in our Company is made in this prospectus and ending on the date falling six months from the Listing Date (the “**First Six-month Period**”), he/it shall not dispose of, or enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the securities of our Company in respect of which he/it is shown by this prospectus to be the beneficial owners; or
- (b) in the six-month period commencing on the expiry of the First Six-month Period set out in paragraph (a) above, dispose of, or enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the securities mentioned in paragraph (a) if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, he/it would cease to be a controlling shareholder of our Company for the purposes of the Listing Rules.

Pursuant to Note (3) to Rule 10.07(2) of the Listing Rules, each of our Controlling Shareholders has further undertaken to the Stock Exchange and to our Company that within the period commencing on the date by reference to which disclosure of his/its shareholdings is made in this prospectus and to the date which is 12 months from the Listing Date, he/it will:

- (a) when he/it pledges or charges any securities of our Company or interests therein beneficially owned by him/it in favour of any authorised institution pursuant to Note (2) to Rule 10.07(2) of the Listing Rules, immediately inform our Company of such pledge or charge together with the number of securities so pledged or charged; and
- (b) when he/it receives indications, either verbal or written, from the pledgee or chargee that any of the securities of our Company pledged or charged will be disposed of, immediately inform our Company of such indications.

Under Note 3 to Rule 10.07(2) of the Listing Rules, our Company is required to inform the Stock Exchange as soon as practicable after we have been informed of the matters referred to in (a) or (b) above by any of our Controlling Shareholders and disclose such matters by way of an announcement in compliance with the Listing Rules.

---

## UNDERWRITING

---

### Undertakings pursuant to the Hong Kong Underwriting Agreement

#### *Lock-up on the Controlling Shareholders*

Each of our Controlling Shareholders, jointly and severally, has given an undertaking to each of our Company, the Sole Sponsor, the Sole Sponsor-Overall Coordinator, the Overall Coordinators, the Joint Bookrunners, the Joint Lead Managers, the CMIs and the Hong Kong Underwriters that, except pursuant to the Global Offering (including pursuant to the exercise of the Over-Allotment Option) or otherwise in compliance with the Listing Rules, without the prior written consent of the Sole Sponsor-Overall Coordinator (for itself and on behalf of the Hong Kong Underwriters):

- (i) during the period commencing on the date of the Hong Kong Underwriting Agreement and ending on, and including, the date that is six months after the Listing Date (the “**First Six Month Period**”), none of them will, and each of them will procure that none of his/its close associates will not (a) sell, offer to sell, contract or agree to sell, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to purchase, grant or purchase any option, warrant, contract or right to sell, or otherwise transfer or dispose of or create an encumbrance over, or agree to transfer or dispose of or create an encumbrance over, either directly or indirectly, conditionally or unconditionally, any Shares or any other securities of our Company or any interest therein (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares, as applicable) beneficially owned by him/her/it as at the Listing Date (the “**Locked-up Securities**”), or deposit any Locked-up Securities with a depositary in connection with the issue of depositary receipts, or (b) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of any Locked-up Securities), or (c) enter into any transaction with the same economic effect as any transaction specified in (a) or (b) above, or (d) offer to or agree to or announce any intention to effect any transaction specified in (a), (b) or (c) above, in each case, whether any of the transactions specified in (a), (b) or (c) above is to be settled by delivery of Shares or such other securities of our Company or shares or other securities of such other members of our Group, as applicable, or in cash or otherwise (whether or not the settlement or delivery of Shares or such other securities will be completed within the First Six Month Period); and

---

## UNDERWRITING

---

- (ii) during the period of six months commencing on the date on which the First Six Month Period expires and including, the date that is six months after the end of the First Six Month Period (the “**Second Six Month Period**”), none of them will enter into any of the transactions specified in (a), (b) or (c) under paragraph (i) above or offer to or agree to or announce any intention to effect any such transaction if, immediately following any sale, transfer or disposal or upon the exercise or enforcement of any option, right, interest or encumbrance pursuant to such transaction, he/it will cease to be a “controlling shareholder” (as the term is defined in the Listing Rules) of our Company;
- (iii) during the First Six-Month Period and Second Six-Month Period, each of them will (a) if and when any of them or the relevant registered holder(s) pledges or charges any Locked-up Securities, immediately inform our Company and the Sole Sponsor-Overall Coordinator in writing of such pledge or charge together with the number of Locked-up Securities so pledged or charged; or (b) if and when any of them or the relevant registered holder(s) receives indications, either verbal or written, from any pledgee or chargee that any of the pledged or charged Locked-up Securities will be disposed of, immediately inform our Company, the Sole Sponsor-Overall Coordinator in writing of such indications; and
- (iv) until the expiry of the Second Six Month Period, in the event that he/it enters into any of the transactions specified in (a), (b) or (c) under paragraph (i) above or offers to or agrees to or announces any intention to effect any such transaction, he/it will take all reasonable steps to ensure that it will not create a disorderly or false market in the securities of our Company.

Our Company undertakes to the Sole Sponsor, the Sole Sponsor-Overall Coordinator, the Overall Coordinators, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the CMIs and the Hong Kong Underwriters that upon receiving such information in writing from any of the Controlling Shareholders, it will, as soon as practicable and if required pursuant to the Listing Rules, notify the Stock Exchange and make a public disclosure in relation to such information by way of an announcement.

For the avoidance of doubt, the aforesaid restrictions do not apply to (i) any additional Shares or other securities of our Company or any interest therein acquired by any of the Controlling Shareholders after the Listing; or (ii) any pledge or charge of any Shares or other equity securities of our Company, as applicable, or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares or other equity securities of our Company) after the Global Offering in favor of an authorized institution as defined in the Banking Ordinance for a bona fide commercial loan.

---

## UNDERWRITING

---

### *Lock-up on our Company*

Except for the offer and sale of the Offer Shares pursuant to the Global Offering (including the additional H Shares which may be issued pursuant to the Over-allotment Option), our Company undertakes to each of the Sole Sponsor, the Sole Sponsor-Overall Coordinator, the Overall Coordinators, the Joint Bookrunners, the Joint Lead Managers, the CMI's and the Hong Kong Underwriters not to, and to procure each member of our Group not to, without the prior written consent of the Sole Sponsor-Overall Coordinator (for itself and on behalf of the Hong Kong Underwriters) and unless in compliance with the requirements of the Listing Rules, at any time during the period commencing on the date of the Hong Kong Underwriting Agreement and ending on, and including, the last date of the First Six Month Period:

- (i) allot, issue, sell, accept subscription for, offer to allot, issue or sell, contract or agree to allot, issue or sell, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to subscribe for or purchase, grant or purchase any option, warrant, contract or right to allot, issue or sell, or otherwise transfer or dispose of or create an encumbrance over, or agree to transfer or dispose of or create an encumbrance over, either directly or indirectly, conditionally or unconditionally, any Shares or any other securities of our Company or any shares or other securities of such other members of our Group, as applicable, or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares or any shares of such other members of our Group, as applicable, or deposit any share capital or other securities of our Company, as applicable, with a depositary in connection with the issue of depositary receipts); or
- (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of Shares or any other securities of our Company or any shares or other securities of such other members of our Group, as applicable, or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares or any shares of such members of our Group, as applicable); or
- (iii) enter into any transaction with the same economic effect as any transaction specified in paragraphs (i) or (ii) above; or
- (iv) offer to or agree to or announce any intention to effect any transaction specified in paragraphs (i), (ii) or (iii) above,

in each case, whether any of the transactions specified in paragraphs (i), (ii) or (iii) above is to be settled by delivery of Shares or such other securities of our Company or shares or other securities of such members of our Group, as applicable, or in cash or otherwise (whether or not the issue of Shares or such other securities will be completed within the aforesaid period), provided that the foregoing restrictions shall not apply to the issue of the H Shares by our Company pursuant to the Global Offering.

---

## UNDERWRITING

---

In the event that, during the Second Six Month Period, our Company enters into any of the transactions specified in paragraphs (i), (ii) or (iii) above or offers to or agrees to or announces any intention to effect any such transaction, our Company shall take all reasonable steps to ensure that it will not create a disorderly or false market in the securities of our Company. Each of our Company, our Controlling Shareholders undertakes to each of the Sole Sponsor, the Sole Sponsor-Overall Coordinator, the Overall Coordinators, the Joint Bookrunners, the Joint Lead Managers, the CMIs and the Hong Kong Underwriters to procure our Company to comply with the undertakings in this paragraph.

### ***Maintenance of public float***

Our Company agrees and undertakes to each of the Sole Sponsor, the Sole Sponsor-Overall Coordinator, the Overall Coordinators, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the CMIs and the Hong Kong Underwriters, that it will not, and each of the Controlling Shareholders further undertake to each of the Sole Sponsor, the Sole Sponsor-Overall Coordinator, the Overall Coordinators, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the CMIs and the Hong Kong Underwriters to procure that our Company will not, effect any purchase of Shares, or agree to do so, which may reduce the holdings of H Shares held by the public (as defined in Rule 8.24 of the Listing Rules) below the minimum public float requirements specified in the Listing Rules or any waiver granted and not revoked by the Stock Exchange on or before the date falling six months after the Listing Date without first having obtained the prior written consent of the Sole Sponsor-Overall Coordinator (for itself and on behalf of the Hong Kong Underwriters).

### **The International Offering**

#### ***The International Underwriting Agreement***

In connection with the International Placing, it is expected that our Company and the International Underwriters will enter into the International Underwriting Agreement. Under the International Underwriting Agreement, our Company will offer our International Offer Shares for subscription and purchase by professional, institutional and other investors at the Offer Price payable in full on subscription and purchase in Hong Kong dollars, on and subject to the terms and conditions set out in the International Underwriting Agreement and the placing documents. It is expected that the International Underwriters will agree to severally underwrite for our International Offer Shares. It is expected that pursuant to the International Underwriting Agreement, our Company and our Controlling Shareholders will give undertakings similar to those given pursuant to the Hong Kong Underwriting Agreement in the paragraph headed “Undertakings pursuant to the Hong Kong Underwriting Agreement” under this section.

---

## UNDERWRITING

---

### *Over-allotment Option*

Our Company is expected to grant to the International Underwriters the Over-allotment Option exercisable by the Sole Sponsor-Overall Coordinator, on behalf of the International Underwriters, at any time until the 30th day after the last day for the lodging of applications under the Hong Kong Public Offering, to require our Company to allot and issue up to an aggregate of 10,233,000 additional H Shares, representing 15% of the Offer Shares, at the Offer Price per Offer Share under the International Offering, solely to cover over-allocations, if any, under the International Offering. For further details of the Over-allotment Option, please see “Structure of the Global Offering” in this prospectus.

### **Commissions and expenses**

The Underwriters will receive an underwriting commission of 5.0% of the aggregate Offer Price of all the Offer Shares (including any Offer Shares to be issued pursuant to the exercise of the Over-allotment Option)(the “**Fixed Fee**”), out of which they will pay any sub-underwriting commissions and other fees. As our Company will not pay the Underwriters any discretionary incentive fee for the Global Offering (the “**Discretionary Fee**”), the ratio of the Fixed Fee and Discretionary Fee is therefore 100:0.

For any unsubscribed Hong Kong Offer Shares reallocated to the International Offering, the underwriting commission will not be paid to the Hong Kong Underwriters but will instead be paid, at the rate applicable to the International Offering, to the relevant International Underwriters.

Assuming the Over-allotment Option is not exercised, the aggregate commissions and fees, together with the Stock Exchange listing fees, the SFC transaction levy, the Stock Exchange trading fee and the AFRC transaction levy, legal and other professional fees and printing and all other expenses relating to the Global Offering are estimated to be approximately HK\$40.4 million (assuming an Offer Price of HK\$3.11 per Offer Share (which is the midpoint of the indicative Offer Price range stated in this prospectus) and will be paid by our Company.

### **UNDERWRITERS’ INTEREST IN OUR COMPANY**

The Sole Sponsor will receive a sponsor fee of HK\$5.5 million.

Our Company has appointed Sinolink Securities (Hong Kong) Company Limited as our compliance adviser pursuant to Rule 3A.19 of the Listing Rules for the period commencing on the Listing Date and ending on the date on which our Company complies with Rule 13.46 of the Listing Rules in respect of our financial results for the first financial year commencing after the Listing Date, or until the agreement is terminated, whichever is earlier.

---

## UNDERWRITING

---

Save for the interests and obligations under the Underwriting Agreements and as disclosed in this prospectus, as at the Latest Practicable Date, none of the Overall Coordinators and the Underwriters is interested legally or beneficially in the shares of any of our Group's members or has any right or option (whether legally enforceable or not) to subscribe for or purchase or to nominate persons to subscribe for or purchase securities in any members of our Group nor any interest in this Global Offering.

### INDEPENDENCE OF THE SOLE SPONSOR

The Sole Sponsor satisfies the independence criteria applicable to sponsors set out in Rule 3A.07 of the Listing Rules.

### ACTIVITIES BY SYNDICATE MEMBERS

The underwriters of the Hong Kong Public Offering and the International Offering (together, the “**Syndicate Members**”) and their affiliates may each individually undertake a variety of activities (as further described below) which do not form part of the underwriting.

The Syndicate Members and their affiliates are diversified financial institutions with relationships in countries around the world. These entities engage in a wide range of commercial and investment banking, brokerage, funds management, trading, hedging, investing and other activities for their own account and for the account of others. In the ordinary course of their various business activities, the Syndicate Members and their respective affiliates may purchase, sell or hold a broad array of investments and actively trade securities, derivatives, loans, commodities, currencies, credit default swaps and other financial instruments for their own account and for the accounts of their customers. Such investment and trading activities may involve or relate to assets, securities and/or instruments of our Company and/or persons and entities with relationships with our Company and may also include swaps and other financial instruments entered into for hedging purposes in connection with our Group's loans and other debt.

In relation to issues by Syndicate Members or their affiliates of any listed securities having the Shares as their underlying securities, whether on the Stock Exchange or on any other stock exchange, the rules of the exchange may require the issuer of those securities (or one of its affiliates or agents) to act as a market maker or liquidity provider in the security, and this will also result in hedging activity in the Shares in most cases.

Such activities may affect the market price or value of our Shares, the liquidity or trading volume in our Shares and the volatility of the price of our Shares, and the extent to which this occurs from day to day cannot be estimated.



---

## UNDERWRITING

---

It should be noted that when engaging in any of these activities, the Syndicate Members will be subject to certain restrictions, including the following:

- (a) the Syndicate Members must not, in connection with the distribution of the Offer Shares, effect any transactions (including issuing or entering into any option or other derivative transactions relating to the Offer Shares), whether in the open market or otherwise, with a view to maintaining the market price of any of the Offer Shares at levels other than those which might otherwise prevail in the open market; and
- (b) the Syndicate Members must comply with all applicable laws and regulations, including the market misconduct provisions of the SFO, including the provisions prohibiting insider dealing, false trading, price rigging and stock market manipulation.

Certain of the Syndicate Members or their respective affiliates have provided from time to time, and expect to provide in the future, investment banking and other services to our Company and our affiliates for which such Syndicate Members or their respective affiliates have received or will receive customary fees and commissions.

---

## STRUCTURE OF THE GLOBAL OFFERING

---

### THE GLOBAL OFFERING

This prospectus is published in connection with the Hong Kong Public Offering as part of the Global Offering. The Global Offering comprises:

- (i) the Hong Kong Public Offering of initially 6,822,000 H Shares (subject to reallocation as mentioned below) in Hong Kong as described in “– The Hong Kong Public Offering” below; and
- (ii) the International Offering of initially 61,398,000 H Shares (subject to reallocation as mentioned below and the Over-allotment Option) outside the United States (including to professional and institutional investors within Hong Kong) in offshore transactions in reliance on Regulation S, as described in “– International Offering” below.

Investors may apply for Offer Shares under the Hong Kong Public Offering or apply for or indicate an interest for Offer Shares under the International Offering, but may not do both.

The Offer Shares will represent approximately 25% of the enlarged issued share capital of our Company immediately after completion of the Global Offering without taking into account the exercise of the Over-allotment Option. Assuming the Over-allotment Option is exercised in full, the Offer Shares will represent approximately 27.7% of the enlarged issued share capital of our Company immediately after completion of the Global Offering and the exercise of the Over-allotment Option as set out in the section headed “Over-allotment Option” below.

The number of Offer Shares to be offered under the Hong Kong Public Offering and the International Offering may be subject to reallocation as described in “– The Hong Kong Public Offering – Reallocation” below.

### THE HONG KONG PUBLIC OFFERING

#### Number of Offer Shares Initially Offered

Our Company is initially offering 6,822,000 Offer Shares for subscription by the public in Hong Kong at the Offer Price, representing 10% of the total number of Offer Shares initially available under the Global Offering. Subject to the reallocation of Offer Shares between the International Offering and the Hong Kong Public Offering, the Hong Kong Offer Shares will represent approximately 2.5% of our Company’s enlarged issued share capital immediately after completion of the Global Offering, assuming that the Over-allotment Option is not exercised.

---

## STRUCTURE OF THE GLOBAL OFFERING

---

The Hong Kong Public Offering is open to members of the public in Hong Kong as well as to institutional and professional investors. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities.

Completion of the Hong Kong Public Offering is subject to the conditions as set out in “– Conditions of the Hong Kong Public Offering” below.

### **Allocation**

Allocation of Offer Shares to investors under the Hong Kong Public Offering, both in relation to pool A and B, will be based solely on the level of valid applications received under the Hong Kong Public Offering. The basis of allocation in each pool may vary, depending on the number of Hong Kong Offer Shares validly applied for by applicants. Such allocation may, if necessary, be made on the basis of balloting, which would mean that certain applicants may receive a higher allocation than others who have applied for the same number of Hong Kong Offer Shares, and those applicants who are not successful in the ballot may not receive any Hong Kong Offer Shares.

The total number of Hong Kong Offer Shares initially available under the Hong Kong Public Offering (after taking account of any reallocation referred to below) is to be divided equally into two pools for allocation purposes: 3,411,000 Hong Kong Offer Shares for pool A and 3,411,000 Hong Kong Offer Shares for pool B. The Hong Kong Offer Shares in pool A will be allocated on an equitable basis to successful applicants who have applied for Hong Kong Offer Shares with an aggregate subscription price of HK\$5 million (excluding the brokerage fee, SFC transaction levy, AFRC transaction levy and the Stock Exchange trading fee payable) or less. The Hong Kong Offer Shares in pool B will be allocated on an equitable basis to applicants who have applied for Hong Kong Offer Shares with an aggregate subscription price of more than HK\$5 million (excluding the brokerage fee, SFC transaction levy, AFRC transaction levy and the Stock Exchange trading fee payable) and up to the total value in pool B.

Investors should be aware that applications in pool A and applications in pool B may receive different allocation ratios. If Hong Kong Offer Shares in one (but not both) of the pools are undersubscribed, the surplus Hong Kong Offer Shares will be transferred to the other pool to satisfy demand in that other pool and be allocated accordingly. For the purpose of this paragraph only, the “price” for Offer Shares means the price payable on application therefor (without regard to the Offer Price as finally determined). Applicants can only receive an allocation of Hong Kong Offer Shares from either pool A or pool B but not from both pools and may only apply for Hong Kong Offer Shares in either pool A or pool B. In addition, multiple or suspected multiple applications and any application for more than 3,411,000 Hong Kong Offer Shares, being the maximum number of Hong Kong Offer Shares initially comprised in each pool in the Hong Kong Public Offering, are liable to be rejected.

---

## STRUCTURE OF THE GLOBAL OFFERING

---

### Reallocation

The allocation of Offer Shares between the Hong Kong Public Offering and the International Offering is subject to reallocation under the Listing Rules. Paragraph 4.2 of Practice Note 18 of the Listing Rules requires a clawback mechanism to be put in place, which would have the effect of increasing the number of the Hong Kong Offer Shares to certain percentages of the total number of Offer Shares offered in the Global Offering if certain prescribed total demand levels are reached. Assuming that the Over-allotment Option is not exercised, the allocation of the Offer Shares shall be subject to reallocation on the following basis:

- (a) where the International Offer Shares are fully subscribed or oversubscribed and:
  - (i) if the Hong Kong Offer Shares are undersubscribed, the Sole Sponsor-Overall Coordinator has the authority (but not the obligation) in their absolute discretion to reallocate all or any unsubscribed Hong Kong Offer Shares to the International Offering, in such proportions as the Sole Sponsor-Overall Coordinator deems appropriate to satisfy demand under the International Offering;
  - (ii) if the Hong Kong Offer Shares are not undersubscribed but the number of Offer Shares validly applied for the Hong Kong Public Offering represents less than 15 times the number of the Offer Shares initially available for subscription under the Hong Kong Public Offering, then up to 6,822,000 Offer Shares may be reallocated to the Hong Kong Public Offering from the International Offering, so that the total number of the Offer Shares available under the Hong Kong Public Offering will be increased to 13,644,000 Offer Shares, representing 20% of the number of the Offer Shares initially available under the Global Offering;
  - (iii) if the number of Offer Shares validly applied for under the Hong Kong Public Offering represents 15 times or more but less than 50 times the number of the Offer Shares initially available for subscription under the Hong Kong Public Offering, then Offer Shares will be reallocated to the Hong Kong Public Offering from the International Offering, so that the total number of the Offer Shares available under the Hong Kong Public Offering will be increased to 20,466,000 Offer Shares, representing 30% of the Offer Shares initially available under the Global Offering;

---

## STRUCTURE OF THE GLOBAL OFFERING

---

- (iv) if the number of Offer Shares validly applied for under the Hong Kong Public Offering represents 50 times or more but less than 100 times the number of the Offer Shares initially available for subscription under the Hong Kong Public Offering, then Offer Shares will be reallocated to the Hong Kong Public Offering from the International Offering, so that the total number of the Offer Shares available under the Hong Kong Public Offering will be increased to 27,288,000 Offer Shares, 40% of the Offer Shares initially available under the Global Offering; and
  - (v) if the number of Offer Shares validly applied for under the Hong Kong Public Offering represents 100 times or more than the number of the Offer Shares initially available for subscription under the Hong Kong Public Offering, then Offer Shares will be reallocated to the Hong Kong Public Offering from the International Offering, so that the total number of the Offer Shares available under the Hong Kong Public Offering will be increased to 34,110,000 Offer Shares, representing 50% of the Offer Shares initially available under the Global Offering.
- (b) where the International Offer Shares are undersubscribed:
- (i) if the Hong Kong Offer Shares are undersubscribed, the Global Offering will not proceed unless the Underwriters would subscribe or procure subscribers for their respective applicable proportions of the Offer Shares being offered which are not taken up under the Global Offering on the terms and conditions of this prospectus and the Underwriting Agreements; and
  - (ii) if the Hong Kong Offer Shares are oversubscribed, irrespective of the number of times the number of Offer Shares initially available for subscription under the Hong Kong Public Offering, then up to 6,822,000 Offer Shares may be reallocated to the Hong Kong Public Offering from the International Offering, so that the total number of the Offer Share available under the Hong Kong Public Offering will be increased to 13,644,000 Offer Shares, representing 20% of the number of the Offer Shares initially available under the Global Offering (before any exercise of the Over-allotment Option).

In addition, the Sole Sponsor-Overall Coordinator may reallocate the Offer Shares from the International Offering to the Hong Kong Public Offering to satisfy valid applications under the Hong Kong Public Offering. In accordance with Chapter 4.14 of the Guide for New Listing Applicants published by the Stock Exchange, if such reallocation is done other than pursuant to Practice Note 18 of the Listing Rules, the maximum total number of Offer Shares that may be allocated to the Hong Kong Public Offering following such reallocation shall be not more than double the initial allocation to the Hong Kong Public Offering (i.e. 13,644,000 Offer Shares).

---

## STRUCTURE OF THE GLOBAL OFFERING

---

In the event of a reallocation of the Offer Shares from the International Offering to the Hong Kong Public Offering in the circumstances under paragraphs (a)(ii), (a)(iii), (a)(iv), (a)(v) or (b)(ii) above, the number of Offer Shares allocated to the International Offering will be correspondingly reduced. In each case, the additional Offer Shares reallocated to the Hong Kong Public Offering will be allocated between pool A and pool B and the number of Offer Shares allocated to the International Offering will be correspondingly reduced in such manner and proportions as the Sole Sponsor-Overall Coordinator deems appropriate.

In the event of a reallocation of the Offer Shares between the Hong Kong Public Offering and the International Offering in the circumstances under paragraphs (a)(ii) or (b)(ii) above, the final Offer Price shall be fixed at the low end of the indicative Offer Price range (i.e. HK\$2.86 per Offer Share) stated in this prospectus in accordance with Chapter 4.14 of the Guide for New Listing Applicants published by the Stock Exchange.

Details of any reallocation of Offer Shares between the Hong Kong Public Offering and the International Offering will be disclosed in the results announcement of the Global Offering, which is expected to be published on Tuesday, 24 June 2025.

### **Applications**

Each applicant under the Hong Kong Public Offering will also be required to give an undertaking and confirmation in the application submitted by him, her or it that he, she or it, and any person(s) for whose benefit he, she or it is making the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the International Offering, and such applicant's application is liable to be rejected if the said undertaking and/or confirmation is breached and/or untrue (as the case may be) or the applicant (and any person for whose benefit he, she or it is making the application) has been or will be placed or allocated Offer Shares under the International Offering.

The listing of the H Shares on the Stock Exchange is sponsored by the Sole Sponsor. Applicants under the Hong Kong Public Offering may be required to pay, on application (subject to application channels), the maximum Offer Price of HK\$3.35 per Offer Share in addition to any brokerage, SFC transaction levy, AFRC transaction levy and the Stock Exchange trading fee payable on each Hong Kong Offer Share. If the Offer Price, as finally determined in the manner described in the section headed “– Pricing of the Global Offering” below, is less than the maximum Offer Price of HK\$3.35 per Offer Share, appropriate refund payments (including the brokerage, SFC transaction levy, AFRC transaction levy and the Stock Exchange trading fee attributable to the surplus application monies) will be made to successful applicants (subject to application channels), without interest. Further details are set out in “How to Apply for Hong Kong Offer Shares”.

References in this prospectus to applications, application monies or the procedure for application relate solely to the Hong Kong Public Offering.

---

## STRUCTURE OF THE GLOBAL OFFERING

---

### THE INTERNATIONAL OFFERING

#### Number of Offer Shares Initially Offered

Subject to reallocation as described above, the International Offering will consist of an aggregate of 61,398,000 Offer Shares, representing 90% of the Offer Shares under the Global Offering and approximately 22.5% of our enlarged issued share capital immediately after the completion of the Global Offering, assuming that the Over-allotment Option is not exercised.

#### Allocation

The International Offering will include selective marketing of Offer Shares to institutional and professional investors and other investors anticipated to have a sizeable demand for such Offer Shares. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities.

Allocation of Offer Shares pursuant to the International Offering will be effected in accordance with the “book-building” process described in the section headed “– Pricing of the Global Offering” below and based on a number of factors, including the level and timing of demand, the total size of the relevant investor’s invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to hold or sell its Offer Shares, after the listing of the Offer Shares on the Stock Exchange. Such allocation is intended to result in a distribution of the Offer Shares on a basis which would lead to the establishment of a solid professional and institutional shareholder base to the benefit of our Company and our Shareholders as a whole.

The Sole Sponsor-Overall Coordinator (for itself and on behalf of the Underwriters) may require any investor who has been offered Offer Shares under the International Offering, and who has made an application under the Hong Kong Public Offering, to provide sufficient information to the Sole Sponsor-Overall Coordinator so as to allow it to identify the relevant application under the Hong Kong Public Offering and to ensure that such investor is excluded from any application of Offer Shares under the Hong Kong Public Offering.

---

## STRUCTURE OF THE GLOBAL OFFERING

---

### OVER-ALLOTMENT OPTION

In connection with the Global Offering, our Company is expected to grant an Over-allotment Option to the International Underwriters, exercisable by the Sole Sponsor-Overall Coordinator (on behalf of the International Underwriters).

Pursuant to the Over-allotment Option, the International Underwriters have the right, exercisable at any time from the date of the International Underwriting Agreement until 30 days after the last date for lodging of applications under the Hong Kong Public Offering, to require our Company to issue and allot up to an aggregate of 10,233,000 additional Offer Shares, representing 15% of the initial Offer Shares, at the same price per Offer Share under the International Offering to cover over-allocations in the International Offering, if any.

Assuming the Over-allotment Option is exercised in full, the additional Offer Shares will represent approximately 3.6% of our Company's enlarged issued share capital immediately following the completion of the Global Offering and the exercise of the Over-allotment Option. In the event that the Over-allotment Option is exercised, an announcement will be made.

### STABILISATION

Stabilisation is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilise, the underwriters may bid for, or purchase, the new securities in the secondary market, during a specified period of time, to retard and, if possible, prevent any decline in the market price of the securities below the Offer Price. In Hong Kong and certain other jurisdictions, activity aimed at reducing the market price is prohibited and the price at which stabilisation is effected is not permitted to exceed the Offer Price.

Sinolink Securities (Hong Kong) Company Limited has been appointed by us as the Stabilising Manager for the purposes of the Global Offering in accordance with the Securities and Futures (Price Stabilising) Rules made under the SFO. In connection with the Global Offering, the Stabilising Manager, its affiliates or any person acting for it, on behalf of the Underwriters, may, to the extent permitted by applicable laws of Hong Kong or elsewhere, over-allocate or effect short sales or any other stabilising transactions with a view to stabilising or maintaining the market price of the H Shares at a level higher than that which might otherwise prevail in the open market. Short sales involve the sale by the Stabilising Manager of a greater number of H Shares than the Underwriters are required to purchase in the Global Offering. "Covered" short sales are sales made in an amount not greater than the Over-allotment Option.



---

## STRUCTURE OF THE GLOBAL OFFERING

---

The Stabilising Manager may close out the covered short position by either exercising the Over-allotment Option to purchase additional H Shares or purchasing H Shares in the open market. In determining the source of the H Shares to close out the covered short position, the Stabilising Manager will consider, among other things, the price of H Shares in the open market as compared to the price at which they may purchase additional H Shares pursuant to the Over-allotment Option. Stabilising transactions consist of certain bids or purchases made for the purpose of preventing or retarding a decline in the market price of the H Shares while the Global Offering is in progress. Any market purchases of the H Shares may be effected on any stock exchange, including the Stock Exchange, any over-the-counter market or otherwise, provided that they are made in compliance with all applicable laws and regulatory requirements. However, there is no obligation on the Stabilising Manager, its affiliates or any person acting for it to conduct any such stabilising activity, which if commenced, will be done at the absolute discretion of the Stabilising Manager, its affiliates or any person acting for it and may be discontinued at any time. Any such stabilising activity is required to be brought to an end within 30 days after the last day for the lodging of applications under the Hong Kong Public Offering.

Stabilising actions by the Stabilising Manager, its affiliates or any person acting for it, will be entered into in accordance with the laws, rules and regulations in place in Hong Kong on stabilisation. Stabilising actions permitted pursuant to the Securities and Futures (Price Stabilising) Rules under the SFO include:

- (a) over-allocation for the purpose of preventing or minimising any reduction in the H Share market price;
- (b) selling or agreeing to sell the H Shares so as to establish a short position in them for the purpose of preventing or minimising any reduction in the H Share market price;
- (c) purchasing or subscribing, or agreeing to purchase or subscribe, for the H Shares pursuant to the Over-allotment Option in order to close out any position established under (a) or (b) above;
- (d) purchasing, or agreeing to purchase any H Shares for the sole purpose of preventing or minimising any reduction in the H Share market price;
- (e) selling, or agreeing to sell the H Shares to liquidate any position established as a result of those purchases; and
- (f) offering or attempting to do anything described in (b), (c), (d) or (e) above.

Specifically, prospective applicants for and investors in the Offer Shares should note that:

- (a) the Stabilising Manager, its affiliates or any person acting for it, may, in connection with the stabilising action, maintain a long position in the H Shares;

---

## STRUCTURE OF THE GLOBAL OFFERING

---

- (b) the size of long position, and period for which the Stabilising Manager, its affiliates or any person acting for it, will maintain such a long position, is at the discretion of the stabilising manager and is uncertain;
- (c) liquidation of any such long position by the Stabilising Manager may have an adverse impact on the market price of the H Shares;
- (d) stabilising action by the Stabilising Manager, its affiliates and persons acting for it cannot be taken to support the price of the H Shares for longer than the stabilising period, which will begin on the Listing Date and is expected to expire on the last business day immediately before the 30th day after the last date for lodging applications under the Hong Kong Public Offering. After this date when no further stabilising action may be taken, demand for the H Shares, and therefore the price of the H Shares, could fall;
- (e) the price of the H Shares cannot be assured to stay at or above the Offer Price either during or after the stabilising period by the taking of any stabilising action; and
- (f) stabilising bids may be made or transactions effected in the course of the stabilising action at any price at or below the Offer Price, which means that stabilising bids may be made or transactions effected at a price below the price paid by applicants for, or investors in, the H Shares.

Stabilising actions by the Stabilising Manager, or any person acting for it, will be entered into in accordance with the laws, rules and regulations in place in Hong Kong on stabilisation.

Our Company will procure that an announcement in compliance with the Securities and Futures (Price Stabilising) Rules will be made within seven days of the expiration of the stabilising period.

In order to effect stabilisation actions, the Stabilising Manager will arrange cover of up to an aggregate of 10,233,000 H Shares, representing up to 15% of the initial Offer Shares, through delayed delivery arrangements with investors who have been allocated Offer Shares in the International Offering. The delayed delivery arrangements (if specifically agreed by an investor) relate only to the delay in the delivery of the Offer Shares to such investor and the Offer Price for the Offer Shares allocated to such investor will be fully paid before dealings in the H Shares on the Stock Exchange commence.

In connection with the Global Offering, the Stabilising Manager may over-allocate up to and not more than an aggregate of 10,233,000 H Shares and cover such over-allocations by (amongst other methods) exercising the Over-allotment Option, making purchases in the secondary market at prices that do not exceed the Offer Price or by any combination of these means.

---

## STRUCTURE OF THE GLOBAL OFFERING

---

### PRICING OF THE GLOBAL OFFERING

The International Underwriters will be soliciting from prospective investors indications of interest in acquiring Offer Shares in the International Offering. Prospective professional and institutional investors will be required to specify the number of Offer Shares under the International Offering they would be prepared to acquire either at different prices or at a particular price. This process, known as “book-building” is expected to continue up to, and to cease on or around, the last day for lodging applications under the Hong Kong Public Offering.

Pricing for the Offer Shares for the purpose of the various offerings under the Global Offering will be fixed on the Price Determination Date, which is expected to be on Monday, 23 June 2025, by agreement between the Sole Sponsor-Overall Coordinator (on behalf of the Underwriters) and our Company and the number of Offer Shares to be allocated under various offerings will be determined shortly thereafter.

The Offer Price will not be more than HK\$3.35 per Offer Share and is expected to be not less than HK\$2.86 per Offer Share unless otherwise announced, as further explained below, not later than the morning of the last day for lodging applications under the Hong Kong Public Offering. Prospective investors should be aware that the Offer Price to be determined on the Price Determination Date may be, but is not expected to be, lower than the indicative Offer Price range stated in this prospectus.

The Sole Sponsor-Overall Coordinator, on behalf of itself and the Underwriters, may, where considered appropriate, based on the level of interest expressed by prospective professional and institutional investors under the International Offering during the book-building process, and with the consent of our Company, reduce the number of Offer Shares being offered in the Global Offering and/or the indicative Offer Price range below that stated in this prospectus at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, our Company will, as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the day which is the last day for lodging applications under the Hong Kong Public Offering, cause there to be published on the Stock Exchange’s website at **www.hkexnews.hk** and our Company’s website at **http://www.xjgroup.com** notice of the reduction. Our Company will also, as soon as practicable following the decision to make such change, issue a supplemental prospectus updating investors of the change in the number of Offer Shares being offered under the Global Offering and/or the Offer Price. The Global Offering must first be cancelled and subsequently relaunched on FINI pursuant to the supplemental prospectus. Upon the issue of such a notice and supplemental prospectus, the revised number of Offer Shares and/or the Offer Price range will be final and conclusive and the Offer Price, if agreed upon by the Sole Sponsor-Overall Coordinator (on behalf of the Underwriters) and our Company, will be fixed within such revised Offer Price range.

---

## STRUCTURE OF THE GLOBAL OFFERING

---

Before submitting applications for the Hong Kong Offer Shares, applicants should have regard to the possibility that any notice of a reduction in the number of Offer Shares being offered under the Global Offering and/or the indicative Offer Price range may not be made until the day which is the last day for lodging applications under the Hong Kong Public Offering. Such notice will also include confirmation or revision, as appropriate, of the working capital statement and the Global Offering statistics as currently set out in this prospectus, and any other financial information which may change as a result of such reduction. In the absence of any such notice published, the number of Offer Shares will not be reduced and/or the Offer Price, if agreed upon with our Company and the Sole Sponsor-Overall Coordinator (on behalf of the Underwriters), will under no circumstances be set outside the Offer Price range as described in this prospectus.

In the event of a reduction in the number of Offer Shares being offered under the Global Offering, the Sole Sponsor-Overall Coordinator may at its discretion reallocate the number of Offer Shares to be offered under the Hong Kong Public Offering and the International Offering, provided that the number of Offer Shares comprised in the Hong Kong Public Offering shall not be less than 10% of the total number of Offer Shares in the Global Offering. The Offer Shares to be offered in the International Offering and the Offer Shares to be offered in the Hong Kong Public Offering may, in certain circumstances, be reallocated as between these offerings at the discretion of the Sole Sponsor-Overall Coordinator.

The final Offer Price, indications of interest in the Global Offering, the results of applications and the basis of allocation of Offer Shares available under the Hong Kong Public Offering, are expected to be made available through a variety of channels in the manner described in “How to Apply for Hong Kong Offer Shares – B. Publication of Results.”.

### HONG KONG UNDERWRITING AGREEMENT

The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters under the terms of the Hong Kong Underwriting Agreement, subject to agreement on the Offer Price between the Sole Sponsor-Overall Coordinator (on behalf of the Underwriters) and us on the Price Determination Date and is conditional upon the International Underwriting Agreement being signed and becoming unconditional.

Our Company expects enter into the International Underwriting Agreement relating to the International Offering on or around the Price Determination Date.

These underwriting arrangements, and the respective Underwriting Agreements, are summarised in the section headed “Underwriting”.

---

## **STRUCTURE OF THE GLOBAL OFFERING**

---

### **ADMISSION OF THE H SHARES TO CCASS**

All necessary arrangements have been made enabling the H Shares to be admitted into CCASS.

If the Stock Exchange grants the listing of, and permission to deal in, the H Shares and our Company complies with the stock admission requirements of HKSCC, the H Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the H Shares on the Stock Exchange or any other date HKSCC chooses. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second settlement day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

### **DEALING**

Assuming that the Hong Kong Public Offering becomes unconditional at or before 8:00 a.m. on Wednesday, 25 June 2025, it is expected that dealings in the H Shares on the Stock Exchange will commence at 9:00 a.m. on Wednesday, 25 June 2025. Our H Shares will be traded in board lots of 1,000 H Shares each. The stock code of our H Shares is 2619.

### **CONDITIONS OF THE HONG KONG PUBLIC OFFERING**

Acceptance of all applications for Hong Kong Offer Shares pursuant to the Hong Kong Public Offering will be conditional on, among others:

- (a) the Listing Committee granting listing of, and permission to deal in, the H Shares, including the Offer Shares being offered pursuant to the Global Offering, and additional Offer Shares which may be made available pursuant to the exercise of the Over-allotment Option, and such listing and permission not subsequently having been revoked prior to the commencement of dealings in the H Shares on the Stock Exchange;
- (b) the Offer Price having been fixed on the Price Determination Date;
- (c) the execution and delivery of the International Underwriting Agreement on or around the Price Determination Date; and
- (d) the obligations of the Underwriters under each of the respective Underwriting Agreements becoming and remaining unconditional and not having been terminated in accordance with the terms of the respective Underwriting Agreements,

---

## STRUCTURE OF THE GLOBAL OFFERING

---

in each case on or before the dates and times specified in the respective Underwriting Agreements (unless and to the extent such conditions are validly waived on or before such dates and times) and in any event not later than the 30th day after the date of this prospectus.

If, for any reason, the Offer Price is not agreed between our Company and the Sole Sponsor-Overall Coordinator (on behalf of the Underwriters) on or before 12:00 noon on Monday, 23 June 2025 the Global Offering will not proceed and will lapse.

The consummation of each of the Hong Kong Public Offering and the International Offering is conditional upon, among other things, the other offering becoming unconditional and not having been terminated in accordance with its terms.

If the above conditions are not fulfilled or waived prior to the times and dates specified, the Global Offering will lapse and the Stock Exchange will be notified immediately. Notice of the lapse of the Hong Kong Public Offering will be published by our Company on the Stock Exchange's website at **[www.hkexnews.hk](http://www.hkexnews.hk)** and on our Company's website at **<http://www.xjgroup.com>** on the next day following such lapse. In such eventuality, all application monies will be returned, without interest, on the terms set out in the section headed "How to Apply for the Hong Kong Offer Shares". In the meantime, all application monies will be held in separate bank account(s) with the receiving bank or other licensed bank(s) in Hong Kong licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong).

H Share certificates for the Offer Shares will only become valid evidence of title at 8:00 a.m. on Wednesday, 25 June 2025, provided that (i) the Global Offering has become unconditional in all respects; and (ii) neither of the Underwriting Agreements has been terminated in accordance with their terms. Investors who trade Offer Shares prior to the receipt of H Share certificate or prior to the H Share certificates becoming valid evidence of title do so entirely at their own risks.

---

## HOW TO APPLY FOR HONG KONG OFFER SHARES

---

### IMPORTANT NOTICE TO INVESTORS OF Hong Kong Offer Shares

#### FULLY ELECTRONIC APPLICATION PROCESS

We have adopted a fully electronic application process for the Hong Kong Public Offer and below are the procedures for application.

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

The contents of this prospectus are identical to the prospectus as registered with the Registrar of Companies in Hong Kong pursuant to Section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

#### A. APPLICATION FOR HONG KONG OFFER SHARES

##### 1. Who Can Apply

You can apply for Hong Kong Offer Shares if you or the person(s) for whose benefit you are applying for:

- are 18 years of age or older; and
- have a Hong Kong address (*for the **HK eIPO White Form** service only*);
- are outside the United States, and are not a U.S. person (as defined in Regulation S under the U.S. Securities Act); and
- are not a legal or natural mainland China person (except qualified domestic institutional investors).

Unless permitted by the Listing Rules or a waiver and/ or consent has been granted by the Stock Exchange to us, you cannot apply for any Hong Kong Offer Shares if you or the person(s) for whose benefit you are applying for:

- are an existing Shareholder or close associates; or
- are a Director or any of his/ her close associates.

---

## HOW TO APPLY FOR HONG KONG OFFER SHARES

---

### 2. Application Channels

The Hong Kong Public Offer period will begin at 9:00 a.m. on Tuesday, 17 June 2025 and end at 12:00 noon on Friday, 20 June 2025 (Hong Kong time).

To apply for Hong Kong Offer Shares, you may use one of the following application channels:

Application Channel	Platform	Target Investors	Application Time
<b>HK eIPO White Form</b>	<b>www.hkeipo.hk</b>	Investors who would like to receive a physical H Share certificate. Hong Kong Offer Shares successfully applied for will be allotted and issued in your own name.	From 9:00 a.m. on Tuesday, 17 June 2025 to 11:30 a.m. on Friday, 20 June 2025, Hong Kong time.  The latest time for completing full payment of application monies will be 12:00 noon on Friday, 20 June 2025, Hong Kong time.
<b>HKSCC EIPO channel</b>	Your broker or custodian who is a HKSCC Participant will submit an EIPO application on your behalf through HKSCC's FINI system in accordance with your instruction	Investors who would <u>not</u> like to receive a physical H Share certificate. Hong Kong Offer Shares successfully applied for will be allotted and issued in the name of HKSCC Nominees, deposited directly into CCASS and credited to your designated HKSCC Participant's stock account.	Contact your broker or custodian for the earliest and latest time for giving such instructions, as this may vary by broker or custodian.



---

## HOW TO APPLY FOR HONG KONG OFFER SHARES

---

The **HK eIPO White Form** service and the **HKSCC EIPO** channel are facilities subject to capacity limitations and potential service interruptions and you are advised not to wait until the last day of the application period to apply for Hong Kong Offer Shares.

For those applying through the **HK eIPO White Form** service, once you complete payment in respect of any application instructions given by you or for your benefit through the **HK eIPO White Form** service to make an application for Hong Kong Offer Shares, an actual application shall be deemed to have been made. If you are a person for whose benefit the **electronic application instructions** are given, you shall be deemed to have declared that only one set of **electronic application instructions** has been given for your benefit. If you are an agent for another person, you shall be deemed to have declared that you have only given one set of **electronic application instructions** for the benefit of the person for whom you are an agent and that you are duly authorised to give those instructions as an agent.

For the avoidance of doubt, giving an application instruction under the **HK eIPO White Form** service more than once and obtaining different payment reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

If you apply through the **HK eIPO White Form** service, you are deemed to have authorised the **HK eIPO White Form** Service Provider to apply on the terms and conditions in this prospectus, as supplemented and amended by the terms and conditions of the **HK eIPO White Form** service.

By instructing your broker or custodian to apply for the Hong Kong Offer Shares on your behalf through the **HKSCC EIPO** Channel, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have instructed and authorised HKSCC to cause HKSCC Nominees (acting as nominee for the relevant HKSCC Participants) to apply for Hong Kong Offer Shares on your behalf and to do on your behalf all the things stated in this prospectus and any supplement to it.

For those applying through **HKSCC EIPO** channel, an actual application will be deemed to have been made for any application instructions given by you or for your benefit to HKSCC (in which case an application will be made by HKSCC Nominees on your behalf) provided such application instruction has not been withdrawn or otherwise invalidated before the closing time of the Hong Kong Public Offer.

HKSCC Nominees will only be acting as a nominee for you and neither HKSCC nor HKSCC Nominees shall be liable to you or any other person in respect of any actions taken by HKSCC or HKSCC Nominees on your behalf to apply for Hong Kong Offer Shares or for any breach of the terms and conditions of this prospectus.

---

## HOW TO APPLY FOR HONG KONG OFFER SHARES

---

### 3. Information Required to Apply

You must provide the following information with your application:

#### For Individual Applicants

- Full name(s)<sup>2</sup> as shown on your identity document
- Identity document's issuing country or jurisdiction
- Identity document type, with order of priority:
  - i. Hong Kong identity card (“**HKID**”) card; or
  - ii. National identification document; or
  - iii. Passport; and
- Identity document number

#### For Corporate Applicants

- Full name(s)<sup>2</sup> as shown on your identity document
- Identity document's issuing country or jurisdiction
- Identity document type, with order of priority:
  - i. Legal entity identifier (“**LEI**”) registration document; or
  - ii. Certificate of incorporation; or
  - iii. Business registration certificate; or
  - iv. Other equivalent document; and
- Identity document number

#### Notes:

1. If you are applying through the **HK eIPO White Form** service, you are required to provide a valid e-mail address, a contact telephone number and a Hong Kong address. You are also required to declare that the identity information provided by you follows the requirements as described in Note 2 below. In particular, where you cannot provide a HKID number, you must confirm that you do not hold a HKID card. The number of joint applicants may not exceed four. If you are a firm, the applicant must be in the individual members' names.
2. The applicant's full name as shown on their identity document must be used and the surname, given name, middle and other names (if any) must be input in the same order as shown on the identity document. If an applicant's identity document contains both an English and Chinese name, both English and Chinese names must be used. Otherwise, either English or Chinese names will be accepted. The order of priority of the applicant's identity document type must be strictly followed and where an individual applicant has a valid HKID card (including both Hong Kong Residents and Hong Kong Permanent Residents), the HKID number must be used when making an application to subscribe for shares in a public offer. Similarly for corporate applicants, a LEI number must be used if an entity has a LEI certificate.

---

## HOW TO APPLY FOR HONG KONG OFFER SHARES

---

3. If the applicant is a trustee, the client identification data (“**CID**”) of the trustee, as set out above, will be required. If the applicant is an investment fund (i.e. a collective investment scheme, or CIS), the CID of the asset management company or the individual fund, as appropriate, which has opened a trading account with the broker will be required, as above.
4. The maximum number of joint account holders on FINI is capped at 4<sup>1</sup> in accordance with market practice.
5. If you are applying as a nominee, you must provide: (i) the full name (as shown on the identity document), the identity document’s issuing country or jurisdiction, the identity document type; and (ii), the identity document number, for each of the beneficial owners or, in the case(s) of joint beneficial owners, for each joint beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.
6. If you are applying as an unlisted company and (i) the principal business of that company is dealing in securities; and (ii) you exercise statutory control over that company, then the application will be treated as being for your benefit and you should provide the required information in your application as stated above. “Unlisted company” means a company with no equity securities listed on the Stock Exchange or any other stock exchange.

“Statutory control” means you:

- control the composition of the board of directors of our company;
- control more than half of the voting power of our company; or
- hold more than half of the issued share capital of our company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

For those applying through **HKSCC EIPO** channel, and making an application under a power of attorney, we and the Overall Coordinators, as our agent, have discretion to consider whether to accept it on any conditions we think fit, including evidence of the attorney’s authority.

Failing to provide any required information may result in your application being rejected.

<sup>1</sup> Subject to change, if our Company’s Articles of Incorporation and applicable company law prescribe a lower cap.

---

## HOW TO APPLY FOR HONG KONG OFFER SHARES

---

### 4. Permitted Number of Hong Kong Offer Shares for Application

**Board lot size** : 1,000

**Permitted number of Hong Kong Offer Shares for application and amount payable on application/successful allotment** : Hong Kong Offer Shares are available for application in specified board lot sizes only. Please refer to the amount payable associated with each specified board lot size in the table below.

The maximum Offer Price is HK\$3.35 per H Share.

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

By instructing your broker or custodian to apply for the Hong Kong Offer Shares on your behalf through the **HKSCC EIPO** Channel, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have instructed and authorised HKSCC to cause HKSCC Nominees (acting as nominee for the relevant HKSCC Participants) to arrange payment of the final Offer Price, brokerage, SFC transaction levy, the Stock Exchange trading fee and the AFRC transaction levy by debiting the relevant nominee bank account at the Designated Bank for your broker or custodian.

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

## HOW TO APPLY FOR HONG KONG OFFER SHARES

No. of Hong Kong Offer Shares applied for	Maximum Amount payable <sup>(2)</sup> on application/ successful allotment HK\$	No. of Hong Kong Offer Shares applied for	Maximum Amount payable <sup>(2)</sup> on application/ successful allotment HK\$	No. of Hong Kong Offer Shares applied for	Maximum Amount payable <sup>(2)</sup> on application/ successful allotment HK\$	No. of Hong Kong Offer Shares applied for	Maximum Amount payable <sup>(2)</sup> on application/ successful allotment HK\$
1,000	3,383.79	20,000	67,675.70	100,000	338,378.48	2,000,000	6,767,569.50
2,000	6,767.57	25,000	84,594.62	200,000	676,756.96	2,500,000	8,459,461.88
3,000	10,151.36	30,000	101,513.54	300,000	1,015,135.43	3,000,000	10,151,354.26
4,000	13,535.14	35,000	118,432.47	400,000	1,353,513.90	3,411,000 <sup>(1)</sup>	11,542,089.78
5,000	16,918.93	40,000	135,351.39	500,000	1,691,892.38		
6,000	20,302.71	45,000	152,270.32	600,000	2,030,270.86		
7,000	23,686.49	50,000	169,189.23	700,000	2,368,649.33		
8,000	27,070.27	60,000	203,027.09	800,000	2,707,027.80		
9,000	30,454.06	70,000	236,864.93	900,000	3,045,406.28		
10,000	33,837.84	80,000	270,702.78	1,000,000	3,383,784.76		
15,000	50,756.78	90,000	304,540.62	1,500,000	5,075,677.13		

<sup>(1)</sup> Maximum number of Hong Kong Offer Shares you may apply for and this is 50% of the Hong Kong Offer Shares initially offered.

<sup>(2)</sup> The amount payable is inclusive of brokerage, SFC transaction levy, the Stock Exchange trading fee and AFRC transaction levy. If your application is successful, brokerage will be paid to the Exchange Participants (as defined in the Listing Rules) or to the **HK eIPO White Form** Service Provider (for applications made through the application channel of the **HK eIPO White Form** service) while the SFC transaction levy, the Stock Exchange trading fee and the AFRC transaction levy will be paid to the SFC, the Stock Exchange and the AFRC, respectively.

### 5. Multiple Applications Prohibited

You or your joint applicant(s) shall not make more than one application for your own benefit, except where you are a nominee and provide the information of the underlying investor in your application as required under the paragraph headed “– A. Applications for Hong Kong Offer Shares – 3. Information Required to Apply” in this section. If you are suspected of submitting or cause to submit more than one application, all of your applications will be rejected.

Multiple applications made either through (i) the **HK eIPO White Form** service, (ii) **HKSCC EIPO** channel, or (iii) both channels concurrently are prohibited and will be rejected. If you have made an application through the **HK eIPO White Form** service or **HKSCC EIPO** channel, you or the person(s) for whose benefit you have made the application shall not apply for any Global Offer Shares.

---

## HOW TO APPLY FOR HONG KONG OFFER SHARES

---

The H Share Registrar would record all applications into its system and identify suspected multiple applications with identical names and identification document numbers according to the Best Practice Note on Treatment of Multiple/Suspected Multiple Applications (“**Best Practice Note**”) issued by the Federation of Share Registrars Limited.

Since applications are subject to personal information collection statements, identification document numbers displayed are redacted.

### 6. Terms and Conditions of An Application

By applying for Hong Kong Offer Shares through the **HK eIPO White Form** service or **HKSCC EIPO** channel, you (or as the case may be, HKSCC Nominees will do the following things on your behalf):

- (i) undertake to execute all relevant documents and instruct and authorise us and/or the Overall Coordinators, as our agents, to execute any documents for you and to do on your behalf all things necessary to register any Hong Kong Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles of Association, and (if you are applying through the **HKSCC EIPO** channel) to deposit the allotted Hong Kong Offer Shares directly into CCASS for the credit of your designated HKSCC Participant’s stock account on your behalf;
- (ii) confirm that you have read and understand the terms and conditions and application procedures set out in this prospectus and the designated website of the **HK eIPO White Form** service (or as the case may be, the agreement you entered into with your broker or custodian), and agree to be bound by them;
- (iii) (if you are applying through the **HKSCC EIPO** channel) agree to the arrangements, undertakings and warranties under the participant agreement between your broker or custodian and HKSCC and observe the General Rules of HKSCC and the HKSCC Operational Procedures for giving application instructions to apply for Hong Kong Offer Shares;
- (iv) confirm that you are aware of the restrictions on offers and sales of shares set out in this prospectus and they do not apply to you, or the person(s) for whose benefit you have made the application;
- (v) confirm that you have read this prospectus and any supplement to it and have relied only on the information and representations contained therein in making your application (or as the case may be, causing your application to be made) and will not rely on any other information or representations;

---

## HOW TO APPLY FOR HONG KONG OFFER SHARES

---

- (vi) agree that the Relevant Persons<sup>(2)</sup>, the H Share Registrar and HKSCC will not be liable for any information and representations not in this prospectus and any supplement to it;
- (vii) agree to disclose the details of your application and your personal data and any other personal data which may be required about you and the person(s) for whose benefit you have made the application to us, the Relevant Persons, the H Share Registrar, HKSCC, HKSCC Nominees, the Stock Exchange, the SFC and any other statutory regulatory or governmental bodies or otherwise as required by laws, rules or regulations, for the purposes under the paragraph headed “– G. Personal Data – 3. Purposes and 4. Transfer of personal data” in this section;
- (viii) agree (without prejudice to any other rights which you may have once your application (or as the case may be, HKSCC Nominees’ application) has been accepted) that you will not rescind it because of an innocent misrepresentation;
- (ix) agree that subject to Section 44A(6) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, any application made by you or HKSCC Nominees on your behalf cannot be revoked once it is accepted, which will be evidenced by the notification of the result of the ballot by the H Share Registrar by way of publication of the results at the time and in the manner as specified in the paragraph headed “– B. Publication of Results” in this section;
- (x) confirm that you are aware of the situations specified in the paragraph headed “– C. Circumstances In Which You Will Not Be Allocated Hong Kong Offer Shares” in this section;
- (xi) agree that your application or HKSCC Nominees’ application, any acceptance of it and the resulting contract will be governed by and construed in accordance with the laws of Hong Kong;
- (xii) agree to comply with the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Articles of Association and laws of any place outside Hong Kong that apply to your application and that neither we nor the Relevant Persons will breach any law inside and/ or outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this prospectus;

<sup>(2)</sup> As defined in the Prospectus, Relevant Persons would include the Sole Sponsor, the Overall Coordinators, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Joint Underwriters, any of their or our Company’s respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Global Offering.

---

## HOW TO APPLY FOR HONG KONG OFFER SHARES

---

- (xiii) confirm that (a) your application or HKSCC Nominees' application on your behalf is not financed directly or indirectly by our Company, any of the directors, chief executives, substantial Shareholder(s) or existing shareholder(s) of our Company or any of its subsidiaries or any of their respective close associates; and (b) you are not accustomed or will not be accustomed to taking instructions from our Company, any of the directors, chief executives, substantial shareholder(s) or existing shareholder(s) of our Company or any of its subsidiaries or any of their respective close associates in relation to the acquisition, disposal, voting or other disposition of the Shares registered in your name or otherwise held by you;
- (xiv) warrant that the information you have provided is true and accurate;
- (xv) confirm that you understand that we and the Overall Coordinators will rely on your declarations and representations in deciding whether or not to allocate any Hong Kong Offer Shares to you and that you may be prosecuted for making a false declaration;
- (xvi) agree to accept Hong Kong Offer Shares applied for or any lesser number allocated to you under the application;
- (xvii) declare and represent that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;
- (xviii) (if the application is made for your own benefit) warrant that no other application has been or will be made for your benefit by giving **electronic application instructions** to HKSCC directly or indirectly or through the application channel of the **HK eIPO White Form** service or by any one as your agent or by any other person; and
- (xix) (if you are making the application as an agent for the benefit of another person) warrant that (1) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person by giving **electronic application instructions** to HKSCC and the **HK eIPO White Form** Service Provider and (2) you have due authority to give **electronic application instructions** on behalf of that other person as its agent.



---

## HOW TO APPLY FOR HONG KONG OFFER SHARES

---

### B. PUBLICATION OF RESULTS

#### Results of Allocation

You can check whether you are successfully allocated any Hong Kong Offer Shares through:

Platform	Date/ Time
Applying through the <b>HK eIPO White Form</b> service or <b>HKSCC EIPO</b> channel:	
Website	From the “Allotment Results” page at <b>www.hkeipo.hk/IPOResult</b> (or <b>www.tricor.com.hk/ipo/result</b> ) with a “search by ID” function.
	24 hours, from 11:00 p.m. on Tuesday, 24 June 2025 to 12:00 midnight on Monday, 30 June 2025 (Hong Kong time)
	The full list of (i) wholly or partially successful applicants using the <b>HK eIPO White Form</b> service and <b>HKSCC EIPO</b> channel, and (ii) the number of Hong Kong Offer Shares conditionally allotted to them, among other things, will be displayed at <b>www.hkeipo.hk/IPOResult</b> or <b>www.tricor.com.hk/ipo/result</b> .
	The Stock Exchange’s website at <b>www.hkexnews.hk</b> and our website at <b>http://www.xjgroup.com</b> which will provide links to the above mentioned websites of the H Share Registrar.
	No later than 11:00 p.m. on Tuesday, 24 June 2025 (Hong Kong time).
Telephone	+852 3691 8488 – the allocation results telephone enquiry line provided by the H Share Registrar
	between 9:00 a.m. and 6:00 p.m., from Wednesday, 25 June 2025 to Monday, 30 June 2025 (Hong Kong time) on a business day

For those applying through **HKSCC EIPO** channel, you may also check with your broker or custodian from 6:00 p.m. on Monday, 23 June 2025 (Hong Kong time).

---

## HOW TO APPLY FOR HONG KONG OFFER SHARES

---

HKSCC Participants can log into FINI and review the allotment result 6:00 p.m. on Monday, 23 June 2025 (Hong Kong time) on a 24-hour basis and should report any discrepancies on allotments to HKSCC as soon as practicable.

### **Allocation Announcement**

We expect to announce the results of the final Offer Price, the level of indications of interest in the Global Offer, the level of applications in the Hong Kong Public Offer and the basis of allocations of Hong Kong Offer Shares on the Stock Exchange's website at [www.hkexnews.hk](http://www.hkexnews.hk) and our website at <http://www.xjgroup.com> by no later than 11:00 p.m. on Tuesday, 24 June 2025 (Hong Kong time).

### **C. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOCATED HONG KONG OFFER SHARES**

You should note the following situations in which Hong Kong Offer Shares will not be allocated to you or the person(s) for whose benefit you are applying for:

#### **1. If your application is revoked:**

Your application or the application made by HKSCC Nominees on your behalf may be revoked pursuant to Section 44A(6) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

#### **2. If we or our agents exercise our discretion to reject your application:**

We, the Overall Coordinators, the H Share Registrar and their respective agents and nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

#### **3. If the allocation of Hong Kong Offer Shares is void:**

The allocation of Hong Kong Offer Shares will be void if the Stock Exchange does not grant permission to list the Shares either:

- within three weeks from the closing date of the application lists; or
- within a longer period of up to six weeks if the Stock Exchange notifies us of that longer period within three weeks of the closing date of the application lists.

---

## HOW TO APPLY FOR HONG KONG OFFER SHARES

---

### 4. If:

- you make multiple applications or suspected multiple applications. You may refer to the paragraph headed “– A. Applications for Hong Kong Offer Shares – 5. Multiple Applications Prohibited” in this section on what constitutes multiple applications;
- your application instruction is incomplete;
- your payment (or confirmation of funds, as the case may be) is not made correctly;
- the Underwriting Agreements do not become unconditional or are terminated;
- we or the Overall Coordinators believe that by accepting your application, it or we would violate applicable securities or other laws, rules or regulations.

### 5. If there is money settlement failure for allotted H Shares:

Based on the arrangements between HKSCC Participants and HKSCC, HKSCC Participants will be required to hold sufficient application funds on deposit with their Designated Bank before balloting. After balloting of Hong Kong Offer Shares, the Receiving Bank will collect the portion of these funds required to settle each HKSCC Participant’s actual Hong Kong Public Offer Share allotment from their Designated Bank.

**There is a risk of money settlement failure.** In the extreme event of money settlement failure by a HKSCC Participant (or its Designated Bank), who is acting on your behalf in settling payment for your allotted H shares, HKSCC will contact the defaulting HKSCC Participant and its Designated Bank to determine the cause of failure and request such defaulting HKSCC Participant to rectify or procure to rectify the failure.

However, if it is determined that such settlement obligation cannot be met, the affected Hong Kong Offer Shares will be reallocated to the Global Offer. Hong Kong Offer Shares applied for by you through the broker or custodian may be affected to the extent of the settlement failure. In the extreme case, you will not be allocated any Hong Kong Offer Shares due to the money settlement failure by such HKSCC Participant. None of us, the Relevant Persons, the H Share Registrar and HKSCC is or will be liable if Hong Kong Offer Shares are not allocated to you due to the money settlement failure.

---

## HOW TO APPLY FOR HONG KONG OFFER SHARES

---

### **D. DESPATCH/COLLECTION OF H SHARE CERTIFICATES AND REFUND OF APPLICATION MONIES**

You will receive one H Share certificate for all Hong Kong Offer Shares allotted to you under the Hong Kong Public Offer (except pursuant to applications made through the **HKSCC EIPO** channel where the H Share certificates will be deposited into CCASS as described below).

No temporary document of title will be issued in respect of the Shares. No receipt will be issued for sums paid on application.

H Share certificates will only become valid at 8:00 a.m. on Wednesday, 25 June 2025 (Hong Kong time), provided that the Global Offer has become unconditional and the right of termination described in the section headed “Underwriting” has not been exercised. Investors who trade Shares prior to the receipt of H Share certificates or the H Share certificates becoming valid do so entirely at their own risk.

The right is reserved to retain any H Share certificate(s) and (if applicable) any surplus application monies pending clearance of application monies.

---

## HOW TO APPLY FOR HONG KONG OFFER SHARES

---

The following sets out the relevant procedures and time:

	<b>HK eIPO White Form service</b>	<b>HKSCC EIPO channel</b>
<b>Despatch/collection of H Share certificate<sup>3</sup></b>		
<b>For application of 1,000,000 Hong Kong Offer Shares or more</b>	<p>Collection in person at H Share Registrar, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong</p> <p>Time: from 9:00 a.m. to 1:00 p.m. on Wednesday, 25 June 2025 (Hong Kong time)</p> <p>If you are an individual, you must not authorise any other person to collect for you. If you are a corporate applicant, your authorised representative must bear a letter of authorisation from your corporation stamped with your corporation's chop.</p> <p>Both individuals and authorised representatives must produce, at the time of collection, evidence of identity acceptable to the H Share Registrar.</p> <p><i>Note:</i> If you do not collect your H Share certificate(s) personally within the time above, it/they will be sent to the address specified in your application instructions by ordinary post at your own risk</p>	<p>H Share certificate(s) will be issued in the name of HKSCC Nominees, deposited into CCASS and credited to your designated HKSCC Participant's stock account</p> <p>No action by you is required</p>

<sup>3</sup> Except in the event of a tropical cyclone warning signal number 8 or above, a black rainstorm warning and/or an "extreme conditions" announcement issued after a super typhoon in force in Hong Kong in the morning on Tuesday, 24 June 2025 rendering it impossible for the relevant share certificates to be dispatched to HKSCC in a timely manner, our Company shall procure the H Share Registrar to arrange for delivery of the supporting documents and H Share certificates in accordance with the contingency arrangements as agreed between them. You may refer to "– E. Bad Weather Arrangements" in this section.

---

## HOW TO APPLY FOR HONG KONG OFFER SHARES

---

	HK eIPO White Form service	HKSCC EIPO channel
For application of less than 1,000,000 Hong Kong Offer Shares	Your H Share certificate(s) will be sent to the address specified in your application instructions by ordinary post at your own risk	
Date: Tuesday, 24 June 2025		
Refund mechanism for surplus application monies paid by you		
Date	Wednesday, 25 June 2025	Subject to the arrangement between you and your broker or custodian
Responsible party	H Share Registrar	Your broker or custodian
Application monies paid through single bank account	HK eIPO White Form e-Auto Refund payment instructions to your designated bank account	Your broker or custodian will arrange refund to your designated bank account subject to the arrangement between you and it
Application monies paid through multiple bank accounts	Refund cheque(s) will be despatched to the address as specified in your application instructions by ordinary post at your own risk	

### **E. BAD WEATHER ARRANGEMENTS**

#### **The Opening and Closing of the Application Lists**

The application lists will not open or close on Friday, 20 June 2025 if, there is:

- a tropical cyclone warning signal number 8 or above;
- a black rainstorm warning; and/or
- Extreme Conditions

(collectively, “**Bad Weather Signals**”),

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Friday, 20 June 2025.

---

## HOW TO APPLY FOR HONG KONG OFFER SHARES

---

Instead they will open between 11:45 a.m. and 12:00 noon and/or close at 12:00 noon on the next business day which does not have **Bad** Weather Signals in force at any time between 9:00 a.m. and 12:00 noon.

Prospective investors should be aware that a postponement of the opening/closing of the application lists may result in a delay in the listing date. Should there be any changes to the dates mentioned in the section headed “Expected Timetable” in this prospectus, an announcement will be made and published on the Stock Exchange’s website at **www.hkexnews.hk** and our website at **http://www.xjgroup.com** of the revised timetable.

If a **Bad** Weather Signal is hoisted on Tuesday, 24 June 2025, the H Share Registrar will make appropriate arrangements for the delivery of the H Share certificates to the CCASS Depository’s service counter so that they would be available for trading on Wednesday, 25 June 2025.

If a **Bad** Weather Signal is hoisted on Tuesday, 24 June 2025, for application of less than 1,000,000 Hong Kong Offer Shares, the despatch of physical H Share certificate(s) will be made by ordinary post when the post office re-opens after the **Bad** Weather Signal is lowered or cancelled (e.g. in the afternoon of Tuesday, 24 June 2025 or on Wednesday, 25 June 2025).

If a **Bad** Weather Signal is hoisted on Wednesday, 25 June 2025, for application of 1,000,000 Hong Kong Offer Shares or more, physical H Share certificate(s) will be available for collection in person at the H Share Registrar’s office after the **Bad** Weather Signal is lowered or cancelled (e.g. in the afternoon of Wednesday, 25 June 2025 or on Thursday, 26 June 2025).

**Prospective investors should be aware that if they choose to receive physical H Share certificates issued in their own name, there may be a delay in receiving the H Share certificates.**

### **F. ADMISSION OF THE H SHARES INTO CCASS**

If the Stock Exchange grants the listing of, and permission to deal in, the H Shares on the Stock Exchange and we comply with the stock admission requirements of HKSCC, the H Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the H Shares or any other date HKSCC chooses. Settlement of transactions between Exchange Participants is required to take place in CCASS on the second settlement day after any trading day.

---

## HOW TO APPLY FOR HONG KONG OFFER SHARES

---

All activities under CCASS are subject to the General Rules of HKSCC and HKSCC Operational Procedures in effect from time to time.

All necessary arrangements have been made enabling the H Shares to be admitted into CCASS.

You should seek the advice of your broker or other professional advisor for details of the settlement arrangement as such arrangements may affect your rights and interests.

### **G. PERSONAL DATA**

The following Personal Information Collection Statement applies to any personal data collected and held by our Company, the H Share Registrar, the receiving bank and the Relevant Persons about you in the same way as it applies to personal data about applicants other than HKSCC Nominees. This personal data may include client identifier(s) and your identification information. By giving application instructions to HKSCC, you acknowledge that you have read, understood and agree to all of the terms of the Personal Information Collection Statement below.

#### **1. Personal Information Collection Statement**

This Personal Information Collection Statement informs the applicant for, and holder of, Hong Kong Offer Shares, of the policies and practices of our Company and the H Share Registrar in relation to personal data and the Personal Data (Privacy) Ordinance (Chapter 486 of the Laws of Hong Kong).

#### **2. Reasons for the collection of your personal data**

It is necessary for applicants and registered holders of Hong Kong Offer Shares to ensure that personal data supplied to our Company or its agents and the H Share Registrar is accurate and up-to-date when applying for Hong Kong Offer Shares or transferring Hong Kong Offer Shares into or out of their names or in procuring the services of the H Share Registrar.

Failure to supply the requested data or supplying inaccurate data may result in your application for Hong Kong Offer Shares being rejected, or in the delay or the inability of our Company or the H Share Registrar to effect transfers or otherwise render their services. It may also prevent or delay registration or transfers of Hong Kong Offer Shares which you have successfully applied for and/or the despatch of Share certificate(s) to which you are entitled.

It is important that applicants for and holders of Hong Kong Offer Shares inform our Company and the H Share Registrar immediately of any inaccuracies in the personal data supplied.



### 3. Purposes

Your personal data may be used, held, processed, and/or stored (by whatever means) for the following purposes:

- processing your application and refund cheque and **HK eIPO White Form** e-Auto Refund payment instruction(s), where applicable, verification of compliance with the terms and application procedures set out in this prospectus and announcing results of allocation of Hong Kong Offer Shares;
- compliance with applicable laws and regulations in Hong Kong and elsewhere;
- registering new issues or transfers into or out of the names of the holders of the H Shares including, where applicable, HKSCC Nominees;
- maintaining or updating the register of members of our Company;
- verifying identities of applicants for and holders of the H Shares and identifying any duplicate applications for the Shares;
- facilitating Hong Kong Offer Shares balloting;
- establishing benefit entitlements of holders of the H Shares, such as dividends, rights issues, bonus issues, etc.;
- distributing communications from our Company and its subsidiaries;
- compiling statistical information and profiles of the holder of the H Shares;
- disclosing relevant information to facilitate claims on entitlements; and
- any other incidental or associated purposes relating to the above and/or to enable our Company and the H Share Registrar to discharge their obligations to applicants and holders of the H Shares and/or regulators and/or any other purposes to which applicants and holders of the H Shares may from time to time agree.

### **4. Transfer of personal data**

Personal data held by our Company and the H Share Registrar relating to the applicants for and holders of Hong Kong Offer Shares will be kept confidential but our Company and the H Share Registrar may, to the extent necessary for achieving any of the above purposes, disclose, obtain or transfer (whether within or outside Hong Kong) the personal data to, from or with any of the following:

- our Company's appointed agents such as financial advisers, receiving bank and overseas principal share registrar;
- HKSCC or HKSCC Nominees, who will use the personal data and may transfer the personal data to the H Share Registrar, in each case for the purposes of providing its services or facilities or performing its functions in accordance with its rules or procedures and operating FINI and CCASS (including where applicants for the Hong Kong Offer Shares request a deposit into CCASS);
- any agents, contractors or third-party service providers who offer administrative, telecommunications, computer, payment or other services to our Company or the H Share Registrar in connection with their respective business operation;
- the Stock Exchange, the SFC and any other statutory regulatory or governmental bodies or otherwise as required by laws, rules or regulations, including for the purpose of the Stock Exchange's administration of the Listing Rules and the SFC's performance of its statutory functions; and
- any persons or institutions with which the holders of Hong Kong Offer Shares have or propose to have dealings, such as their bankers, solicitors, accountants or brokers etc.

### **5. Retention of personal data**

Our Company and the H Share Registrar will keep the personal data of the applicants and holders of Hong Kong Offer Shares for as long as necessary to fulfil the purposes for which the personal data were collected. Personal data which is no longer required will be destroyed or dealt with in accordance with the Personal Data (Privacy) Ordinance (Chapter 486 of the Laws of Hong Kong).

### **6. Access to and correction of personal data**

Applicants for and holders of Hong Kong Offer Shares have the right to ascertain whether our Company or the H Share Registrar hold their personal data, to obtain a copy of that data, and to correct any data that is inaccurate. Our Company and the H Share Registrar have the right to charge a reasonable fee for the processing of such requests. All requests for access to data or correction of data should be addressed to our Company and the H Share Registrar, at their registered address disclosed in the section headed “Corporate information” in this prospectus or as notified from time to time, for the attention of our company secretary, or the H Share Registrar for the attention of the privacy compliance officer.

*The following is the text of a report set out on pages I-1 to I-82, received from the Company's reporting accountants, Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus.*



## ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF X.J. ELECTRICS (HU BEI) CO., LTD AND SINOLINK SECURITIES (HONG KONG) COMPANY LIMITED

### Introduction

We report on the historical financial information of X.J. Electrics (Hu Bei) Co., Ltd 湖北香江電器股份有限公司 (the “**Company**”) and its subsidiaries (together, the “**Group**”) set out on pages I-4 to I-82, which comprises the consolidated statements of financial position of the Group as at 31 December 2022, 2023 and 2024, the statements of financial position of the Company as at 31 December 2022, 2023 and 2024, and the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows of the Group for each of the three years ended 31 December 2024 (the “**Track Record Period**”) and material accounting policy information and other explanatory information (together, the “**Historical Financial Information**”). The Historical Financial Information set out on pages I-4 to I-82 forms an integral part of this report, which has been prepared for inclusion in the prospectus of the Company dated 17 June 2025 (the “**Prospectus**”) in connection with the proposed global offering of H shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”).

### Directors' responsibility for the Historical Financial Information

The directors of the Company (the “**Directors**”) are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in Note 2 to the Historical Financial Information, and for such internal control as the Directors determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

### Reporting accountants' responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 “Accountants' Reports on Historical Financial Information in Investment Circulars” issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in Note 2 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Opinion**

In our opinion, the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the Group's financial position as at 31 December 2022, 2023 and 2024, of the Company's financial position as at 31 December 2022, 2023 and 2024, and of the Group's financial performance and cash flows for the Track Record Period in accordance with the basis of preparation set out in Note 2 to the Historical Financial Information.

**Report on matters under the Rules Governing the Listing of Securities on the Stock Exchange and the Companies (Winding Up and Miscellaneous Provisions) Ordinance*****Adjustments***

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I-3 have been made.

***Dividends***

We refer to Note 15 to the Historical Financial Information which states that no dividend was declared or paid by the Company or its subsidiaries in respect of the Track Record Period.

**Deloitte Touche Tohmatsu**  
*Certified Public Accountants*  
Hong Kong  
17 June 2025

**HISTORICAL FINANCIAL INFORMATION OF THE GROUP****Preparation of Historical Financial Information**

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The consolidated financial statements of the Group for the Track Record Period, on which the Historical Financial Information is based, have been prepared in accordance with the IFRS Accounting Standards as issued by International Accounting Standards Board (the “**IASB**”) and were audited by us in accordance with Hong Kong Standards on Auditing issued by the HKICPA (“**Underlying Financial Statements**”).

The Historical Financial Information is presented in Renminbi (“**RMB**”) and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

**CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

	<i>Notes</i>	<b>Year ended 31 December</b>		
		<b>2022</b>	<b>2023</b>	<b>2024</b>
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Revenue	6	1,096,965	1,188,321	1,501,510
Cost of sales		(873,095)	(902,300)	(1,172,986)
Gross profit		223,870	286,021	328,524
Other income	7	23,215	22,149	19,382
Impairment losses under expected credit loss (“ECL”) model, net of reversal	8	(1,610)	(2,494)	(865)
Other gains and losses	9	8,602	9,798	10,646
Selling expenses		(24,188)	(28,274)	(34,560)
Administrative expenses		(87,714)	(90,071)	(111,184)
Research and development expenses		(31,981)	(34,447)	(36,426)
Other expenses		(3,806)	(3,470)	(1,839)
Listing expenses		–	–	(370)
Finance costs	10	(14,467)	(12,519)	(11,993)
Profit before tax		91,921	146,693	161,315
Income tax expense	11	(11,660)	(25,231)	(20,890)
Profit for the year	12	80,261	121,462	140,425
<b>Other comprehensive income (expense):</b>				
<i>Items that may be reclassified subsequently to profit or loss:</i>				
Exchange differences arising on translation of foreign operations		1,493	306	871
Fair value loss, net of ECL and reclassification adjustments upon derecognition of trade receivables at fair value through other comprehensive income (“FVTOCI”)		–	–	(20)
Other comprehensive income (“OCI”) for the year		1,493	306	851
Total comprehensive income for the year		81,754	121,768	141,276
Earnings per share				
– Basic (RMB)	16	0.39	0.59	0.69

## CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF THE GROUP

	<i>Notes</i>	<b>As at 31 December</b>		
		<b>2022</b>	<b>2023</b>	<b>2024</b>
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>Non-current assets</b>				
Property, plant and equipment	17	322,676	433,746	503,725
Right-of-use assets	18	111,454	119,842	100,004
Investment properties	19	1,768	16,056	13,166
Intangible assets	20	116	98	125
Deferred tax assets	21	13,648	14,103	14,482
Prepayments for non-current assets	24(a)	2,142	2,688	17,682
Prepayments and other receivables	24(b)	3,507	4,033	4,194
Pledged and restricted bank deposits	25	35,000	35,000	35,000
		<u>490,311</u>	<u>625,566</u>	<u>688,378</u>
<b>Current assets</b>				
Inventories	22	173,738	173,615	207,357
Income tax recoverable		252	3,093	2,491
Trade and bills receivables	23(a)	132,836	146,093	235,640
Prepayments and other receivables	24(b)	30,598	37,837	96,669
Trade receivables at FVTOCI	23(b)	11,479	15,750	2,145
Pledged and restricted bank deposits	25	–	–	145
Bank balances and cash	25	381,560	548,338	474,154
		<u>730,463</u>	<u>924,726</u>	<u>1,018,601</u>
<b>Current liabilities</b>				
Trade and bills payables	26	208,797	274,630	292,474
Other payables and accruals	27	63,972	103,230	58,906
Income tax payable		6,497	9,010	8,082
Borrowings	28	115,112	129,294	207,055
Lease liabilities	29	19,679	23,636	19,806
Contract liabilities	30	36,261	59,338	43,508
Deferred income	31	163	163	163
		<u>450,481</u>	<u>599,301</u>	<u>629,994</u>
<b>Net current assets</b>		<u>279,982</u>	<u>325,425</u>	<u>388,607</u>
<b>Total assets less current liabilities</b>		<u>770,293</u>	<u>950,991</u>	<u>1,076,985</u>



	<i>Notes</i>	As at 31 December		
		2022	2023	2024
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>Non-current liabilities</b>				
Borrowings	28	65,312	117,502	116,036
Lease liabilities	29	39,443	46,346	32,693
Deferred income	31	2,371	2,208	2,045
		<u>107,126</u>	<u>166,056</u>	<u>150,774</u>
<b>Net assets</b>		<b><u>663,167</u></b>	<b><u>784,935</u></b>	<b><u>926,211</u></b>
<b>Capital and reserves</b>				
Share capital	32	204,660	204,660	204,660
Reserves		<u>458,507</u>	<u>580,275</u>	<u>721,551</u>
<b>Total equity</b>		<b><u>663,167</u></b>	<b><u>784,935</u></b>	<b><u>926,211</u></b>

## STATEMENTS OF FINANCIAL POSITION OF THE COMPANY

	<i>Notes</i>	<b>As at 31 December</b>		
		<b>2022</b>	<b>2023</b>	<b>2024</b>
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>Non-current assets</b>				
Property, plant and equipment	17	92,047	86,411	79,172
Right-of-use assets	18	15,032	14,657	14,278
Investment properties	19	1,560	1,443	1,326
Investments in subsidiaries	39	371,369	368,369	518,369
Deferred tax assets	21	2,304	3,625	1,837
Prepayments for non-current assets	24(a)	189	356	48
Prepayments and other receivables	24(b)	150	150	150
		<u>482,651</u>	<u>475,011</u>	<u>615,180</u>
<b>Current assets</b>				
Inventories	22	52,851	49,333	55,863
Trade and bills receivables	23(a)	191,080	133,698	244,409
Prepayments and other receivables	24(b)	8,486	7,467	25,419
Amounts due from subsidiaries	37(a)(i)	44,576	75,330	32,966
Bank balances and cash	25	26,332	104,157	115,592
		<u>323,325</u>	<u>369,985</u>	<u>474,249</u>
<b>Current liabilities</b>				
Trade and bills payables	26	67,252	61,082	68,681
Other payables and accruals	27	12,439	11,843	15,462
Income tax payable		3,885	2,261	4,988
Amounts due to subsidiaries	37(a)(ii)	21,921	37,072	173,679
Borrowings	28	52,469	38,378	57,148
Lease liabilities	29	70	73	73
Contract liabilities	30	21,214	314	175
Deferred income	31	163	163	163
		<u>179,413</u>	<u>151,186</u>	<u>320,369</u>
<b>Net current assets</b>		<u>143,912</u>	<u>218,799</u>	<u>153,880</u>
<b>Total assets less current liabilities</b>		<u>626,563</u>	<u>693,810</u>	<u>769,060</u>

	<i>Notes</i>	As at 31 December		
		2022	2023	2024
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>Non-current liability</b>				
Deferred income	31	<u>2,371</u>	<u>2,208</u>	<u>2,045</u>
		<u>2,371</u>	<u>2,208</u>	<u>2,045</u>
<b>Net assets</b>		<b><u>624,192</u></b>	<b><u>691,602</u></b>	<b><u>767,015</u></b>
<b>Capital and reserves</b>				
Share capital	32	204,660	204,660	204,660
Reserves	32	<u>419,532</u>	<u>486,942</u>	<u>562,355</u>
<b>Total equity</b>		<b><u>624,192</u></b>	<b><u>691,602</u></b>	<b><u>767,015</u></b>

## CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Share capital <i>RMB'000</i>	Share premium <i>RMB'000</i>	Capital reserve <i>RMB'000</i> <i>(note ii)</i>	FVTOCI reserve <i>RMB'000</i>	Translation reserve <i>RMB'000</i>	Statutory reserve <i>RMB'000</i> <i>(note i)</i>	Retained profits <i>RMB'000</i>	Total <i>RMB'000</i>
At 1 January 2022	204,660	112,713	2,502	–	(875)	8,125	254,288	581,413
Profit for the year	–	–	–	–	–	–	80,261	80,261
Other comprehensive income for the year	–	–	–	–	1,493	–	–	1,493
Total comprehensive income for the year	–	–	–	–	1,493	–	80,261	81,754
Transfer to statutory reserve	–	–	–	–	–	5,943	(5,943)	–
At 31 December 2022	204,660	112,713	2,502	–	618	14,068	328,606	663,167
Profit for the year	–	–	–	–	–	–	121,462	121,462
Other comprehensive income for the year	–	–	–	–	306	–	–	306
Total comprehensive income for the year	–	–	–	–	306	–	121,462	121,768
Transfer to statutory reserve	–	–	–	–	–	7,045	(7,045)	–
At 31 December 2023	204,660	112,713	2,502	–	924	21,113	443,023	784,935

	Share capital <i>RMB'000</i>	Share premium <i>RMB'000</i>	Capital reserve <i>RMB'000</i> (note ii)	FVTOCI reserve <i>RMB'000</i>	Translation reserve <i>RMB'000</i>	Statutory reserve <i>RMB'000</i> (note i)	Retained profits <i>RMB'000</i>	Total <i>RMB'000</i>
At 31 December 2023	204,660	112,713	2,502	–	924	21,113	443,023	784,935
Profit for the year	–	–	–	–	–	–	140,425	140,425
Other comprehensive (expense)/income for the year	–	–	–	(20)	871	–	–	851
Total comprehensive (expense)/income for the year	–	–	–	(20)	871	–	140,425	141,276
Transfer to statutory reserve	–	–	–	–	–	7,542	(7,542)	–
At 31 December 2024	204,660	112,713	2,502	(20)	1,795	28,655	575,906	926,211

*Notes:*

- (i) It represents the statutory reserve of the Company in the People's Republic of China (the "PRC"). Pursuant to applicable PRC regulations, PRC entity is required to appropriate 10% of its profit after tax (after offsetting prior year losses) to the statutory reserve until such reserve reaches 50% of its registered capital. Transfers to this reserve must be made before distribution of dividends to shareholders. Upon approval by relevant authorities, the statutory reserve can be utilised to offset the accumulated losses or to increase the paid-up capital of the relevant entity.
- (ii) It represents the waiver of an amount due to the controlling shareholder of the Company which is accounted for as deemed capital contribution from a shareholder.

## CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended 31 December		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
<b>OPERATING ACTIVITIES</b>			
Profit before tax	91,921	146,693	161,315
Adjustments for:			
Depreciation of property, plant and equipment	47,138	40,015	43,868
Depreciation of right-of-use assets	23,735	24,941	26,872
Depreciation of investment properties	201	726	890
Amortisation of intangible assets	18	18	21
Impairment losses under ECL model, net of reversal	1,610	2,494	865
Gain on disposal of property, plant and equipment	(53)	(7)	(51)
Gain from termination of lease contracts	(12)	(15)	–
Loss from foreign currency forward contracts	8,004	–	–
Impairment losses recognised on investment property	–	–	2,000
Gain from wealth management products measured at fair value through profit or loss (“FVTPL”)	(2,874)	(561)	–
Release of deferred income	(163)	(163)	(163)
Finance costs	14,467	12,519	11,993
Interest income	(6,081)	(10,168)	(11,650)
Write-down (reversal of write-down) of inventories	4,550	9,424	(1,976)
Net foreign exchange gains	(14,386)	(9,939)	(16,706)
Operating cash flows before movements in working capital	168,075	215,977	217,278
Decrease (increase) in inventories	66,179	(9,301)	(31,766)
Decrease (increase) in trade and bills receivables	68,501	(15,274)	(90,690)
Decrease (increase) in trade receivables at FVTOCI	13,517	(4,461)	13,903
Decrease (increase) in prepayments and other receivables	17,785	(7,528)	(42,240)
Increase in restricted bank deposits	–	–	(145)
(Decrease) increase in trade and bills payables	(84,878)	65,833	37,118
(Decrease) increase in other payables and accruals	(8,571)	481	5,255
(Decrease) increase in contract liabilities	(10,236)	23,077	(15,830)
Cash generated from operations	230,372	268,804	92,883
Income tax paid	(5,908)	(26,014)	(21,595)
<b>Net cash from operating activities</b>	<b>224,464</b>	<b>242,790</b>	<b>71,288</b>

	Year ended 31 December		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
<b>INVESTING ACTIVITIES</b>			
Interest received	6,081	10,168	11,650
Proceeds from redemption of wealth management products at FVTPL	463,883	239,561	–
Proceeds from disposal of property, plant and equipment	2,359	2,150	903
Rental and other refundable deposits received	–	–	5,973
Withdraw of pledged bank deposits for borrowings	2,274	–	–
Payments for rental and other refundable deposits	(387)	(526)	(7,681)
Purchase of property, plant and equipment	(121,643)	(124,456)	(165,333)
Payment for non-current assets	–	–	(15,923)
Settlement of foreign currency forward contracts	(8,004)	–	–
Purchase of wealth management products at FVTPL	(461,009)	(239,000)	–
<b>Net cash used in investing activities</b>	<b>(116,446)</b>	<b>(112,103)</b>	<b>(170,411)</b>
<b>FINANCING ACTIVITIES</b>			
New borrowings raised	500,932	380,916	587,642
Interest paid for lease liabilities	(2,361)	(2,629)	(2,722)
Repayment of lease liabilities	(22,882)	(23,195)	(24,825)
Interest paid for borrowings	(14,390)	(14,225)	(11,794)
Repayment of borrowings	(569,783)	(316,269)	(530,961)
Payment for accrued issue costs	–	–	(10,310)
<b>Net cash (used in) from financing activities</b>	<b>(108,484)</b>	<b>24,598</b>	<b>7,030</b>
<b>Net (decrease) increase in cash and cash equivalents</b>	<b>(466)</b>	<b>155,285</b>	<b>(92,093)</b>
Effect of foreign exchange rate changes	17,149	11,493	17,909
<b>Cash and cash equivalents at the beginning of the year</b>	<b>364,877</b>	<b>381,560</b>	<b>548,338</b>
<b>Cash and cash equivalents at the end of the year, represented by bank balances and cash</b>	<b>381,560</b>	<b>548,338</b>	<b>474,154</b>

## NOTES TO THE FINANCIAL INFORMATION

## 1. INFORMATION

The Company was incorporated in the PRC as a joint stock company with limited liability. The controlling shareholder of the Company are Mr. Pan Yun and Mr. Guangshe Pan, son of Mr. Pan Yun (collectively the “**Controlling shareholders**”). The addresses of the registered office and principal place of business of the Company are the same as the registered office in the PRC and the headquarter in the PRC as stated in the section headed “Corporate Information” of the Prospectus.

The Group is principally engaged in the businesses of research and development, design, manufacturing and sales of electric home appliances and non-electric household goods throughout the Track Record Period. Details of the subsidiaries are disclosed in Note 39.

The Historical Financial Information is presented in **RMB**, which is also the functional currency of the Company.

The statutory consolidated financial statements of the Company for the years ended 31 December 2022 prepared in accordance with the relevant accounting principles in the PRC were audited by BDO China Shu Lun Pan Certified Public Accountants LLP (立信會計師事務所(特殊普通合伙)) which was the certified public accountants registered in the PRC. The statutory consolidated financial statements of the Company for the years ended 31 December 2023 and 2024 prepared in accordance with the relevant accounting principles in the PRC were audited by Shenzhen Yuehua Certified Public Accountants LLP (深圳岳華會計師事務所(普通合伙)) which was the certified public accountants registered in the PRC.

## 2. BASIS OF PREPARATION OF HISTORICAL FINANCIAL INFORMATION

The Historical Financial Information has been prepared based on the accounting policies which conform with IFRS Accounting Standards issued by the IASB.

## 3. APPLICATION OF IFRS ACCOUNTING STANDARDS

For the purpose of preparing and presenting the Historical Financial Information for the Track Record Period, the Group has consistently applied the accounting policies which conform with IFRS Accounting Standards, amendments to IFRS Accounting Standards and the related interpretations issued by the IASB, which are effective for the accounting period beginning on 1 January 2024 throughout the Track Record Period.

**New and amendments to IFRS Accounting Standards in issue but not yet effective**

The Group has not early applied the following new and amendments to IFRS Accounting Standards that have been issued but are not yet effective:

Amendments to IFRS 9 and IFRS 7	Amendments to the Classification and Measurement of Financial Instruments <sup>3</sup>
Amendments to IFRS 9 and IFRS 7	Contracts Referencing Nature-dependent Electricity <sup>3</sup>
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>1</sup>
Amendments to IFRS Accounting Standards	Annual Improvements to IFRS Accounting Standards – Volume 11 <sup>3</sup>
Amendments to IAS 21	Lack of Exchangeability <sup>2</sup>
IFRS 18	Presentation and Disclosure in Financial Statements <sup>4</sup>

<sup>1</sup> Effective for annual periods beginning on or after a date to be determined.

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2025.

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2026.

<sup>4</sup> Effective for annual periods beginning on or after 1 January 2027.



IFRS 18 sets out requirements on presentation and disclosures in financial statements, will replace IAS 1 “Presentation of Financial Statements”. This new IFRS Accounting Standard, while carrying forward many of the requirements in IAS 1, introduces new requirements to present specified categories and defined subtotals in the statement of profit or loss; provide disclosures on management-defined performance measures in the notes to the financial statements and improve aggregation and disaggregation of information to be disclosed in the financial statements. In addition, some IAS 1 paragraphs have been moved to IAS 8 and IFRS 7. Minor amendments to IAS 7 “Statement of Cash Flows” and IAS 33 “Earnings per Share” are also made.

IFRS 18, and amendments to other standards, will be effective for annual periods beginning on or after 1 January 2027, with early application permitted. The application of the new standard is expected to affect the presentation of the statement of profit or loss and disclosures in the future financial statements. The Group is in the process of assessing the detailed impact of IFRS 18 on the Group’s consolidated financial statements.

Except as described above, the Directors anticipate that the application of the amendments to IFRS Accounting Standards will have no material impact on the Group’s financial position and performance in the foreseeable future.

#### **4. MATERIAL ACCOUNTING POLICY INFORMATION**

The Historical Financial Information has been prepared in accordance with the accounting policies which conform with IFRS Accounting Standards issued by the IASB. For the purpose of preparation of the Historical Financial Information, information is considered material if such information is reasonably expected to influence decisions made by primary users. In addition, the Historical Financial Information includes applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“**Listing Rules**”) and by the Hong Kong Companies Ordinance.

##### **Basis of consolidation**

The Historical Financial Information incorporates the financial statements of the Company and entities controlled by the Group. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its investment with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group’s accounting policies.

All 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 subsidiaries**

Investments in subsidiaries are stated in the statements of financial position of the Company at cost less any identified impairment loss.

##### **Revenue from contracts with customers**

Information about the Group’s accounting policies relating to contracts with customers is provided in Notes 6 and 30.

**Leases**

The Group assesses whether a contract is or contains a lease based on the definition under IFRS 16 “Lease” 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******Short-term leases***

The Group applies the short-term lease recognition exemption to leases for staff quarters and warehouses 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 recognised as expense on a straight-line basis over the lease term.

***Right-of-use assets***

The cost of right-of-use assets includes the amount of the initial measurement of the lease liability and any lease payments made at or before the commencement date.

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

Right-of-use assets are depreciated on a straight-line basis over the shorter of their estimated useful lives and the lease terms.

The Group presents right-of-use assets as a separate line item on the consolidated statements of financial position.

***Refundable rental deposits***

Refundable rental deposits paid are accounted under IFRS 9 “Financial Instruments” and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

***Lease liabilities***

At the commencement date of a lease, the Group recognises 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 as the interest rate implicit in the lease is not readily determinable.

The lease payments include fixed payments less any lease incentives receivable.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) when the lease term has changed, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment; a lease contract is modified and the lease modification is not accounted for as a separate lease (see below for the accounting policy for “lease modifications”).

The Group presents lease liabilities as a separate line item on the consolidated statements of financial position.

**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 recognised at the rates of exchange 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. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the re-translation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the Historical Financial Information, the assets and liabilities of the Group's operations are translated into the presentation currency of the Group (i.e. RMB) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the date of transactions are used. Exchange differences arising, if any, are recognised in OCI and accumulated in equity under the heading of translation reserve.

**Borrowing costs**

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

Any specific borrowing that remain outstanding after the related asset is ready for its intended use or sale is included in the general borrowing pool for calculation of capitalisation rate on general borrowings. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

**Government grants**

Government grants are not recognised 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 recognised in profit or loss on a systematic basis over the periods in which the Group recognises 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 recognised 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 recognised in profit or loss in the period in which they become receivable. Such grants are presented under "other income".

**Employee benefits*****Retirement benefit costs***

Payments to defined contribution retirement benefit plans are recognised as an expense when employees have rendered service entitling them to the contributions.

***Short-term employee benefits***

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another IFRS Accounting Standard requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries) after deducting any amount already paid.

**Taxation**

Income tax expense represents the sum of the current and deferred income tax expense.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before tax because of income or expense that are taxable or deductible in other years, and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of each reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the Historical Financial Information and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit and at the time of the transaction does not give rise to equal taxable and deductible temporary differences.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, 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 are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise 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 realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of each reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of each reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises 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 “Income Taxes” requirements to lease liabilities and the related assets separately. The Group recognises a deferred tax asset related to lease liabilities to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised and a deferred tax liability for all taxable temporary differences.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied to the same taxable entity by the same taxation authority.

### **Property, plant and equipment**

Property, plant and equipment are tangible assets that are held for use in the production or supply of goods or services, or for administrative purposes (other than construction in progress). Property, plant and equipment are stated in the consolidated statements of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Buildings, machinery and equipment in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management, including costs of testing whether the related assets is functioning properly and, for qualifying assets, borrowing costs capitalised in accordance with the Group’s accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Depreciation is recognised so as to write off the cost of assets other than construction in progress 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 a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

### **Research and development expenditure**

Expenditure on research activities is recognised as an expense in the period in which it is incurred. Expenditure on development activities is recognised as an expense in the period in which it is incurred when it results in no internally-generated intangible asset.

### **Investment properties**

Investment properties are properties held to earn rentals and/or for capital appreciation.

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are stated at cost less subsequent accumulated depreciation and any accumulated impairment losses. Depreciation is recognised so as to write off the cost of investment properties over their estimated useful lives and after taking into account of their estimated residual value, using the straight-line method.

**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, 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 recognised 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 recognised 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 recognised immediately in profit or loss.

**Inventories**

Inventories are stated at the lower of cost and net realisable value. Cost of inventories are determined on the weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale. Costs necessary to make the sale include incremental costs directly attributable to the sale and non-incremental costs which the Group must incur to make the sale.

**Financial instruments**

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognised and derecognised 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 "Revenue from Contracts with Customers". Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets at FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets at FVTPL are recognised immediately in profit or loss.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

**Financial assets***Classification and subsequent measurement of financial assets*

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets that meet the following conditions are subsequently measured at FVTOCI:

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at FVTPL.

(i) Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost and trade receivables subsequently measured at FVTOCI. 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. For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit-impaired.

(ii) Trade receivables classified at FVTOCI

Subsequent changes in the carrying amounts for trade receivables classified as at FVTOCI as a result of interest income calculated using the effective interest method are recognised in profit or loss. All other changes in the carrying amount of these trade receivables are recognised in OCI and accumulated under the heading of FVTOCI reserve. Impairment allowances are recognised in profit or loss with corresponding adjustment to OCI without reducing the carrying amounts of these trade receivables. The amounts that are recognised in profit or loss are the same as the amounts that would have been recognised in profit or loss if these trade receivables had been measured at amortised cost. When these trade receivables are derecognised, the cumulative gains or losses previously recognised in OCI are reclassified to profit or loss.

(iii) Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI or designated as FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss excludes 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 and bills receivables, other receivables, pledged and restricted bank deposits and bank balances and cash) which are subject to impairment assessment under IFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL (“**12m ECL**”) represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment is done based on the Group’s historical credit loss experience, and factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for trade receivables. The ECL on these assets are assessed individually for debtors with significant balances and credit-impaired and collectively for the remaining debtors using a provision matrix with appropriate groupings.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless there has been a significant increase in credit risk since initial recognition, in which case the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at 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, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default or past due event;
- 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;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation.

(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 recognised in profit or loss.

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data and forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights. The Group uses a practical expedient in estimating ECL on trade receivables using a provision matrix taking into consideration historical credit loss experience and forward-looking information that is available without undue cost or effort.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Lifetime ECL for trade receivables are considered on a collective basis taking into consideration past due information and relevant credit information such as forward looking macroeconomic information.

For collective assessment, the Group takes into consideration the following characteristics when formulating the grouping:

- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on amortised cost of the financial asset.

Except for trade receivables that are measured at FVTOCI, the Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade and other receivables, where the corresponding adjustment is recognised through a loss allowance account. For trade receivables are measured at FVTOCI, the loss allowance is recognised in OCI and accumulated in the FVTOCI reserve without reducing the carrying amounts of these trade receivables. Such amount represents the changes in the FVTOCI reserve in relation to accumulated loss allowance.

*Derecognition of financial assets*

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

On derecognition of trade receivables at FVTOCI, the cumulative gain or loss previously accumulated in the FVTOCI reserve is reclassified to 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.

*Financial liabilities*

Financial liabilities including trade and bills payables, amounts due to subsidiaries, other payables and borrowings are subsequently measured at amortised cost using the effective interest method.

*Derecognition of financial liabilities*

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

**5. 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 each reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next twelve months.

**Net realisable value of inventories**

As at 31 December 2022, 2023 and 2024, the carrying amount of the Group's inventories is RMB173,738,000, RMB173,615,000, and RMB207,357,000, respectively. During the years ended 31 December 2022 and 2023, a write-down of inventories of RMB4,550,000 and RMB9,424,000 was recognised or in profit or loss, respectively. During the year ended 31 December 2024, a reversal of write-down of inventories of RMB1,976,000 was recognised or in profit or loss.

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less the estimated costs of completion and costs necessary to make the sale.

The Group assesses the net realisable value of inventories as well as the required amount of write-down of inventory provision at the end of each reporting period, which involves significant judgement on determination of the estimated selling prices, costs to completion and costs necessary to make the sale.

**Provision of ECL for trade receivables**

Trade receivables of the Group with significant balances and credit-impaired are assessed for ECL individually.

In addition, the Group uses practical expedient in estimating ECL on trade receivables which are not assessed individually using a provision matrix. The provision rates are based on ageing of debtors as groupings of various debtors taking into consideration the Group's historical default rates and forward-looking information that is reasonable and supportable available without undue costs or effort. At each reporting date, the historical observed default rates are reassessed and changes in the forward-looking information are considered.

The provision of ECL is sensitive to changes in estimates. The information about the ECL and the Group's trade receivables are disclosed in Note 36.

**6. REVENUE AND SEGMENT INFORMATION****(i) Disaggregation of revenue from contracts with customers***Types of goods*

	<b>Year ended 31 December</b>		
	<b>2022</b>	<b>2023</b>	<b>2024</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>Electric home appliances</b>			
– Electro-thermic appliances	459,013	499,099	757,883
– Motor-driven appliances	317,623	321,937	315,560
– Electronic appliances	122,997	111,570	115,066
	<u>899,633</u>	<u>932,606</u>	<u>1,188,509</u>
<b>Non-electric household goods</b>			
– Garden hose	181,460	221,788	285,118
– Others ( <i>note</i> )	15,872	33,927	27,883
	<u>197,332</u>	<u>255,715</u>	<u>313,001</u>
	<u>1,096,965</u>	<u>1,188,321</u>	<u>1,501,510</u>

*Note:* Others include cookware, cleaning tools and other household goods etc.

*Shipping destination*

	Year ended 31 December		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
<b>Overseas</b>			
– North America			
– The United States of America (the “U.S.”)	755,142	958,315	1,148,669
– Others ( <i>note</i> )	25,987	35,634	107,647
– Europe	227,672	111,730	139,551
– Oceania	44,073	28,834	57,219
– Asia (excluding the mainland China)	26,331	35,833	34,258
– South America	8,527	12,228	7,369
– Africa	552	759	476
<b>Domestic</b>			
–Mainland China	8,681	4,988	6,321
	<u>1,096,965</u>	<u>1,188,321</u>	<u>1,501,510</u>

*Note:* Others include Canada and Mexico.

*Timing of revenue recognition*

All revenue from contracts with customers within the scope of IFRS 15 are recognised at a point in time.

**(ii) Performance obligations for contracts with customers and revenue recognition policies**

The Group sells electric home appliances and non-electric household goods directly to customers mainly through offline channels and also via online channels.

Revenue is recognised when control of the goods has been transferred, being when the goods have been shipped to the customers' specific location (delivery) (for offline channels) and at the point the goods are delivered to and accepted by the customers (for online channels). The Group requires an advance payment or grants the customers a credit period from 30 days to 135 days based on the assessed credit worthiness of the customers. A contract liability is recognised for advance payments received for sales in which revenue has yet been recognised.

**(iii) Transaction price allocated to the remaining performance obligation for contracts with customers**

The contracts for selling electric home appliances and non-electric household goods are for period of one year or less. As permitted under IFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

**(iv) Segment information**

Information reported to the executive directors of the Company, being the chief operating decision makers, for the purposes of resource allocation and performance assessment focuses on revenue analysis by products. No other discrete financial information is provided other than the Group's results and financial position as a whole. Accordingly, only entity-wide disclosures, major customers and geographic information are presented.

***Geographical information***

The details of the Group's revenue from external customers by shipping destination of the products are set out in Note 6(i).

The Group's operations are located in the PRC (country of domicile), the U.S., Thailand and Indonesia. Information about the Group's non-current assets (excluding deferred tax assets and financial assets) is presented based on the geographical location of the assets.

	Year ended 31 December		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
The PRC	433,169	555,934	602,076
Indonesia	–	13,227	15,234
Thailand	–	–	15,946
The U.S.	4,987	3,269	1,446
	<u>438,156</u>	<u>572,430</u>	<u>634,702</u>

**(v) Information about major customers**

Revenue from customers of the corresponding years contributing over 10% of the total revenue of the Group are as follow:

	Year ended 31 December		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
Customer A (note i)	223,746	282,148	361,741
Customer B (note ii)	233,390	338,166	316,679
Customer C (note iii)	N/A	N/A	269,047
	<u>          </u>	<u>          </u>	<u>          </u>

***Notes:***

- (i) The customer is a group of companies under the same control of an independent third party.
- (ii) The customer is a group of companies under the same holding company.
- (iii) The corresponding revenue did not contribute over 10% of the total revenue of the Group for the years ended 31 December 2022 and 2023.

## 7. OTHER INCOME

	Year ended 31 December		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
Government grants			
– related to expense items ( <i>note</i> )	13,117	7,890	4,267
– related to assets ( <i>Note 31</i> )	163	163	163
	<u>13,280</u>	<u>8,053</u>	<u>4,430</u>
Interest income	6,081	10,168	11,650
Compensation income from customers	344	7	118
Sales of materials, mouldings and scraps	2,342	2,793	1,946
Rental income	924	647	951
Others	244	481	287
	<u>23,215</u>	<u>22,149</u>	<u>19,382</u>

*Note:* The amount mainly represents various subsidies received from the PRC government authorities. Unconditional government grants are recognised in profit and loss when received.

## 8. IMPAIRMENT LOSSES UNDER ECL MODEL, NET OF REVERSAL

	Year ended 31 December		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
Impairment losses recognised (reversed) on:			
– Trade receivables	2,450	2,015	1,143
– Trade receivables at FVTOCI	127	190	(318)
– Other receivables	(967)	289	40
	<u>1,610</u>	<u>2,494</u>	<u>865</u>

## 9. OTHER GAINS AND LOSSES

	Year ended 31 December		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
Gain from wealth management products measured at FVTPL	2,874	561	–
Gain from termination of lease contracts	12	15	–
Loss from foreign currency forward contracts	(8,004)	–	–
Gain on disposal of property, plant and equipment	53	7	51
Net foreign exchange gains	14,386	9,939	16,706
Impairment losses recognised on investment property	–	–	(2,000)
Loss on trade receivables at FVTOCI reclassified from equity upon derecognition	–	–	(3,597)
Others	(719)	(724)	(514)
	<u>8,602</u>	<u>9,798</u>	<u>10,646</u>

## 10. FINANCE COSTS

	Year ended 31 December		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
Interest on borrowings	13,014	14,689	11,809
Interest on lease liabilities	<u>2,361</u>	<u>2,629</u>	<u>2,722</u>
Total borrowing costs	15,375	17,318	14,531
Less: amounts capitalised in the cost of qualifying assets	<u>(908)</u>	<u>(4,799)</u>	<u>(2,538)</u>
	<u>14,467</u>	<u>12,519</u>	<u>11,993</u>

During the years ended 31 December 2022, 2023 and 2024, the weighted average capitalisation rate on the borrowing is 4.5%, 4.3% and 4.2%, respectively, per annum.



## 11. INCOME TAX EXPENSE

	Year ended 31 December		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
Current tax:			
– PRC Enterprise Income Tax	11,730	25,357	27,522
– Hong Kong	762	154	–
– U.S.	341	175	66
	<u>12,833</u>	<u>25,686</u>	<u>27,588</u>
Over provision in prior years:			
– PRC Enterprise Income Tax	–	–	(6,319)
	<u>(1,173)</u>	<u>(455)</u>	<u>(379)</u>
Deferred tax ( <i>note 21</i> )			
	<u>11,660</u>	<u>25,231</u>	<u>20,890</u>

**PRC Enterprise Income Tax**

Under the Law of the PRC on Enterprise Income Tax (the “**EIT Law**”) and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% during the Track Record Period.

The Company has been accredited as the High New Tech Enterprises for a term of three years from 2022 to 2024. According to the EIT Law for High New Tech Enterprises, the Company was subject to Enterprise Income Tax rate of 15% during the Track Record Period.

**Hong Kong**

The Company’s subsidiaries domiciled in Hong Kong are subject to a two-tiered income tax rate for taxable income earned in Hong Kong effectively since 1 April 2018. The first 2 million Hong Kong dollars of profits earned by the qualifying group entity are subject to be taxed at an income tax rate of 8.25%, while the remaining profits will continue to be taxed at the existing tax rate, 16.5%.

**U.S.**

Pursuant to the applicable U.S. federal and state income tax laws, the U.S. subsidiaries have provided income taxes on their federal and state taxable income at the 21% U.S. federal statutory corporate income tax rate and states statutory corporate tax rates of up to 8.84% throughout the Track Record Period, respectively.

The tax charge for the Track Record Period can be reconciled to the profit before tax per the consolidated statements of profit or loss and other comprehensive income as follows:

	Year ended 31 December		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
Profit before tax	91,921	146,693	161,315
Tax at the domestic income tax rate of 15%	13,788	22,004	24,197
Tax effect of expenses not deductible for tax purposes	608	2,444	1,139
Effect of different tax rates of the subsidiaries	3,020	6,165	7,602
Tax effect of deductible temporary differences or tax losses not recognised	944	1,303	1,471
Utilisation of deductible temporary differences or tax losses previously not recognised	–	(96)	(224)
Additional deduction of research and development expenses ( <i>note</i> )	(6,700)	(6,589)	(6,976)
Over provision in respect of prior years	–	–	(6,319)
	<u>11,660</u>	<u>25,231</u>	<u>20,890</u>

*Note:* According to the relevant laws and regulations promulgated by the State Administration of Taxation of the PRC that have been effective from 2018 onwards, enterprises engaging in research and development activities are entitled to claim 175% and 200% of their research and development expenditures incurred as tax deductible expenses when determining their assessable profits for the period from 1 January 2022 to 30 September 2022 and for the period from 1 October 2022 to 31 December 2024, respectively.

## 12. PROFIT FOR THE YEAR

Profit for the year has been arrived at after charging (crediting):

	Year ended 31 December		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
Directors' and supervisors' emoluments ( <i>Note 13</i> )	6,292	6,817	7,386
Other staffs costs (excluding directors' and supervisors' emoluments)			
– Salaries, bonus and other allowances	190,469	193,927	212,387
– Discretionary bonus	3,590	5,022	6,874
– Retirement benefits scheme contributions	13,275	12,732	18,687
Total staff costs	213,626	218,498	245,334
Capitalised in inventories	(136,581)	(143,203)	(158,223)
	77,045	75,295	87,111
Depreciation of property, plant and equipment	47,138	40,015	43,868
Depreciation of investment properties	201	726	890
Depreciation of right-of-use assets	24,475	25,682	27,180
Amortisation of intangible assets	18	18	21
Total depreciation and amortisation	71,832	66,441	71,959
Capitalised in inventories	(49,273)	(43,500)	(41,773)
Capitalised in construction in progress	(740)	(741)	(308)
	21,819	22,200	29,878
Impairment losses recognised on investment property included in other gains and losses	–	–	2,000
Auditor's remuneration	1,000	1,000	80
Listing expenses	–	–	370
Other expenses			
– Professional fees ( <i>note</i> )	3,686	3,280	1,356
– Donation	120	190	483
	3,806	3,470	1,839
Lease expense related to short-term leases	1,481	670	548
Write-down (reversal of write-down) of inventories, included in cost of sales	4,550	9,424	(1,976)
Cost of inventories recognised as an expense	873,095	902,300	1,172,986

*Note:* The amount represents the professional fees incurred in connection with the application for the Company's A-share listing, which was terminated in 2024.

## 13. DIRECTORS' AND SUPERVISORS' EMOLUMENTS

Details of the emoluments paid or payable to the directors and supervisors of the Company during the Track Record Period disclosed pursuant to the applicable Listing Rules and the Hong Kong Companies Ordinance are as follows:

	Fees RMB'000	Salaries, bonus and other allowances RMB'000	Discretionary bonus (note i) RMB'000	Retirement benefit scheme contributions RMB'000	Total RMB'000
<b>For the year ended 31 December 2022</b>					
<i>Executive directors:</i>					
Mr. Pan Yun	–	649	60	–	709
Mr. Guangshe Pan	–	2,254	–	–	2,254
Ms. Ji Ying	–	547	60	–	607
Ms. Li, Youxiang	–	547	60	5	612
Mr. Xu Xiping	–	270	15	5	290
Ms. Hu Yan	–	549	60	5	614
<i>Independent non-executive directors:</i>					
Mr. Chen Yong (note ii)	50	–	–	–	50
Dr. Huang Hanxiong	50	–	–	–	50
Dr. Li Jiannan	50	–	–	–	50
<i>Supervisors:</i>					
Mr. Yip Hung Tung	–	390	35	4	429
Mr. Shi Chuanlai	–	307	70	5	382
Ms. Yi Hongliang	–	215	25	5	245
	150	5,728	385	29	6,292

**For the year ended 31 December 2023**

<i>Executive directors:</i>					
Mr. Pan Yun	–	666	120	–	786
Mr. Guangshe Pan	–	2,327	–	–	2,327
Ms. Ji Ying	–	555	120	–	675
Ms. Li, Youxiang	–	565	120	5	690
Mr. Xu Xiping	–	273	23	5	301
Ms. Hu Yan	–	555	120	5	680
<i>Independent non-executive directors:</i>					
Mr. Chen Yong (note ii)	50	–	–	–	50
Dr. Huang Hanxiong	50	–	–	–	50
Dr. Li Jiannan	50	–	–	–	50
<i>Supervisors:</i>					
Mr. Yip Hung Tung	–	402	75	4	481
Mr. Shi Chuanlai	–	321	120	5	446
Ms. Yi Hongliang	–	216	60	5	281
	150	5,880	758	29	6,817

	Fees RMB'000	Salaries, bonus and other allowances RMB'000	Discretionary bonus (note i) RMB'000	Retirement benefit scheme contributions RMB'000	Total RMB'000
<b>For the year ended 31 December 2024</b>					
<i>Executive directors:</i>					
Mr. Pan Yun	–	824	180	–	1,004
Mr. Guangshe Pan	–	1,894	–	–	1,894
Ms. Ji Ying	–	688	180	–	868
Ms. Li, Youxiang	–	691	180	8	879
Mr. Xu Xiping	–	296	35	8	339
Ms. Hu Yan	–	686	180	8	874
<i>Independent non-executive directors:</i>					
Mr. Chen Yong (note ii)	33	–	–	–	33
Dr. Gu Zhaoyang (note iii)	28	–	–	–	28
Dr. Huang Hanxiong	50	–	–	–	50
Dr. Li Jiannan	50	–	–	–	50
<i>Supervisors:</i>					
Mr. Yip Hung Tung	–	422	75	8	505
Mr. Shi Chuanlai	–	348	138	8	494
Ms. Yi Hongliang	–	280	80	8	368
	<u>161</u>	<u>6,129</u>	<u>1,048</u>	<u>48</u>	<u>7,386</u>

*Notes:*

- (i) The discretionary bonus is determined based on the Group's performance, performance of the relevant individual within the Group and comparable market statistics.
- (ii) Mr. Chen Yong resigned as an independent non-executive director of the Company on 4 September 2024.
- (iii) Dr. Gu Zhaoyang was appointed as an independent director of the Company on 5 September 2024 and redesignated as an independent non-executive director on 24 September 2024.

The executive directors' emoluments shown above were paid for their services in connection with the management of affairs of the Group and the Company during the Track Record Period.

The independent non-executive directors' emoluments shown above were for their services as directors of the Company.

The supervisors' emoluments shown above were for their services as supervisors of the Company.

During the Track Record Period, none of the directors nor the supervisors of the Company had waived any emoluments.

**14. FIVE HIGHEST PAID EMPLOYEES**

The five highest paid individuals of the Group included four, four and four directors during the years ended 31 December 2022, 2023 and 2024, respectively, details of whose remuneration are set out above. Details of the remuneration for the remaining one, one and one highest paid individual during the years ended 31 December 2022, 2023 and 2024, respectively, are as follows:

	<b>Year ended 31 December</b>		
	<b>2022</b>	<b>2023</b>	<b>2024</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Salaries, bonus and other allowances	616	702	861
Discretionary bonus	40	100	200
Retirement benefit scheme contributions	5	5	8
	<u>661</u>	<u>807</u>	<u>1,069</u>

The number of the highest paid employees who are not the directors or supervisors whose remuneration fell within the following bands is as follows:

	<b>Year ended 31 December</b>		
	<b>2022</b>	<b>2023</b>	<b>2024</b>
	<i>No. of</i>	<i>No. of</i>	<i>No. of</i>
	<i>employees</i>	<i>employees</i>	<i>employees</i>
Emolument bands			
Nil to Hong Kong dollar ("HK\$")1,000,000	1	1	–
HK\$1,000,000 to HK\$1,500,000	–	–	1
	<u>1</u>	<u>1</u>	<u>1</u>

No emoluments had been paid by the Group to any of the directors or the supervisors or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

**15. DIVIDENDS**

No dividend was paid or proposed by the Company and its subsidiaries during the Track Record Period.

**16. EARNINGS PER SHARE**

The calculation of the basic earnings per share attributable to owners of the Company is based on the following data:

Earnings figures are calculated as follows:

	<b>Year ended 31 December</b>		
	<b>2022</b>	<b>2023</b>	<b>2024</b>
Profit for the year attributable to owners of the Company for basic earnings per share ( <i>RMB'000</i> )	80,261	121,462	140,425
Number of shares:			
Weighted average number of ordinary shares for the purpose of basic earnings per share ( <i>'000</i> )	204,660	204,660	204,660

No diluted earnings per share for the Track Record Period were presented as there were no potential ordinary shares in issue for the Track Record Period.

## 17. PROPERTY, PLANT AND EQUIPMENT

## The Group

	Buildings RMB'000	Machinery and equipment RMB'000	Motor vehicles RMB'000	Electronic equipment RMB'000	Leasehold improvement RMB'000	Construction in progress RMB'000	Total RMB'000
<b>COST</b>							
At 1 January 2022	156,752	365,870	14,909	26,855	15,529	18,503	598,418
Additions	–	12,410	166	523	426	126,208	139,733
Transfers	–	7,452	–	–	–	(7,452)	–
Transfers from investment properties (Note 19)	4,219	–	–	–	–	–	4,219
Transfers to investment properties (Note 19)	(2,083)	–	–	–	–	–	(2,083)
Disposals	–	(7,366)	(284)	(354)	–	–	(8,004)
Exchange adjustments	–	–	135	–	–	–	135
At 31 December 2022	158,888	378,366	14,926	27,024	15,955	137,259	732,418
Additions	–	16,436	626	1,538	1,192	148,435	168,227
Transfers	–	8,398	–	–	–	(8,398)	–
Transfers to investment properties (Note 19)	(16,272)	–	–	–	–	–	(16,272)
Disposals	(586)	(7,230)	(792)	(550)	–	–	(9,158)
Exchange adjustments	–	–	27	–	–	–	27
At 31 December 2023	142,030	395,970	14,787	28,012	17,147	277,296	875,242
Additions	11,564	26,453	1,075	1,624	1,298	72,692	114,706
Transfers	327,594	20,113	–	–	–	(347,707)	–
Disposals	–	(2,688)	(614)	(305)	–	–	(3,607)
Exchange adjustments	–	(15)	24	(2)	–	–	7
At 31 December 2024	481,188	439,833	15,272	29,329	18,445	2,281	986,348
<b>DEPRECIATION AND IMPAIRMENT</b>							
At 1 January 2022	53,493	270,352	9,823	21,695	13,213	–	368,576
Provided for the year	7,105	35,170	1,489	1,867	1,507	–	47,138
Transfers from investment properties (Note 19)	1,670	–	–	–	–	–	1,670
Transfers to investment properties (Note 19)	(1,979)	–	–	–	–	–	(1,979)
Eliminated on disposals	–	(5,105)	(269)	(324)	–	–	(5,698)
Exchange adjustments	–	–	35	–	–	–	35
At 31 December 2022	60,289	300,417	11,078	23,238	14,720	–	409,742
Provided for the year	6,582	30,011	1,074	1,309	1,039	–	40,015
Transfers to investment properties (Note 19)	(1,258)	–	–	–	–	–	(1,258)
Eliminated on disposals	(557)	(5,183)	(752)	(523)	–	–	(7,015)
Exchange adjustments	–	–	12	–	–	–	12
At 31 December 2023	65,056	325,245	11,412	24,024	15,759	–	441,496
Provided for the year	14,078	26,872	1,093	1,064	761	–	43,868
Eliminated on disposals	–	(1,911)	(558)	(286)	–	–	(2,755)
Exchange adjustments	–	(1)	16	(1)	–	–	14
At 31 December 2024	79,134	350,205	11,963	24,801	16,520	–	482,623
<b>CARRYING VALUES</b>							
At 31 December 2022	98,599	77,949	3,848	3,786	1,235	137,259	322,676
At 31 December 2023	76,974	70,725	3,375	3,988	1,388	277,296	433,746
At 31 December 2024	402,054	89,628	3,309	4,528	1,925	2,281	503,725



## The Company

	Buildings <i>RMB'000</i>	Machinery and equipment <i>RMB'000</i>	Motor vehicles <i>RMB'000</i>	Electronic equipment <i>RMB'000</i>	Leasehold improvement <i>RMB'000</i>	Total <i>RMB'000</i>
<b>COST</b>						
At 1 January 2022	114,920	91,012	2,303	11,166	481	219,882
Additions	–	5,562	11	109	–	5,682
Transfers from investment properties ( <i>Note 19</i> )	4,219	–	–	–	–	4,219
Disposals	–	(646)	(66)	(267)	–	(979)
At 31 December 2022	119,139	95,928	2,248	11,008	481	228,804
Additions	–	5,749	–	591	791	7,131
Disposals	(586)	(1,642)	–	(308)	–	(2,536)
At 31 December 2023	118,553	100,035	2,248	11,291	1,272	233,399
Additions	–	2,449	–	195	1,208	3,852
Disposals	–	(983)	–	–	–	(983)
At 31 December 2024	118,553	101,501	2,248	11,486	2,480	236,268
<b>DEPRECIATION AND IMPAIRMENT</b>						
At 1 January 2022	38,863	71,233	1,809	9,694	467	122,066
Provided for the year	5,548	7,503	158	578	14	13,801
Transfers from investment properties ( <i>Note 19</i> )	1,670	–	–	–	–	1,670
Eliminated on disposals	–	(466)	(63)	(251)	–	(780)
At 31 December 2022	46,081	78,270	1,904	10,021	481	136,757
Provided for the year	5,631	6,402	118	298	150	12,599
Eliminated on disposals	(557)	(1,519)	–	(292)	–	(2,368)
At 31 December 2023	51,155	83,153	2,022	10,027	631	146,988
Provided for the year	5,631	4,670	70	272	313	10,956
Eliminated on disposals	–	(848)	–	–	–	(848)
At 31 December 2024	56,786	86,975	2,092	10,299	944	157,096
<b>CARRYING VALUES</b>						
At 31 December 2022	73,058	17,658	344	987	–	92,047
At 31 December 2023	67,398	16,882	226	1,264	641	86,411
At 31 December 2024	61,767	14,526	156	1,187	1,536	79,172

The Group's and the Company's property, plant and equipment are stated at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Transfers to, or from, investment property are made when, and only when, there is a change in use, evidenced by (i) commencement of owner-occupation, for a transfer from investment property to owner-occupied property; (ii) end of owner-occupation, for a transfer from owner-occupied property to investment property.

The above items of property, plant and equipment except for construction in progress are depreciated on a straight-line basis over the useful lives as follows:

Buildings	20 years
Machinery and equipment	3 to 10 years
Motor vehicles	8 years
Electronic equipment	3 to 5 years
Leasehold improvement	Over the shorter of lease term or 5 years

The Group is in the process of obtaining the property ownership certificates of buildings with carrying amounts of nil, nil, and RMB331,424,000 as at 31 December 2022, 2023 and 2024, respectively.

Details of the pledged property, plant and equipment are disclosed in Note 28.

## 18. RIGHT-OF-USE ASSETS

### The Group

	<b>Leasehold lands</b> <i>RMB'000</i>	<b>Leased properties</b> <i>RMB'000</i>	<b>Total</b> <i>RMB'000</i>
<b>As at 31 December 2022</b>			
Carrying amounts	53,704	57,750	111,454
<b>As at 31 December 2023</b>			
Carrying amounts	52,479	67,363	119,842
<b>As at 31 December 2024</b>			
Carrying amounts	51,254	48,750	100,004

	<b>Leasehold lands RMB'000</b>	<b>Leased properties RMB'000</b>	<b>Total RMB'000</b>
<b>For the year ended 31 December 2022</b>			
Depreciation charge	1,225	23,250	24,475
Capitalised in construction in progress	(740)	–	(740)
	<u>485</u>	<u>23,250</u>	<u>23,735</u>
<b>For the year ended 31 December 2023</b>			
Depreciation charge	1,225	24,457	25,682
Capitalised in construction in progress	(741)	–	(741)
	<u>484</u>	<u>24,457</u>	<u>24,941</u>
<b>For the year ended 31 December 2024</b>			
Depreciation charge	1,225	25,955	27,180
Capitalised in construction in progress	(308)	–	(308)
	<u>917</u>	<u>25,955</u>	<u>26,872</u>
	<b>Year ended 31 December</b>		
	<b>2022</b>	<b>2023</b>	<b>2024</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Expense relating to short-term leases	1,481	670	548
Total cash outflow for leases	26,724	26,494	28,095
Addition to right-of-use assets	<u>63,528</u>	<u>34,121</u>	<u>7,298</u>

## The Company

	<b>Leasehold land</b> <i>RMB'000</i>	<b>Leased properties</b> <i>RMB'000</i>	<b>Total</b> <i>RMB'000</i>
<b>As at 31 December 2022</b>			
Carrying amounts	14,964	68	15,032
<b>As at 31 December 2023</b>			
Carrying amounts	14,586	71	14,657
<b>As at 31 December 2024</b>			
Carrying amounts	14,208	70	14,278
<b>For the year ended 31 December 2022</b>			
Depreciation charge	378	820	1,198
<b>For the year ended 31 December 2023</b>			
Depreciation charge	378	854	1,232
<b>For the year ended 31 December 2024</b>			
Depreciation charge	378	857	1,235

The Group and the Company lease warehouses and various offices for its operations. Lease terms are negotiated by the Group and the Company on an individual basis and contain a wide range of different terms and conditions. The terms are fixed with various period, from 1 to 10 years. In determining the lease term and assessing the length of the non-cancellable period, the Group and the Company apply the definition of a contract and determines the period for which the contract is enforceable.

The Group regularly entered into short-term leases for staff quarters and warehouses. As at 31 December 2022, 2023 and 2024, the portfolio of short-term leases is similar to the portfolio of short-term leases to which the short-term lease expense disclosed above.

In addition, the Group and the Company own several industrial buildings where its manufacturing facilities are primarily located and office buildings. The Group and the Company are the registered owner of these property interests, including underlying leasehold lands. Lump sum payments were made upfront to acquire these property interests. The leasehold land components of these owned properties are presented separately, for which the Group and the Company have obtained the land use right certificates. Details of the pledged leasehold lands are disclosed in Note 28.

The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased properties may not be used as security for borrowing purposes.

## 19. INVESTMENT PROPERTIES

## The Group

	<b>Investment properties</b> <i>RMB'000</i>
<b>COST</b>	
As at 1 January 2022	8,766
Transfers from property, plant and equipment ( <i>Note 17</i> )	2,083
Transfers to property, plant and equipment ( <i>Note 17</i> )	<u>(4,219)</u>
As at 31 December 2022	6,630
Transfers from property, plant and equipment ( <i>Note 17</i> )	<u>16,272</u>
As at 31 December 2023 and 31 December 2024	<u>22,902</u>
<b>DEPRECIATION</b>	
As at 1 January 2022	4,352
Charge for the year	201
Transfers from property, plant and equipment ( <i>Note 17</i> )	1,979
Transfers to property, plant and equipment ( <i>Note 17</i> )	<u>(1,670)</u>
As at 31 December 2022	4,862
Charge for the year	726
Transfers from property, plant and equipment ( <i>Note 17</i> )	<u>1,258</u>
As at 31 December 2023	6,846
Charge for the year	<u>890</u>
As at 31 December 2024	<u>7,736</u>
<b>IMPAIRMENT</b>	
As at 1 January 2022, 31 December 2022, 31 December 2023	–
Provided for the year	<u>2,000</u>
As at 31 December 2024	<u>2,000</u>
<b>CARRYING VALUES</b>	
At 31 December 2022	<u>1,768</u>
At 31 December 2023	<u>16,056</u>
At 31 December 2024	<u>13,166</u>

**The Company**

	<b>Investment property RMB'000</b>
<b>COST</b>	
As at 1 January 2022	6,682
Transfers to property, plant and equipment ( <i>Note 17</i> )	<u>(4,219)</u>
As at 31 December 2022, 31 December 2023 and 31 December 2024	<u>2,463</u>
<b>DEPRECIATION</b>	
As at 1 January 2022	2,372
Charge for the year	201
Transfers to property, plant and equipment ( <i>Note 17</i> )	<u>(1,670)</u>
As at 31 December 2022	903
Charge for the year	<u>117</u>
As at 31 December 2023	1,020
Charge for the year	<u>117</u>
As at 31 December 2024	<u>1,137</u>
<b>CARRYING VALUES</b>	
At 31 December 2022	<u><u>1,560</u></u>
At 31 December 2023	<u><u>1,443</u></u>
At 31 December 2024	<u><u>1,326</u></u>

The above investment properties are measured using the cost model and represent office units and industrial buildings located in the PRC and are depreciated on a straight-line basis over 20 years.

As at 31 December 2022, 2023 and 2024, the fair value of the Group's investment properties are RMB14,510,000, RMB26,420,000 and RMB24,150,000 and the fair value of the Company's investment properties are RMB3,640,000, RMB3,490,000 and RMB3,160,000, respectively. The fair value has been arrived at based on a valuation carried out by an independent qualified professional valuer not connected with the Group.

The fair value was determined based on the income approach, taking into considerations the term value of the property by capitalising the rental income over the existing lease terms and the reversionary value by capitalising the current market rental income of the property until the end of the land use right terms. In estimating the fair value of the property, the highest and best use of the property is their current use. The fair value of the Group's investment property as at 31 December 2022, 2023 and 2024 is grouped into Level 3 of fair value measurement. There has been no change from the valuation technique used in the Track Record Period.

Details of the pledged investment properties of the Group are disclosed in Note 28.

**20. INTANGIBLE ASSETS****The Group****Software**  
*RMB'000***COST**

As at 1 January 2022, 31 December 2022 and 31 December 2023

177

Additions

48

As at 31 December 2024

225

**AMORTISATION**

As at 1 January 2022

43

Charge for the year

18

As at 31 December 2022

61

Charge for the year

18

As at 31 December 2023

79

Charge for the year

21

As at 31 December 2024

100

**CARRYING VALUES**

At 31 December 2022

116

At 31 December 2023

98

At 31 December 2024

125

The above intangible assets have finite useful lives. Such intangible assets are amortised on a straight-line basis over the following periods:

Software

10 years

## 21. DEFERRED TAXATION

For the purpose of presentation in the consolidated statements of financial position, deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purposes:

	The Group			The Company		
	As at 31 December			As at 31 December		
	2022	2023	2024	2022	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Deferred tax assets	13,648	14,103	14,482	2,304	3,625	1,837

## The Group

	Provision of write-down of inventories	Provision for impairment of property, plant and equipment	ECL provision	Lease liabilities	Right-of- use assets	Tax losses	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2022	4,187	2,102	1,727	4,588	(4,333)	3,276	928	12,475
Credit (charge) to profit or loss	1,131	(137)	282	10,393	(10,297)	(51)	(148)	1,173
At 31 December 2022	5,318	1,965	2,009	14,981	(14,630)	3,225	780	13,648
Credit (charge) to profit or loss	2,081	–	202	2,255	(1,942)	(2,542)	401	455
At 31 December 2023	7,399	1,965	2,211	17,236	(16,572)	683	1,181	14,103
(Charge) credit to profit or loss	(228)	–	(105)	(4,428)	4,678	1,817	(1,355)	379
At 31 December 2024	7,171	1,965	2,106	12,808	(11,894)	2,500	(174)	14,482



## The Company

	Provision of write-down of inventories <i>RMB'000</i>	Provision for impairment of property, plant and equipment <i>RMB'000</i>	ECL provision <i>RMB'000</i>	Others <i>RMB'000</i>	Total <i>RMB'000</i>
At 1 January 2022	508	1,121	2	654	2,285
(Charge) credit to profit or loss	(74)	(18)	250	(139)	19
At 31 December 2022	434	1,103	252	515	2,304
Credit to profit or loss	668	–	124	529	1,321
At 31 December 2023	1,102	1,103	376	1,044	3,625
Charge to profit or loss	(426)	–	(141)	(1,221)	(1,788)
At 31 December 2024	676	1,103	235	(177)	1,837

The Group has unused tax losses of RMB21,179,000, RMB16,244,000 and RMB26,777,000 available for offset against future profits as at 31 December 2022, 2023 and 2024, respectively. A deferred tax asset has been recognised in respect of RMB12,899,000, RMB2,740,000 and RMB10,253,000 of such losses as at 31 December 2022, 2023 and 2024, respectively. No deferred tax asset has been recognised on the tax losses of remaining RMB8,280,000, RMB13,504,000 and RMB16,524,000 of such losses as at 31 December 2022, 2023 and 2024, respectively due to the unpredictability of future profit streams. The unrecognised tax losses with expiry dates are disclosed in the following table.

	The Group As at 31 December			The Company As at 31 December		
	2022	2023	2024	2022	2023	2024
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
2023	1,072	–	–	–	–	–
2024	780	780	–	–	–	–
2025	2,264	1,878	1,732	–	–	–
2026	1,586	1,586	1,171	–	–	–
2027	2,578	2,578	2,243	–	–	–
2028	–	4,111	4,111	–	–	–
2029	–	–	1,972	–	–	–
Indefinitely	–	2,571	5,295	–	–	–
	8,280	13,504	16,524	–	–	–

## 22. INVENTORIES

	The Group			The Company		
	As at 31 December			As at 31 December		
	2022	2023	2024	2022	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Raw materials	69,211	62,323	75,195	25,225	12,171	16,241
Work in progress	67,265	63,978	74,869	13,987	11,815	19,753
Finished goods	43,209	41,865	64,942	8,024	5,698	12,206
Goods in transit	21,562	42,382	27,308	8,506	26,998	12,169
	201,247	210,548	242,314	55,742	56,682	60,369
Less: provision	(27,509)	(36,933)	(34,957)	(2,891)	(7,349)	(4,506)
	173,738	173,615	207,357	52,851	49,333	55,863

## 23. TRADE AND BILLS RECEIVABLES/TRADE RECEIVABLES AT FVTOCI

## (a) Trade and bills receivables

	The Group			The Company		
	As at 31 December			As at 31 December		
	2022	2023	2024	2022	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Trade receivables	135,154	150,596	241,286	192,756	136,207	245,979
Bills receivable	168	–	–	–	–	–
Less: allowance for ECL	(2,486)	(4,503)	(5,646)	(1,676)	(2,509)	(1,570)
	132,836	146,093	235,640	191,080	133,698	244,409

Details of the trade receivables for goods sold to the subsidiaries of the Company included in the table above are set out in Note 37.

As at 1 January 2022, the carrying amount of trade and bills receivables net of allowance for ECL from contracts with customers of the Group and the Company amounted to RMB203,782,000 and RMB124,817,000, respectively.

Ageing of trade receivables is prepared based on the dates of delivery of goods, which approximated the respective revenue recognition dates, as follows:

	The Group			The Company		
	As at 31 December			As at 31 December		
	2022	2023	2024	2022	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Within 1 year	130,698	146,164	236,440	189,915	133,698	244,414
1–2 years	4,093	924	776	2,799	533	–
2–3 years	338	3,249	840	42	1,934	499
Over 3 years	25	259	3,230	–	42	1,066
	<u>135,154</u>	<u>150,596</u>	<u>241,286</u>	<u>192,756</u>	<u>136,207</u>	<u>245,979</u>

The normal credit term to the customers ranged between 30 to 135 days.

As at 31 December 2022, 2023 and 2024, included in the Group's trade receivables balance are debtors with aggregate carrying amount of RMB25,664,000, RMB30,737,000 and RMB49,577,000 which are past due as at the reporting date.

Out of the past due 90 days or more balances, RMB715,000, RMB223,000 and RMB2,462,000 is not considered as in default due to the historical and expected subsequent repayment from the debtors and the remaining trade receivables due 90 days or more amounting to RMB4,649,000, RMB4,149,000 and RMB4,350,000 has become credit-impaired. The Group does not hold any collateral over these balances.

Details of the pledged trade receivables and impairment assessment of trade and bills receivables are set out in Notes 28 and 36, respectively.

**(b) Trade receivables at FVTOCI**

**The Group**

	As at 31 December		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
Trade receivables at FVTOCI	<u>11,479</u>	<u>15,750</u>	<u>2,145</u>

As at 1 January 2022, trade receivables at FVTOCI from contracts with customers amounted to RMB25,123,000.

The amounts represent the trade receivables that were held under the “hold to collect and sell” business model, whose objective is achieved by both collecting contractual cash flows and factoring trade receivables to the banks without recourse. Hence these trade receivables are measured at FVTOCI. In the opinion of the Directors, when the trade receivables are factored to banks, the Group transfers substantially all the risks and rewards of ownership to banks, and accordingly the related trade receivables are derecognised. The ageing analysis of the trade receivables at FVTOCI based on the dates of delivery of goods is as follows:

	As at 31 December		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
Within 1 year	11,035	15,456	2,145
1–2 years	444	14	–
2–3 years	–	280	–
	<u>11,479</u>	<u>15,750</u>	<u>2,145</u>

#### 24. PREPAYMENTS FOR NON-CURRENT ASSETS/PREPAYMENTS AND OTHER RECEIVABLES

##### (a) Prepayments for non-current assets

	The Group			The Company		
	As at 31 December			As at 31 December		
	2022	2023	2024	2022	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Prepayments for purchase of						
– Property, plant and equipment	2,142	2,688	1,807	189	356	48
– Freehold land	–	–	15,875	–	–	–
	<u>2,142</u>	<u>2,688</u>	<u>17,682</u>	<u>189</u>	<u>356</u>	<u>48</u>

## (b) Prepayments and other receivables

	The Group			The Company		
	As at 31 December			As at 31 December		
	2022	2023	2024	2022	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Other tax recoverable	17,739	29,080	42,135	4,347	3,311	3,961
Prepayments	5,806	3,771	8,017	347	185	2,045
Prepaid professional fee	1,218	1,356	–	1,218	1,356	–
Deferred issue costs	–	–	15,085	–	–	15,085
Receivables for payments made on behalf of customers	–	–	24,957	–	–	–
Receivables from suppliers for litigation settlement	6,823	7,274	7,274	–	–	–
Rental and other deposits	3,916	4,442	6,150	369	369	1,927
Refundable deposits for land use rights	2,000	2,000	2,000	2,000	2,000	2,000
Others	3,629	1,262	2,600	355	396	551
	41,131	49,185	108,218	8,636	7,617	25,569
Less: allowance for ECL	(7,026)	(7,315)	(7,355)	–	–	–
	<u>34,105</u>	<u>41,870</u>	<u>100,863</u>	<u>8,636</u>	<u>7,617</u>	<u>25,569</u>
Analysed for reporting purposes as:						
Current assets	30,598	37,837	96,669	8,486	7,467	25,419
Non-current assets	3,507	4,033	4,194	150	150	150
	<u>34,105</u>	<u>41,870</u>	<u>100,863</u>	<u>8,636</u>	<u>7,617</u>	<u>25,569</u>

Details of impairment assessment of other receivables are set out in Note 36.

**25. PLEDGED AND RESTRICTED BANK DEPOSITS AND BANK BALANCES AND CASH**

The ranges of fixed interest rates/market rates on the pledged and restricted bank deposits/bank balances and cash are as follows:

	<b>The Group</b>			<b>The Company</b>		
	<b>As at 31 December</b>			<b>As at 31 December</b>		
	<b>2022</b>	<b>2023</b>	<b>2024</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>
	%	%	%	%	%	%
Fixed-rate pledged and restricted bank deposits	1.30	1.30	1.30	—	—	—
Variable-rate bank balances	0.00–1.76	0.00–4.30	0.00–4.25	0.01–1.76	0.01–4.30	0.01–4.25

The deposits amounting to RMB35,000,000, RMB35,000,000, and RMB35,000,000 have been pledged to banking facilities with revolving credit and are therefore classified as non-current assets as at 31 December 2022, 2023 and 2024, respectively. The pledged bank deposits will be released upon the settlement of relevant borrowings or the end of agreement period. The Group's restricted bank deposits of RMB145,000 as at 31 December 2024 are frozen due to an ongoing litigation case involving immaterial claims.

Details of impairment assessment and pledge of bank deposits are set out in Notes 36 and 28, respectively.

**26. TRADE AND BILLS PAYABLES**

	<b>The Group</b>			<b>The Company</b>		
	<b>As at 31 December</b>			<b>As at 31 December</b>		
	<b>2022</b>	<b>2023</b>	<b>2024</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Trade payables	192,270	257,273	264,457	67,252	61,082	68,681
Bills payables	16,527	17,357	28,017	—	—	—
	<u>208,797</u>	<u>274,630</u>	<u>292,474</u>	<u>67,252</u>	<u>61,082</u>	<u>68,681</u>

The following is the ageing analysis of trade payables based on the date of goods and services received at the end of each reporting period:

	The Group			The Company		
	As at 31 December			As at 31 December		
	2022	2023	2024	2022	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Within 1 year	186,790	254,672	262,081	65,094	60,464	68,191
1–2 years	3,572	371	104	1,574	159	13
2–3 years	344	558	251	23	166	21
Over 3 years	1,564	1,672	2,021	561	293	456
	<u>192,270</u>	<u>257,273</u>	<u>264,457</u>	<u>67,252</u>	<u>61,082</u>	<u>68,681</u>

The credit period on purchases of goods and services of the Group and Company is within 120 days. All the bills payable with maturity within one year.

## 27. OTHER PAYABLES AND ACCRUALS

	The Group			The Company		
	As at 31 December			As at 31 December		
	2022	2023	2024	2022	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Accrued employees' benefits	17,310	21,201	23,020	5,253	6,270	6,786
Payables for acquisition of property, plant and equipment	31,493	70,270	15,916	3,613	1,821	720
Other accrued charges	4,869	4,813	6,434	1,496	2,255	1,851
Settlement payables to suppliers on behalf of customers	5,113	2,009	4,688	–	–	–
Other taxes payable	4,108	3,607	2,766	1,703	1,077	1,098
Deposits received	757	929	871	284	345	222
Accrued issue costs	–	–	4,775	–	–	4,775
Others	322	401	436	90	75	10
	<u>63,972</u>	<u>103,230</u>	<u>58,906</u>	<u>12,439</u>	<u>11,843</u>	<u>15,462</u>

## 28. BORROWINGS

	The Group			The Company		
	As at 31 December			As at 31 December		
	2022	2023	2024	2022	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Bank loans:						
Secured and guaranteed	122,856	183,417	154,918	17,299	–	–
Unsecured and guaranteed	57,568	63,379	–	35,170	38,378	28,426
Secured and unguaranteed	–	–	75,063	–	–	–
Unsecured and unguaranteed	–	–	93,110	–	–	28,722
	<u>180,424</u>	<u>246,796</u>	<u>323,091</u>	<u>52,469</u>	<u>38,378</u>	<u>57,148</u>
The carrying amounts of the above borrowings are repayable*:						
– Within one year	115,112	129,294	207,055	52,469	38,378	57,148
– Within a period of more than one year but not exceeding two years	13,062	29,375	38,679	–	–	–
– Within a period of more than two years but not exceeding five years	39,187	88,127	77,357	–	–	–
– Within a period of more than five years	13,063	–	–	–	–	–
	<u>180,424</u>	<u>246,796</u>	<u>323,091</u>	<u>52,469</u>	<u>38,378</u>	<u>57,148</u>
Less: amounts due within one year shown under current liabilities	<u>(115,112)</u>	<u>(129,294)</u>	<u>(207,055)</u>	<u>(52,469)</u>	<u>(38,378)</u>	<u>(57,148)</u>
Amounts shown under non-current liabilities	<u>65,312</u>	<u>117,502</u>	<u>116,036</u>	<u>–</u>	<u>–</u>	<u>–</u>

\* The amounts due are based on scheduled repayment dates set out in the loan agreements.



The exposure of the borrowings are as follows:

	The Group			The Company		
	As at 31 December			As at 31 December		
	2022	2023	2024	2022	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Fixed-rate borrowings	112,256	103,676	168,173	52,469	38,378	57,148
Variable-rate borrowings	68,168	143,120	154,918	—	—	—
	<u>180,424</u>	<u>246,796</u>	<u>323,091</u>	<u>52,469</u>	<u>38,378</u>	<u>57,148</u>

The Group's variable-rate borrowings carry interest at Loan Prime Rate ("LPR"). Interest is reset every 12 months.

The range of effective interest rates (which are also equal to contracted interest rates) on the borrowings is as follows:

	The Group			The Company		
	As at 31 December			As at 31 December		
	2022	2023	2024	2022	2023	2024
	%	%	%	%	%	%
Effective interest rate:						
Fixed-rate borrowings	4.35–10.89	3.90–6.83	2.80–5.99	4.35–5.45	4.30–4.40	2.80–3.45
Variable-rate borrowings	4.30–4.45	4.20	3.35–3.95	—	—	—

The borrowings had been secured by the pledge of the Group's and the Company's assets. The carrying amounts of the respective assets are as follows:

	The Group			The Company		
	As at 31 December			As at 31 December		
	2022	2023	2024	2022	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Bank deposits	35,000	35,000	35,000	—	—	—
Trade receivables	19,581	6,577	9,201	—	—	—
Property, plant and equipment	219,591	352,868	376,014	73,058	67,397	36,550
Investment properties	1,768	1,651	208	1,560	1,443	—
Leasehold lands	52,675	51,492	46,163	14,964	14,586	10,060
	<u>328,615</u>	<u>447,588</u>	<u>466,586</u>	<u>89,582</u>	<u>83,426</u>	<u>46,610</u>

*Note:* The Company's pledged assets as at 31 December 2023 and 2024 were pledged for bank loans of its subsidiaries. The Company's pledged assets as at 31 December 2022 were for bank loans of the Company and its subsidiaries.

Details of the guarantees for the borrowings are as follows:

	The Group			The Company		
	As at 31 December			As at 31 December		
	2022	2023	2024	2022	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Maximum amounts under banking facilities guaranteed by: Mr. Pan Yun and/or Ms. Cao Chengling (note)	895,027	868,274	400,000	173,500	173,500	—

*Note:* Ms. Cao Chengling is the spouse of Mr. Pan Yun, one of the Controlling shareholders.

The guarantees for the borrowings provided by Mr. Pan Yun and/or Ms. Cao Chengling as at 31 December 2024 were released in January 2025.

Certain of the Company's borrowings at the end of each reporting period are guaranteed by certain subsidiaries.

The Group's borrowings that are denominated in currencies other the functional currencies of the relevant group entities are set out below:

	The Group			The Company		
	As at 31 December			As at 31 December		
	2022	2023	2024	2022	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
United States Dollars ("US\$")	13,875	4,867	6,532	—	—	—

## 29. LEASE LIABILITIES

	The Group			The Company		
	As at 31 December			As at 31 December		
	2022	2023	2024	2022	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Lease liabilities payable:						
Within one year	19,679	23,636	19,806	70	73	73
Within a period of more than one year but not more than two years	19,269	17,152	12,740	–	–	–
Within a period of more than two years but not more than five years	20,174	21,061	14,130	–	–	–
Over five years	–	8,133	5,823	–	–	–
	<u>59,122</u>	<u>69,982</u>	<u>52,499</u>	<u>70</u>	<u>73</u>	<u>73</u>
Less: amount due for settlement within 12 months shown under current liabilities	<u>(19,679)</u>	<u>(23,636)</u>	<u>(19,806)</u>	<u>(70)</u>	<u>(73)</u>	<u>(73)</u>
Amount due for settlement after 12 months shown under non-current liabilities	<u>39,443</u>	<u>46,346</u>	<u>32,693</u>	<u>–</u>	<u>–</u>	<u>–</u>

The weighted average incremental borrowing rates applied to lease liabilities is 4.80%, 4.80% and 4.65% as at 31 December 2022, 2023 and 2024, respectively.

## 30. CONTRACT LIABILITIES

	The Group			The Company		
	As at 31 December			As at 31 December		
	2022	2023	2024	2022	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Sales of goods	<u>36,261</u>	<u>59,338</u>	<u>43,508</u>	<u>21,214</u>	<u>314</u>	<u>175</u>

As at 1 January 2022, the Group's and the Company's contract liabilities amounted to RMB46,497,000 and RMB7,018,000, respectively.

Revenue recognised during each reporting period with performance obligation satisfied includes the entire amount of contract liability at the beginning of each reporting period.

Details of the contract liabilities for goods sold to the subsidiaries of the Company included in the table above are set out in Note 37.

## 31. DEFERRED INCOME

	The Group			The Company		
	As at 31 December			As at 31 December		
	2022	2023	2024	2022	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Assets-related government subsidies	2,534	2,371	2,208	2,534	2,371	2,208
Less: amount due for settlement within 12 months shown under current liabilities	(163)	(163)	(163)	(163)	(163)	(163)
	<u>2,371</u>	<u>2,208</u>	<u>2,045</u>	<u>2,371</u>	<u>2,208</u>	<u>2,045</u>

Deferred income consists of government grants provided by the relevant PRC government authorities for the purposes of financing the purchase of buildings and machinery and the related expenses to be incurred for the development of new products or technology. The amounts are recognised as income to match with related expenses or on systematic basis over the useful lives of the relevant assets upon completing inspection by the related government authorities.

## 32. SHARE CAPITAL

	Number of shares	Share capital RMB'000
Ordinary shares of RMB1 each		
<b>Registered, issued and fully paid</b>		
At 1 January 2022, 31 December 2022, 31 December 2023 and 31 December 2024	<u>204,659,509</u>	<u>204,660</u>

**Reserves of the Company:**

Below table sets out the details of the reserves of the Company:

	<b>Share premium</b> <i>RMB'000</i>	<b>Capital reserve</b> <i>(note)</i> <i>RMB'000</i>	<b>Statutory reserve</b> <i>RMB'000</i>	<b>Retained profits</b> <i>RMB'000</i>	<b>Total</b> <i>RMB'000</i>
At 1 January 2022	112,713	171,137	8,125	73,255	365,230
Profit for the year	–	–	–	54,302	54,302
Transfer to statutory reserve	–	–	5,943	(5,943)	–
At 31 December 2022	112,713	171,137	14,068	121,614	419,532
Profit for the year	–	–	–	67,410	67,410
Transfer to statutory reserve	–	–	7,045	(7,045)	–
At 31 December 2023	112,713	171,137	21,113	181,979	486,942
Profit for the year	–	–	–	75,413	75,413
Transfer to statutory reserve	–	–	7,542	(7,542)	–
At 31 December 2024	<u>112,713</u>	<u>171,137</u>	<u>28,655</u>	<u>249,850</u>	<u>562,355</u>

*Note:* Capital reserve of the Company represents deemed contribution from certain shareholders of the Company, including (i) the difference between the aggregated net asset values of certain subsidiaries acquired under common control in 2016 and the aggregated consideration paid; and (ii) waiver of an amount due to the controlling shareholder of the Company of RMB2,502,000 during the year ended 31 December 2021.

**33. CAPITAL COMMITMENTS****The Group**

	<b>As at 31 December</b>		
	<b>2022</b>	<b>2023</b>	<b>2024</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Capital expenditure contracted for but not provided for in the Historical Financial Information			
– Property, plant and equipment	<u>208,223</u>	<u>86,947</u>	<u>20,224</u>

**34. RETIREMENT BENEFIT SCHEME**

The employees of the Group's subsidiaries in the PRC are members of a state-managed defined contribution retirement scheme operated by the PRC government. The PRC subsidiary is required to contribute a certain percentage of their payroll to the retirement benefit scheme subject to certain cap as governed by the social fund bureau. The only obligation of the Group with respect to the retirement benefit scheme is to make the required contributions under the scheme.

A subsidiary in the U.S. maintains multiple qualified contributory savings plans as allowed under Section 401(k) of the Internal Revenue Code in the U.S.. These plans are defined contribution plans covering substantially all its qualifying employees and provide for voluntary contributions by employees, subject to certain limits. The contributions are made by both the employees and the employer. The employees' contributions are primarily based on specified dollar amounts or percentages of employee compensation. The employer's contributions are primarily based on the smaller of three percent of the employees' compensation and the half of the employees' contributions.

The total retirement benefits scheme contributions to those plans recognised as employee benefit charged to profit or loss and capitalised as inventories, amounting to RMB13,304,000, RMB12,761,000 and RMB18,735,000 for each of the three years ended 31 December 2022, 2023 and 2024, respectively, representing contributions paid to the retirement benefits scheme by the Group.

**35. CAPITAL RISK MANAGEMENT**

The Group and the Company manages its capital to ensure that entities in the Group and the Company will be able to continue as a going concern with maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's and the Company's overall strategy remains unchanged during the Track Record Period.

The capital structure of the Group and the Company consists of net debts, which includes the borrowings and lease liabilities disclosed in Notes 28 and 29, respectively, net of bank balances and cash and total equity, mainly comprising issued share capital, share premium and retained profits.

The management reviews the capital structure on a regular basis. As part of this review, the management considers the cost of capital and the risks associated with the capital. Based on recommendations of the management, the Group will balance its overall capital structure through the payment of dividends, new share issues and share buy-backs as well as the issue of new debt or the redemption of existing debt.

## 36. FINANCIAL INSTRUMENTS

## (a) Categories of financial instruments

## The Group

	As at 31 December		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
<b>Financial assets</b>			
Amortised cost	558,738	737,094	780,565
Trade receivables at FVTOCI	11,479	15,750	2,145
	<u>570,217</u>	<u>752,844</u>	<u>782,710</u>
<b>Financial liabilities</b>			
Amortised cost	<u>431,775</u>	<u>599,848</u>	<u>648,685</u>

## The Company

	As at 31 December		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
<b>Financial assets</b>			
Amortised cost	<u>264,712</u>	<u>315,950</u>	<u>397,445</u>
<b>Financial liabilities</b>			
Amortised cost	<u>147,125</u>	<u>141,028</u>	<u>307,086</u>

## (b) Financial risk management objectives and policies

The Group's major financial instruments include trade and bills receivables, trade receivables at FVTOCI, other receivables, pledged and restricted bank deposits, bank balances and cash, trade and bills payables, other payables and borrowings. The Company's major financial instruments include trade and bills receivables, other receivables, amounts due from subsidiaries, bank balances and cash, trade and bills payables, other payables, amounts due to subsidiaries and borrowings. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk and interest rate risk), credit risk, and liquidity risk. The policies on how to mitigate these risks are set out below. The management of the Group and the Company manages and monitors these exposures to ensure appropriate measures are implemented in a timely and effective manner.

**Market risk****(i) Currency risk**

The Group's and the Company's exposure to foreign currency risk related primarily to bank balances and cash, trade receivables, other receivables, trade payables, other payables and borrowings that are denominated in HK\$, US\$ and Great Britain Pound ("GBP").

The carrying amounts of the Group's and the Company's foreign currencies denominated monetary assets and liabilities at the end of each reporting period are as follows:

**The Group**

	<b>Assets</b>		
	<b>As at 31 December</b>		
	<b>2022</b>	<b>2023</b>	<b>2024</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
US\$	274,407	244,629	299,856
HK\$	413	430	442
	<u>274,820</u>	<u>245,059</u>	<u>300,298</u>
	<u><u>274,820</u></u>	<u><u>245,059</u></u>	<u><u>300,298</u></u>
	<b>Liabilities</b>		
	<b>As at 31 December</b>		
	<b>2022</b>	<b>2023</b>	<b>2024</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
US\$	19,302	7,059	11,369
GBP	1,384	2,019	–
	<u>20,686</u>	<u>9,078</u>	<u>11,369</u>
	<u><u>20,686</u></u>	<u><u>9,078</u></u>	<u><u>11,369</u></u>

**The Company**

	<b>Assets</b>		
	<b>As at 31 December</b>		
	<b>2022</b>	<b>2023</b>	<b>2024</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
US\$	172,097	148,364	255,455
HK\$	2	2	2
	<u>172,099</u>	<u>148,366</u>	<u>255,457</u>
	<u><u>172,099</u></u>	<u><u>148,366</u></u>	<u><u>255,457</u></u>

The Group and the Company currently do not have a foreign exchange hedging policy. However, the management of the Group and the Company monitors foreign exchange exposure and will consider hedging significant foreign exchange exposure should the need arise.



## Sensitivity analysis

The following table details the Group's and the Company's sensitivity to a 5% increase and decrease in RMB against US\$. 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominate monetary items and adjusts their translation at the end of each reporting period for a 5% change in foreign currency rates. A negative number below indicates an decrease in post-tax profit where RMB strengthen 5% against US\$. For a 5% weakening of RMB against US\$ there would be an equal and opposite impact on the post-tax profit and the amounts below would be positive.

**The Group**

	Year ended 31 December		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
US\$	(10,037)	(9,114)	(11,943)

**The Company**

	Year ended 31 December		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
US\$	(7,314)	(6,305)	(10,857)

During the Track Record Period, the currency exposure of RMB against HK\$ and GBP is immaterial, and accordingly, no sensitivity analysis is disclosed.

(ii) *Interest risk*

The Group and the Company are exposed to fair value interest rate risk in relation to pledged and restricted bank deposits (see Note 25), fixed-rate bank borrowings (see Note 28 for details of these borrowings) and lease liabilities (see Note 29 for details). The Group and the Company are exposed to cash flow interest rate risk in relation to variable-rate bank balances (see Note 25 for details). Furthermore, the Group is exposed to cash flow interest rate risk in relation to variable-rate bank borrowings (see Note 28 for details). The cash flow interest rate risk is mainly concentrated on the fluctuation of interest rates on bank balances of the Group and the Company and LPR arising from the Group's borrowings. The Group aims at keeping borrowings at variable rates. The Group manages its interest rate exposures by assessing the potential impact arising from any interest rate movements based on interest rate level and outlook. The management will review the proportion of borrowings in fixed and floating rates and ensure they are within reasonable range.

### Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates at the end of each reporting period. The analysis is prepared assuming the financial instruments outstanding at the end of the reporting period were outstanding for the whole year. A 50 basis point increase or decrease in variable-rate bank borrowings are used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates. Bank balances are excluded from sensitivity analysis as the management considers that the exposure of cash flow interest rate risk arising from variable-rate bank balances is insignificant.

If interest rates had been 50 basis point higher/lower and all other variables were held constant, the Group's post-tax profit for the year would decrease/increase by RMB256,000, RMB537,000 and RMB581,000 for the years ended 31 December, 2022, 2023 and 2024, respectively. This is mainly attributable to the Group's exposure to interest rates on its variable-rate borrowings.

### *Credit risk and impairment assessment*

Credit risk refers to the risk that the Group's and the Company's counterparties default on their contractual obligations resulting in financial losses to the Group and the Company. The Group's and the Company's credit risk exposures are primarily attributable to trade and bills receivables, trade receivables at FVTOCI, pledged and restricted bank deposits, bank balances, other receivables and amounts due from subsidiaries. The Group does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets.

#### *Trade receivables arising from contracts with customers and trade receivables at FVTOCI*

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In this regard, the management considers that the Group's credit risk is significantly reduced.

The Group's concentration of credit risk by shipping destination is mainly in North America, which accounted for 76%, 74% and 79% of the total trade receivables as at 31 December 2022, 2023 and 2024, respectively. The Group has concentration of credit risk as 49%, 29% and 40% of the total trade receivables was due from the Group's largest customer as at 31 December 2022, 2023 and 2024, respectively. The Group has concentration of credit risk as 89%, 80% and 82% of the total trade receivables was due from the Group's five largest customers as at 31 December 2022, 2023 and 2024, respectively.

For trade receivables, the Group has applied the simplified approach of IFRS 9 to measure the loss allowance at lifetime ECL. Except for items that are subject to individual evaluation, which are assessed for impairment individually, the remaining trade receivables are grouped based on shared credit risk characteristics by reference to the Group's ageing of outstanding balances. Details of the quantitative disclosures are set out below in this note.

*Bills receivables*

Bills receivables were all bank-issued notes. Since the issuers were reputable banks of good credit quality, the management of the Group considered the credit risk of these bank issued bills is insignificant and no impairment was provided on them for the year ended 31 December 2022.

*Other receivables*

For other receivables, the management makes periodic individual assessment on the recoverability of other receivables based on historical settlement records, past experience, and also quantitative and qualitative information that is reasonable and supportive forward-looking information. The management believes that there are no significant increase in credit risk of these amounts since initial recognition and the Group and the Company provided impairment based on 12m ECL except for certain other receivables have been measured based on lifetime ECL with significant increase in credit risk or credit-impaired. Details of the quantitative disclosures are set out below in this note.

*Pledged and restricted bank deposits/bank balances*

Credit risk on pledged and restricted bank deposits/bank balances is limited because the counterparties are reputable banks with high credit ratings assigned by credit agencies. The Group and the Company assessed 12m ECL for pledged and restricted bank deposits/bank balances by reference to information relating to probability of default and loss given default of the respective credit rating grades published by external credit rating agencies. Based on the average loss rates, the 12m ECL on pledged and restricted bank deposits/bank balances is considered to be insignificant and therefore no loss allowance was recognised.

The Group's and the Company's internal credit risk grading assessment comprises the following categories:

Internal credit rating	Description	Trade receivables	Financial assets other than trade receivables
Low risk	The counterparty has a low risk of default	Lifetime ECL – not credit-impaired	12m ECL
Doubtful	There have been significant increases in credit risk since initial recognition through information developed internally or external resources	Lifetime ECL – not credit-impaired	Lifetime ECL – not credit-impaired
Loss	There is evidence indicating the asset is credit-impaired	Lifetime ECL – credit-impaired	Lifetime ECL – credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group and the Company has no realistic prospect of recovery	Amount is written off	Amount is written off

The tables below detail the credit risk exposures of the Group's and the Company's financial assets, which are subject to ECL assessment:

**The Group**

**As at 31 December 2022**

	External/ internal credit rating	12m or lifetime ECL	Average loss rate	Gross carrying amount <i>RMB'000</i>	Impairment loss allowance <i>RMB'000</i>
<b>Debt instruments at FVTOCI</b>					
Trade receivables at FVTOCI	<i>note ii</i>	12m ECL	1.11%	11,608	129
				<u>          </u>	<u>          </u>
<b>Financial assets at amortised cost</b>					
Bank balances	AAA/BBB+ <i>note i</i>	12m ECL	N/A	381,560	–
Pledged and restricted bank deposits	AAA/BBB+ <i>note i</i>	12m ECL	N/A	35,000	–
Trade receivables	<i>note ii</i>	Lifetime ECL (not credit-impaired)	0.11%	130,505	149
		Lifetime ECL (credit-impaired)	50.27%	4,649	2,337
Bills receivables	<i>note i</i>	12m ECL	N/A	168	–
Other receivables	<i>note iii</i>	12m ECL (not credit-impaired)	N/A	9,342	–
		Lifetime ECL (credit-impaired)	100.00%	7,026	7,026
				<u>          </u>	<u>          </u>
				<u>568,250</u>	<u>9,512</u>

## As at 31 December 2023

	External/ internal credit rating	12m or lifetime ECL	Average loss rate	Gross carrying amount <i>RMB'000</i>	Impairment loss allowance <i>RMB'000</i>
<b>Debt instruments at FVTOCI</b>					
Trade receivables at FVTOCI	<i>note ii</i>	12m ECL	1.99%	16,069	319
				<hr/>	<hr/>
<b>Financial assets at amortised cost</b>					
Bank balances	AAA/BBB+ <i>note i</i>	12m ECL	N/A	548,338	–
Pledged and restricted bank deposits	AAA/BBB+ <i>note i</i>	12m ECL	N/A	35,000	–
Trade receivables	<i>note ii</i>	Lifetime ECL (not credit-impaired)	0.24%	146,447	354
		Lifetime ECL (credit-impaired)	100.00%	4,149	4,149
Other receivables	<i>note iii</i>	12m ECL (not credit-impaired)	N/A	7,663	–
		Lifetime ECL (credit-impaired)	100.00%	7,315	7,315
				<hr/>	<hr/>
				<hr/>	<hr/>
				748,912	11,818
				<hr/>	<hr/>

## As at 31 December 2024

	External/ internal credit rating	12m or lifetime ECL	Average loss rate	Gross carrying amount <i>RMB'000</i>	Impairment loss allowance <i>RMB'000</i>
<b>Debt instruments at FVTOCI</b>					
Trade receivables at FVTOCI	<i>note ii</i>	12m ECL	0.05%	2,166	1
				<hr/>	<hr/>
<b>Financial assets at amortised cost</b>					
Bank balances	AAA/BBB+ <i>note i</i>	12m ECL	N/A	474,154	–
Pledged and restricted bank deposits	AAA/BBB+ <i>note i</i>	12m ECL	N/A	35,145	–
Trade receivables	<i>note ii</i>	Lifetime ECL (not credit-impaired)	0.55%	236,936	1,296
		Lifetime ECL (credit-impaired)	100.00%	4,350	4,350
Other receivables	<i>note iii</i>	12m ECL (not credit-impaired)	N/A	35,626	–
		Lifetime ECL (credit-impaired)	100.00%	7,355	7,355
				<hr/>	<hr/>
				<hr/>	<hr/>
				793,566	13,001
				<hr/>	<hr/>

## The Company

## As at 31 December 2022

	External/ internal credit rating	12m or lifetime ECL	Average loss rate	Gross carrying amount <i>RMB'000</i>	Impairment loss allowance <i>RMB'000</i>
<b>Financial assets at amortised cost</b>					
Bank balances	AAA/BBB+ <i>note i</i>	12m ECL	N/A	26,332	–
Amounts due from subsidiaries	<i>note iii</i>	12m ECL	N/A	44,576	–
Trade receivables	<i>note ii</i>	Lifetime ECL (not credit-impaired)	0.01%	189,424	11
		Lifetime ECL (credit-impaired)	49.97%	3,332	1,665
Other receivables	<i>note iii</i>	12m ECL (not credit-impaired)	N/A	2,724	–
				<u>266,388</u>	<u>1,676</u>

## As at 31 December 2023

	External/ internal credit rating	12m or lifetime ECL	Average loss rate	Gross carrying amount <i>RMB'000</i>	Impairment loss allowance <i>RMB'000</i>
<b>Financial assets at amortised cost</b>					
Bank balances	AAA/BBB+ <i>note i</i>	12m ECL	N/A	104,157	–
Amounts due from subsidiaries	<i>note iii</i>	12m ECL	N/A	75,330	–
Trade receivables	<i>note ii</i>	Lifetime ECL (not credit-impaired)	N/A	133,698	–
		Lifetime ECL (credit-impaired)	100.00%	2,509	2,509
Other receivables	<i>note iii</i>	12m ECL (not credit-impaired)	N/A	2,765	–
				<u>318,459</u>	<u>2,509</u>

## As at 31 December 2024

	External/ internal credit rating	12m or lifetime ECL	Average loss rate	Gross carrying amount RMB'000	Impairment loss allowance RMB'000
<b>Financial assets at amortised cost</b>					
Bank balances	AAA/BBB+ <i>note i</i>	12m ECL	N/A	115,592	–
Amounts due from subsidiaries	<i>note iii</i>	12m ECL	N/A	32,966	–
Trade receivables	<i>note ii</i>	Lifetime ECL (not credit-impaired)	0.002%	244,415	6
		Lifetime ECL (credit-impaired)	100.00%	1,564	1,564
Other receivables	<i>note iii</i>	12m ECL (not credit-impaired)	N/A	4,478	–
				<u>399,015</u>	<u>1,570</u>

## Notes:

- (i) The counterparties are reputable banks with high credit ratings and the risk of default on liquid funds is limited.
- (ii) For trade receivables, the Group and the Company applied the simplified approach in IFRS 9 to measure the loss allowance at lifetime ECL. Except for receivables from debtors with significant balances or credit-impaired, which are assessed individually, the Group and the Company determine the ECL on the remaining trade receivables on a collective basis using provision matrix, grouped by the ageing of the trade receivables. As part of the Group's credit risk management, the Group uses the ageing of the trade receivables to assess the impairment for its trade receivables in relation to its operation because these customers have common risk characteristics that are representative of the customers' abilities to pay all amounts due in accordance with the contractual terms. The Group's trade receivables at amortised cost with significant balances or credit-impaired with gross carrying amounts of RMB109,287,000, RMB113,011,000 and RMB189,887,000 as at 31 December 2022, 2023 and 2024, respectively, were assessed individually. The remaining trade receivables are assessed based on provision matrix, and the impairment losses recognised were insignificant.

The estimated loss rates used in the provision matrix are estimated based on historical credit loss experience of debtors taking into consideration the historical default rates and are adjusted for forward-looking information that is available without undue cost or effort. The grouping is regularly reviewed by management to ensure relevant information about specific debtors is updated.

The Company's trade receivables are mainly from the subsidiaries, as disclosed in Note 37. Both the receivables from subsidiaries and the trade receivables that are credit-impaired are assessed individually.



The following table shows the movement in lifetime ECL that has been recognised for trade receivables under the simplified approach.

**The Group**

	<b>Lifetime ECL not credit- impaired RMB'000</b>	<b>Lifetime ECL credit- impaired RMB'000</b>	<b>Total RMB'000</b>
As at 1 January 2022	38	5	43
Transfer to credit-impaired	(3)	3	–
Impairment loss recognised	119	2,331	2,450
Write-off	–	(2)	(2)
Exchange adjustments	(5)	–	(5)
As at 31 December 2022	149	2,337	2,486
Transfer to credit-impaired	(59)	59	–
Impairment loss recognised	262	1,753	2,015
Exchange adjustments	2	–	2
As at 31 December 2023	354	4,149	4,503
Transfer to credit-impaired	(6)	6	–
Impairment loss recognised	948	195	1,143
As at 31 December 2024	1,296	4,350	5,646

**The Company**

	<b>Lifetime ECL not credit- impaired RMB'000</b>	<b>Lifetime ECL credit- impaired RMB'000</b>	<b>Total RMB'000</b>
As at 1 January 2022	2	–	2
Impairment loss recognised	9	1,665	1,674
As at 31 December 2022	11	1,665	1,676
Transfer to credit-impaired	(11)	11	–
Impairment loss recognised	–	833	833
As at 31 December 2023	–	2,509	2,509
Impairment loss recognised (reversal)	6	(945)	(939)
As at 31 December 2024	6	1,564	1,570

- (iii) For the purposes of internal credit risk management, the ECL on other receivables of the Group and the Company, as well as the non-trade amounts due from subsidiaries of the Company, is assessed individually. All of the Group's impairment losses are for other receivables that are credit-impaired, which include the receivables from suppliers for litigation settlement as disclosed in Note 24.

**Liquidity risk**

In the management of the liquidity risk, the Group and the Company monitor and maintains a level of bank balances and cash deemed adequate by the management to finance the operations of the Group and the Company, and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of borrowings, if necessary.

The following table details the Group's and the Company'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 and lease liabilities based on the earliest date on which the Group can be required to pay. The maturity dates for other non-derivative financial liabilities are based on the agreed repayment dates.

The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived based on management's best estimates at the end of each reporting period.

**The Group**

	Weighted average effective interest rate %	On demand/ less than 1 year RMB'000	1 year to 2 years RMB'000	2 years to 5 years RMB'000	over 5 years RMB'000	Total undiscounted cash flow RMB'000	Carrying amount RMB'000
<b>As at 31 December 2022</b>							
Borrowings	5.11	120,006	16,108	43,659	13,390	193,163	180,424
Trade and bills payables	–	208,797	–	–	–	208,797	208,797
Other payables	–	42,554	–	–	–	42,554	42,554
Lease liabilities	4.80	21,981	20,656	20,966	–	63,603	59,122
		<u>393,338</u>	<u>36,764</u>	<u>64,625</u>	<u>13,390</u>	<u>508,117</u>	<u>490,897</u>
<b>As at 31 December 2023</b>							
Borrowings	4.27	166,222	33,944	94,209	–	294,375	246,796
Trade and bills payables	–	274,630	–	–	–	274,630	274,630
Other payables	–	78,422	–	–	–	78,422	78,422
Lease liabilities	4.80	26,369	18,859	23,379	9,011	77,618	69,982
		<u>545,643</u>	<u>52,803</u>	<u>117,588</u>	<u>9,011</u>	<u>725,045</u>	<u>669,830</u>
<b>As at 31 December 2024</b>							
Borrowings	3.63	215,170	43,494	81,825	–	340,489	323,091
Trade and bills payables	–	292,474	–	–	–	292,474	292,474
Other payables	–	33,120	–	–	–	33,120	33,120
Lease liabilities	4.65	21,741	13,935	15,647	6,373	57,696	52,499
		<u>562,505</u>	<u>57,429</u>	<u>97,472</u>	<u>6,373</u>	<u>723,779</u>	<u>701,184</u>

## The Company

	Weighted average effective interest rate %	On demand/ less than 1 year RMB'000	1 year to 2 years RMB'000	2 years to 5 years RMB'000	over 5 years RMB'000	Total undiscounted cash flow RMB'000	Carrying amount RMB'000
<b>As at 31 December 2022</b>							
Borrowings	4.87	54,094	–	–	–	54,094	52,469
Trade and bills payables	–	67,252	–	–	–	67,252	67,252
Other payables	–	5,483	–	–	–	5,483	5,483
Amounts due to subsidiaries	–	21,921	–	–	–	21,921	21,921
Lease liabilities	4.80	70	–	–	–	70	70
		<u>148,820</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>148,820</u>	<u>147,195</u>
<b>As at 31 December 2023</b>							
Borrowings	4.37	39,632	–	–	–	39,632	38,378
Trade and bills payables	–	61,082	–	–	–	61,082	61,082
Other payables	–	4,496	–	–	–	4,496	4,496
Amounts due to subsidiaries	–	37,072	–	–	–	37,072	37,072
Lease liabilities	4.80	73	–	–	–	73	73
		<u>142,355</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>142,355</u>	<u>141,101</u>
<b>As at 31 December 2024</b>							
Borrowings	3.21	58,499	–	–	–	58,499	57,148
Trade and bills payables	–	68,681	–	–	–	68,681	68,681
Other payables	–	7,578	–	–	–	7,578	7,578
Amounts due to subsidiaries	–	173,679	–	–	–	173,679	173,679
Lease liabilities	4.80	73	–	–	–	73	73
		<u>308,510</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>308,510</u>	<u>307,159</u>

**(c) Transfers of financial assets**

The following shows the Group's financial assets that were transferred to banks by discounting on a full recourse basis. As the Group has not transferred the significant risks and rewards, it continues to recognise the full carrying amount and has recognised the cash received on the transfer as a collateralised borrowing (see Note 28).

	Trade receivables As at 31 December		
	2022 RMB'000	2023 RMB'000	2024 RMB'000
Carrying amount of transferred assets	19,581	6,577	9,201
Carrying amount of associated liabilities	(13,875)	(4,867)	(6,532)
Net position	5,706	1,710	2,669

**(d) Fair value measurements of financial instruments*****Fair value of the Group's financial assets measured at fair value on a recurring basis***

Some of the Group's financial assets are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets are determined (in particular, the valuation technique and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

Set out below is the information about how the fair values of the Group's financial instruments that are measured at fair value are determined, including the valuation technique and inputs used:

Financial assets	As at 31 December			Fair value hierarchy	Valuation technique and key input(s)	Significant unobservable input
	2022 RMB'000	2023 RMB'000	2024 RMB'000			
Trade receivables at FVTOCI	11,479	15,750	2,145	Level 3	Discounted cash flow Risk-adjusted discount rate and cash flow are key inputs	Discount rate

A change in the unobservable input would not change the fair value of the relevant financial instrument significantly, no sensitivity analysis is disclosed.

***Fair value of financial instruments that are recorded at amortised cost***

The fair values of financial assets and financial liabilities of the Group are determined in accordance with generally accepted pricing models based on discounted cash flow analysis. The management consider that the carrying amounts of financial assets recorded at amortised cost in the Historical Financial Information approximate their fair values.

*Reconciliation of Level 3 fair value measurements*

The following table presents the changes in level 3 financial instruments during the Track Record Period:

	Year ended 31 December		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
At 1 January	25,123	11,479	15,750
Addition	316,665	428,200	364,329
Settlements	(330,182)	(423,739)	(378,232)
Fair value changes through OCI, net of ECL and reclassification adjustment to profit or loss	(127)	(190)	298
At 31 December	11,479	15,750	2,145

**37. RELATED PARTY TRANSACTIONS**

Saved for those disclosed in Note 28, during the Track Record Period, the Group and the Company entered into the following transactions/balances with the related parties:

**(a) Related party balances***(i) Amounts due from subsidiaries***The Company**

Name of related parties	As at 31 December		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
X.J. Electrical Appliances Co., Ltd.* ("X.J. Electrical Appliances") 惠州市香江智能電器有限公司	44,000	74,000	32,466
X.J. Group (HK) Limited ("X.J. Group (HK)") 湖北香江電器(香港)股份有限公司	576	1,330	—
Aigrentrading Co., Ltd.* ("Aigrentrading") 湖北艾格麗經貿有限公司	—	—	500
	44,576	75,330	32,966

The amounts are non-trade in nature, unsecured, interest-free and repayable on demand.

\* For identification purpose only

## (ii) Amounts due to subsidiaries

## The Company

Name of related parties	As at 31 December		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
X. J. Electronics (Shenzhen) Co., Ltd.* ("X.J. Electronics (Shenzhen)") 遠特信電子(深圳)有限公司	21,921	37,072	50,473
X. J. Electrics (Shenzhen) Co., Ltd.* ("X.J. Electrics (Shenzhen)") 愛思傑電器(深圳)有限公司	—	—	49,995
Innovative (Jiangyin) Electronics Co., Ltd.* ("Innovative (Jiangyin)") 益諾威(江陰)電子有限公司	—	—	35,058
MeiNuoWei Electrics (HuiZhou) Co., Ltd.* ("MeiNuoWei Electrics") 惠州市美諾威電器有限公司	—	—	32,915
X.J. Group (HK)	—	—	5,007
Weighmax Group	—	—	90
PT Dingsheng Electrics Indonesia ("PT Dingsheng")	—	—	94
X.J. Electrics (Thailand) Co., Ltd.	—	—	47
	<u>21,921</u>	<u>37,072</u>	<u>173,679</u>

The amount is non-trade in nature, unsecured, interest-free and repayable on demand.

\* For identification purpose only

(iii) *Trade receivables***The Company**

Name of related parties	As at 31 December		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
X.J. Group (HK)	170,856	120,089	206,876
THS Industrial Limited			
( <b>“THS Industrial”</b> )	–	1,762	24,721
X.J. Electronics (Shenzhen)	3,963	1,039	565
X.J. Electrics (Shenzhen)	8,423	4,576	4,137
Innovative (Jiangyin)	56	–	21
Aigrentrading	4,711	5,238	5,930
MeiNuoWei Electrics	220	323	180
HNW Electronics (Shenzhen) Co., Ltd.*			
( <b>“HNW Electronics”</b> )			
深圳市宏諾威電子有限公司	874	528	226
Shenzhen Nawu Technology Co., Ltd.*			
( <b>“Nawu Technology”</b> )			
深圳市納吾科技有限公司	131	131	131
PT Dingsheng	–	–	1,204
X.J. Electrical Appliances	–	–	37
	189,234	133,686	244,028

The amounts are in trade nature, unsecured, non-interest bearing and repayable on demand.

\* *For identification purpose only*

(iv) *Contract liabilities***The Company**

Name of related parties	As at 31 December		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
THS Industrial	20,985	–	–
Innovative (Jiangyin)	–	2	–
	20,985	2	–



## (b) Related party transactions

## (i) Assignment of patents

During the Track Record Period, Mr. Pan Yun assigned three patents to the Company without consideration.

## (ii) Leases

*Lease liabilities***The Group**

Name of related party	As at 31 December		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
Mr. Pan Yun	66	240	446

*Interest on lease liabilities***The Group**

Name of related party	Year ended 31 December		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
Mr. Pan Yun	7	15	31

## (iii) Compensation of key management personnel

The remuneration of directors and supervisors of the Company during the Track Record Period is as follows:

	Year ended 31 December		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
Salaries, bonus and other allowances	5,878	6,030	6,290
Discretionary bonus	385	758	1,048
Retirement benefit scheme contributions	29	29	48
	6,292	6,817	7,386

The remuneration of directors and supervisors is determined by the remuneration committee having regard to the performance of individuals and market trends.

## 38. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

	<b>Borrowings</b>	<b>Lease liabilities</b>	<b>Accrued issue costs</b>	<b>Total</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
As at 1 January 2022	249,276	18,332	–	267,608
Financing cash flows	(83,241)	(25,243)	–	(108,484)
New leases entered	–	63,528	–	63,528
Lease modified	–	(28)	–	(28)
Interest expenses	13,014	2,361	–	15,375
Exchange adjustments	1,375	172	–	1,547
As at 31 December 2022	180,424	59,122	–	239,546
Financing cash flows	50,422	(25,824)	–	24,598
New leases entered	–	34,121	–	34,121
Lease modified	–	(30)	–	(30)
Interest expenses	14,689	2,629	–	17,318
Exchange adjustments	1,261	(36)	–	1,225
As at 31 December 2023	246,796	69,982	–	316,778
Financing cash flows	44,887	(27,547)	(10,310)	7,030
New leases entered	–	7,298	–	7,298
Interest expenses	11,809	2,722	–	14,531
Non-cash transactions ( <i>note</i> )	19,274	–	–	19,274
Deferred issue costs ( <i>Note 24</i> )	–	–	15,085	15,085
Exchange adjustments	325	44	–	369
As at 31 December 2024	323,091	52,499	4,775	380,365

*Note:* The amount represents the drawdown of bank borrowings used for direct settlement of the Group's obligations to its suppliers, as agreed upon between the bank and the Group.

## 39. PARTICULARS OF SUBSIDIARIES OF THE COMPANY

## The Company

	<b>As at 31 December</b>		
	<b>2022</b>	<b>2023</b>	<b>2024</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Unlisted investments, at cost less impairment ( <i>note</i> )	371,369	368,369	518,369

*Note:* The increase in investments in subsidiaries at 31 December 2024 was due to the further capital contribution to X.J. Electrical Appliances, a subsidiary of the Company, of RMB150,000,000 during the year ended 31 December 2024.

## General information of subsidiaries

As at the date of approval of these consolidated financial statements, details of the subsidiaries directly and indirectly held by the Company are set out below:

Name of subsidiaries	Place and date of incorporation/ establishment	Issued paid up/ registered capital	Proportion of ownership interest/ voting rights held by the Group as at 31 December			At date of approval of these consolidated financial statements	Principal activities
			2022	2023	2024		
<i>Directly owned</i>							
Innovative (Jiangyin) <i>(notes i, v &amp; vi)</i>	The PRC 5 September 2000	RMB36,432,000	100%	100%	100%	100%	Manufacture, processing and sales of electronic devices
X.J. Electrics (Shenzhen) <i>(notes i, v &amp; vii)</i>	The PRC 12 August 2002	RMB6,366,600	100%	100%	100%	100%	Research, design, production and sales of electro-thermic appliances and motor-driven appliances
Aigrentrading <i>(note iv)</i>	The PRC 26 April 2013	RMB8,000,000	100%	100%	100%	100%	Operation of online stores on e-commerce platforms
X.J. Electronics (Shenzhen) <i>(notes i, v &amp; vii)</i>	The PRC 7 June 2004	RMB6,250,000	100%	100%	100%	100%	Research, design, production and sales of electro-thermic appliances and motor-driven appliances
MeiNuoWei Electrics <i>(notes i &amp; vi)</i>	The PRC 9 March 2017	RMB20,000,000	100%	100%	100%	100%	Research, design, production and sales of electro-thermic appliances and motor-driven appliances
HNW Electronics <i>(note iv)</i>	The PRC 2 June 2020	RMB2,000,000	100%	100%	100%	100%	Manufacture and sale of lifestyle household goods
X.J. Electrical Appliances <i>(notes i, v &amp; vii)</i>	The PRC 23 October 2020	RMB200,000,000	100%	100%	100%	100%	Production and sales of electro-thermic appliances and motor-driven appliances

Name of subsidiaries	Place and date of incorporation/ establishment	Issued paid up/ registered capital	Proportion of ownership interest/ voting rights held by the Group as at 31 December			At date of approval of these consolidated financial statements	Principal activities
			2022	2023	2024		
X.J. Group (HK) (notes ii & viii)	Hong Kong 30 June 2014	US\$1,290,000	100%	100%	100%	100%	Sales of our products to international customers
Weighmax Group (notes iii & vi)	The U.S. 30 March 2016	US\$1,000,000	100%	100%	100%	100%	Sales of lifestyle household goods
<i>Indirectly owned</i>							
Shenzhen Nuocheng Electronic Commerce Co. Ltd.* 深圳市諾誠電子商務有限公司 (note iv)	The PRC 20 January 2020	RMB500,000	100%	100%	100%	100%	Operation of online stores on e-commerce platforms
Nawu Technology (note iv)	The PRC 22 January 2020	RMB500,000	100%	100%	100%	100%	Operation of online stores on e-commerce platforms
THS Industrial (notes ii & viii)	Hong Kong 26 June 2017	HK\$10,000	100%	100%	100%	100%	Sales of our products to international customers
Goodlife Global Imports Inc (note iv)	The U.S. 19 November 2021	US\$50,000	100%	100%	100%	100%	Sales of lifestyle household goods
PT Dingsheng (note iv)	Indonesia 8 August 2023	Rp10,000,000,000	N/A	100%	100%	100%	Manufacture and sale of lifestyle household goods
X.J. Electrics (Thailand) Co., Ltd. (note iv)	Thailand 23 April 2024	THB100,000,000	N/A	N/A	100%	100%	Manufacture and sale of lifestyle household goods

\* For identification purpose only

*Notes:*

- (i) The statutory financial statements of the subsidiaries for the year ended 31 December 2022 prepared in accordance with the relevant accounting principles in the PRC were audited by BDO China Shu Lun Pan Certified Public Accountants LLP (立信會計師事務所(特殊普通合夥)) which was the certified public accountants registered in the PRC.
- (ii) The statutory financial statements of the subsidiaries prepared in accordance with Hong Kong Financial Reporting Standards were audited by Huang Tak Wai Certified Public Accountant (Practising) which was the certified public accountants registered in the Hong Kong for the years ended 31 December 2022 and 2023.
- (iii) The statutory financial statements of the subsidiaries for the years ended 31 December 2022 and 2023 prepared in accordance with relevant accounting principles generally accepted in the U.S. were audited by Cheung & Chu, CPA and Spectrum Accountancy Corp., certified public accountants registered in the U.S..
- (iv) No statutory financial statements have been prepared for these entities since the date of incorporation as these entities were not subject to any statutory audit requirements under the relevant rules and regulations in their jurisdiction of incorporation.
- (v) The statutory financial statements of the subsidiaries for the year ended 31 December 2023 prepared in accordance with the relevant accounting principles in the PRC were audited by Shenzhen Yuehua Certified Public Accountants LP (深圳岳華會計師事務所(普通合夥)) which was the certified public accountants registered in the PRC.
- (vi) No statutory financial statements for the year ended 31 December 2024 have been prepared for these entities as these entities were not subject to any statutory audit requirements under the relevant rules and regulations in their jurisdiction of incorporation.
- (vii) The statutory financial statements of the subsidiaries for the year ended 31 December 2024 prepared in accordance with the relevant accounting principles in the PRC were audited by Shenzhen Yuehua Certified Public Accountants LP (深圳岳華會計師事務所(普通合夥)) which was the certified public accountants registered in the PRC.
- (viii) At the date of approval of these consolidated financial statements, the statutory financial statements of these entities for the year ended 31 December 2024 are not yet issued.

All the subsidiaries of the Company are limited liability companies. All subsidiaries have adopted 31 December, as their financial year end date.

None of the subsidiaries had issued any debt securities during the Track Record Period.

**40. EVENT AFTER THE END OF THE REPORTING PERIOD**

Subsequent to the Track Record Period, the U.S. government has raised and adjusted tariff imposed on imports from China. In addition to China, the U.S. government also imposed tariffs in a global context, including on imports from Thailand and Indonesia, where the Group operates. These events are considered non-adjusting subsequent events. Accordingly, the Historical Financial Information for the Track Record Period has not been adjusted. Given the unpredictability of the development of Sino-U.S. and the global trade tensions, the management of the Group is continuing to assess the impact of the above events on the financial position and results of the Group for future periods.

**41. 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 31 December 2024.

*The information set out in this Appendix does not form part of the accountants' report on the historical financial information of the Group for the three years ended 31 December 2024 (the "Accountants' Report") prepared by Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, the reporting accountants of the Company, as set out in Appendix I to this prospectus, and is included herein for information only.*

*The unaudited pro forma financial information should be read in conjunction with the section headed "Financial Information" in this prospectus and the Accountants' Report set out in Appendix I to this prospectus.*

**A. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS OF THE GROUP ATTRIBUTABLE TO OWNERS OF THE COMPANY**

The following unaudited pro forma statement of adjusted consolidated net tangible assets of the Group attributable to owners of the Company prepared in accordance with paragraph 4.29 of the Listing Rules is set out below to illustrate the effect of the Global Offering (as defined in this prospectus) on the audited consolidated net tangible assets of the Group attributable to owners of the Company as at 31 December 2024 as if the Global Offering had taken place on that date.

The unaudited pro forma statement of adjusted consolidated net tangible assets of the Group attributable to owners of the Company has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not give a true picture of the consolidated net tangible assets of the Group attributable to owners of the Company as at 31 December 2024 or any future dates following the Global Offering.

The following unaudited pro forma statement of adjusted consolidated net tangible assets of the Group attributable to owners of the Company is prepared based on the audited consolidated net tangible assets of the Group attributable to owners of the Company as at 31 December 2024 as derived from the Accountants' Report, the text of which is set out in Appendix I to this prospectus, and adjusted as described below:

	<b>Audited consolidated net tangible assets of the Group attributable to owners of the Company as at 31 December 2024 <i>RMB'000</i> <i>(note 1)</i></b>	<b>Estimated net proceeds from Global Offering <i>RMB'000</i> <i>(note 2)</i></b>	<b>Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company as at 31 December 2024 <i>RMB'000</i></b>	<b>Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company as at 31 December 2024 per Share <i>RMB</i>      <i>HK\$</i> <i>(note 3)</i>      <i>(note 4)</i></b>	
Based on an Offer Price of HK\$2.86 per Offer Share	926,086	143,889	1,069,975	3.92	4.25
Based on an Offer Price of HK\$3.35 per Offer Share	926,086	173,186	1,099,272	4.03	4.37

*Notes:*

- (1) The amount is calculated based on the audited consolidated net assets of the Group attributable to owners of the Company amounted to RMB926,211,000 as at 31 December 2024, with adjustment for intangible assets of the Group attributable to owners of the Company as at 31 December 2024 of RMB125,000 as extracted from the Accountants' Report set forth in Appendix I to this prospectus.

- (2) The estimated net proceeds from the Global Offering are based on 68,220,000 H Shares to be issued at the Offer Price of HK\$2.86 and HK\$3.35 per Offer Share, being the low end and high end of the indicated Offer Price range respectively, after deduction of the estimated listing expenses and share issue costs (including underwriting fees and other related expenses) incurred or expected to be incurred by the Group subsequent to 31 December 2024, other than those expenses which had been recognised in profit or loss prior to 31 December 2024. It does not take into account (i) any Shares which may be allotted and issued upon the exercise of the Over-allotment Option or (ii) any Shares which may be issued or repurchased by the Company pursuant to the general mandates.

For the purpose of calculating the estimated net proceeds from the Global Offering, the amount denominated in Hong Kong dollars has been converted into Renminbi at an exchange rate of HK\$1 to RMB0.9226, which was the exchange rate prevailing on 7 March 2025 with reference to the rate published by the People's Bank of China. No representation is made that Hong Kong dollar amounts have been, could have been or may be converted to Renminbi, or vice versa, at that rate or at any other rates or at all.

- (3) The number of shares used for the calculation of unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company per Share is based on 272,879,509 Shares, comprising 204,659,509 Shares in issue as at 31 December 2024 and 68,220,000 H Shares to be issued, assuming the Global Offering had been completed on 31 December 2024. It does not take into account (i) any Shares which may be allotted and issued upon the exercise of the Over-allotment Option or (ii) any Shares which may be issued or repurchased by the Company pursuant to the general mandates.
- (4) The unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company per Share is converted from Renminbi to Hong Kong dollars at the rate of HK\$1 to RMB0.9226, which was the exchange rate prevailing on 7 March 2025 with reference to the rate published by the People's Bank of China. No representation is made that the Renminbi amounts have been, would have been or may be converted to Hong Kong dollars, or vice versa, at that date or at any other rates or at all.
- (5) No adjustment has been made to the unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company as at 31 December 2024 to reflect any operating result or other transactions of the Group entered into subsequent to 31 December 2024.
- (6) Certain property interests of the Group as at 31 March 2025 have been valued by AVISTA Valuation Advisory Limited, an independent property valuer. By comparing the valuation of the Group's property interests of approximately RMB401,570,000 provided by AVISTA Valuation Advisory Limited and the carrying amounts of these properties of approximately RMB368,428,000 as at 31 December 2024, the valuation surplus is approximately RMB33,142,000 as at 31 March 2025, which was not reflected in the above adjusted consolidated net tangible assets of the Group attributable to owners of the Company as at 31 December 2024. The revaluation surplus has not been included in the Historical Financial Information as at 31 December 2024 as set out in Appendix I to this prospectus. If the revaluation surplus was recorded in the Group's consolidated financial statements, the annual depreciation of the Group would increase by approximately RMB1,337,000.



**B. INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION**

*The following is the text of the independent reporting accountants' assurance report received from Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, the reporting accountants of the Company, in respect of the Group's unaudited pro forma financial information prepared for the purpose of incorporation in this prospectus.*

**INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION**

**To the Directors of X.J. Electrics (Hu Bei) Co., Ltd**

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of X.J. Electrics (Hu Bei) Co., Ltd 湖北香江電器股份有限公司 (the “**Company**”) and its subsidiaries (hereinafter collectively referred to as the “**Group**”) by the directors of the Company (the “**Directors**”) for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted consolidated net tangible assets as at 31 December 2024 and related notes as set out on pages II-1 to II-3 of Appendix II to the prospectus issued by the Company dated 17 June 2025 (the “**Prospectus**”). The applicable criteria on the basis of which the Directors have compiled the unaudited pro forma financial information are described on pages II-1 to II-3 of Appendix II to the Prospectus.

The unaudited pro forma financial information has been compiled by the Directors to illustrate the impact of the Global Offering (as defined in the Prospectus) on the Group's financial position as at 31 December 2024 as if the Global Offering had taken place at 31 December 2024. As part of this process, information about the Group's financial position has been extracted by the Directors from the Group's historical financial information for each of the three years ended 31 December 2024, on which an accountants' report set out in Appendix I to the Prospectus has been published.

**Directors' Responsibilities for the Unaudited Pro Forma Financial Information**

The Directors are responsible for compiling the unaudited pro forma financial information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and with reference to Accounting Guideline 7 “Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars” (“**AG 7**”) issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”).

**Our Independence and Quality Management**

We have complied with the independence and other ethical requirements of the “Code of Ethics for Professional Accountants” issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies Hong Kong Standard on Quality Management (HKSQM) 1 “Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements” issued by the HKICPA, which requires the firm to design, implement and operate a system of quality management including policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

**Reporting Accountants’ Responsibilities**

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 “Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus” issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the unaudited pro forma financial information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the unaudited pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the unaudited pro forma financial information.

The purpose of unaudited pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at 31 December 2024 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and
- the unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgement, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Opinion**

In our opinion:

- (a) the unaudited pro forma financial information has been properly compiled on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

**Deloitte Touche Tohmatsu**  
*Certified Public Accountants*  
Hong Kong

17 June 2025

*The following is the text of a letter, a summary of values and valuation certificates prepared for the purpose of incorporation in this prospectus received from AVISTA Valuation Advisory Limited, an independent valuer, in connection with its valuation as at 31 March 2025 of the property interests held by the Company.*



Suites 2401-06, 24/F, Everbright Centre, 108 Gloucester Road,  
Wan Chai, Hong Kong

TEL : +852 3702 7338      FAX : +852 3914 6388

info@avaval.com

www.avaval.com

17 June 2025

The Board of Directors

**X.J. Electrics (Hu Bei) Co., Ltd** (湖北香江電器股份有限公司)

7/F, Building 7, Haijinger Road,  
Shatoujiao Bonded Zone, Yantian District,  
Shenzhen City, China

Dear Sirs/Madams,

## INSTRUCTIONS

In accordance with the instructions of X.J. Electrics (Hu Bei) Co., Ltd (湖北香江電器股份有限公司) (the “**Company**”) and its subsidiaries (hereinafter together referred to as the “**Group**”) for us to carry out the valuation of the property interests (the “**Properties**”) located in the People’s Republic of China (the “**PRC**”) held by the Group, we confirm that we have carried out inspection, made relevant enquiries and searches and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market value of the Properties as at 31 March 2025 (the “**Valuation Date**”).

## BASIS OF VALUATION AND VALUATION STANDARDS

Our valuation is carried out on a market value basis, which is defined by the Royal Institution of Chartered Surveyors 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*”.

In valuing the Properties, we have complied with all the requirements set out in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”), the RICS Valuation – Global Standards 2024 published by the Royal Institution of Chartered Surveyors (“**RICS**”) and the International Valuation Standards published from time to time by the International Valuation Standards Council.

### CATEGORISATION OF PROPERTY INTERESTS

In the course of our valuation, the appraised Properties have been categorized according firstly to type of interests held by the Company, which in turn being classified into the following groups:

Group I – Property interests held for owner occupation by the Company in the PRC

Group II – Property interests held for investment by the Company in the PRC

### VALUATION ASSUMPTIONS

Our valuation of the Properties 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 special value or costs of sale and purchase or offset for any associated taxes.

No allowance has been made in our report for any charges, mortgages or amounts owing on any of the Properties valued nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the Properties are free from encumbrances, restrictions and outgoings of an onerous nature, which could affect their values.

In the course of our valuation of the Properties in the PRC, we have relied on the advice given by the Group and its legal advisers, being Zhong Lun Law Firm (中倫律師事務所) (the “**PRC Legal Advisers**”), regarding the titles to the Properties.

In valuing the Properties, we have relied on a legal opinion regarding the Properties provided by the PRC Legal Advisers dated 17 June 2025 (the “**PRC Legal Opinion**”). Unless otherwise stated, the Group has legally obtained the land use rights of the Properties.

No environmental impact study has been ordered or made. Full compliance with applicable national, provincial and local environmental regulations and laws is assumed.

## **VALUATION METHODOLOGY**

In valuing the property interests in Group I, due to the nature of the buildings and structures of the subject property, there are no market sales comparables readily available. We have valued the property interests on the basis of their depreciated replacement cost. Depreciated replacement cost is defined as “*the current cost of replacing an asset with its modern equivalent asset less deduction for physical deterioration and all relevant forms of obsolescence and optimisation*”. It is based on an estimation of the market value for the existing use of the land, plus the current cost of replacement (reproduction) of the building, including the improvements, less deductions for physical deterioration and all relevant forms of obsolescence and optimisation.

The property interests in Group II have been valued by the income approach. The income approach takes into considerations of the term value of the property by capitalizing the rental income over the existing lease terms and the reversionary value by capitalizing the current market rental income of the property until the end of the land use right terms. The current market rent adopted in determining the reversionary value is based on the findings of rental comparables in the locality which share similar characteristics with the subject property. When determining the parameter of capitalisation rate or market yield, reference has been made to the current sale price and rental income of the properties in the locality which share similar characteristics with the subject properties. The income approach estimates the value of the property by taking into consideration the existing rental level and current market condition, without specifically involving the forecasting of future profits.

We have assigned no commercial value to the property interests for which the Group has not possessed either the land titleship or the building ownership documents.

## **TITLE INVESTIGATION**

We have been provided with copies of documents in relation to the title of the Properties in the PRC. Where possible, we have examined the original documents to verify the existing title to the Properties in the PRC and any material encumbrance that might be attached to the Properties or any tenancy amendment. All documents have been used for reference only and all dimensions, measurements and areas are approximate. In the course of our valuation, we have relied considerably on the PRC Legal Opinion given by the PRC Legal Advisers, concerning the validity of the title of the Properties in the PRC.

## **SITE INVESTIGATION**

We have inspected the exteriors and, where possible, the interior of the subject properties. The site inspection was carried out on 8 August 2024 by Arya Lin (Assistant Manager). She is a public valuer with more than 3 years’ experience in valuation of properties in the PRC.

In the course of our inspection, we did not note any serious defects. However, we have not carried out an investigation on site to determine the suitability of ground conditions and services for any development thereon, nor have we conducted structural surveys to ascertain whether the subject properties are free of rot, infestation, or any other structural defects. Additionally, no tests have been carried out on any of the utility services. Our valuation has been prepared on the assumption that these aspects are satisfactory. We have further assumed that there is no significant pollution or contamination in the locality which may affect any future developments.

### **SOURCE OF INFORMATION**

Unless otherwise stated, we shall rely to a considerable extent on the information provided to us by the Group or the PRC Legal Advisers or other professional advisers on such matters as statutory notices, planning approvals, zoning, easements, tenures, completion date of buildings, development proposal, identification of the properties, particulars of occupation, site areas, floor areas, matters relating to tenure, tenancies and all other relevant matters.

We have had no reason to doubt the truth and accuracy of the information provided to us by the Group. We have also sought confirmation from the Group that no material factors have been omitted from the information supplied. We consider that we have been provided with sufficient information to reach an informed view and we have no reason to suspect that any material information has been withheld.

We have not carried out detailed measurements to verify the correctness of the areas in respect of the properties but have assumed that the areas shown on the title documents and official site plans handed to us are correct. All documents and contracts have been used as reference only and all dimensions, measurements and areas are approximations. No on-site measurement has been taken.

### **LIMITING CONDITION**

Wherever the content of this report is extracted and translated from the relevant documents supplied in Chinese context and there are discrepancies in wordings, those parts of the original documents will take prevalent.

**CURRENCY**

Unless otherwise stated, all monetary amounts stated in this report are in Renminbi (RMB).

Our valuations are summarized below, and the valuation certificates are attached.

Yours faithfully,  
For and on behalf of  
**AVISTA Valuation Advisory Limited**  
**Vincent C B Pang**  
*MRICS CFA FCPA FCPA Australia*  
*RICS Registered Valuer*  
*Managing Partner*

*Note:* Mr. Vincent C B Pang is a member of Royal Institution of Chartered Surveyors (RICS) and a registered valuer of RICS. He has over 10 years' experience in valuation of properties including Hong Kong, the PRC, the U.S., and East and Southeast Asia.



## SUMMARY OF VALUES

## Group I – Property interests held for owner occupation by the Company in the PRC

No.	Property	Market value in existing state as at 31 March 2025 RMB	Interest Attributable to the Company	Market value Attributable to the Company as at 31 March 2025 RMB
1.	He'an Avenue, Yuanzhou Town, Boluo County, Huizhou City, Guangdong Province, the PRC (中國廣東省惠州市博羅縣園洲鎮和安大道)	No Commercial Value	100%	No Commercial Value
	<b>Sub-total:</b>	<b>No Commercial Value</b>		<b>No Commercial Value</b>

## Group II – Property interests held for investment by the Company in the PRC

No.	Property	Market value in existing state as at 31 March 2025 RMB	Interest Attributable to the Company	Market value Attributable to the Company as at 31 March 2025 RMB
2.	Unit 2407, Block 11, Phase II, Tianan Yungu Industrial Park, Xuegang North Road, Longgong District, Shenzhen City, Guangdong Province, the PRC (中國廣東省深圳市龍崗區雪崗北路 天安雲谷產業園二期11棟2407室)	10,640,000	100%	10,640,000
	<b>Sub-total:</b>	<b>10,640,000</b>		<b>10,640,000</b>
	<b>Grand-total:</b>	<b>10,640,000</b>		<b>10,640,000</b>

## VALUATION CERTIFICATE

## Group I – Property interests held for owner occupation by the Company in the PRC

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 March 2025 RMB
1.	He'an Avenue, Yuanzhou Town, Boluo County, Huizhou City, Guangdong Province, the PRC  (中國廣東省 惠州市 博羅縣園洲鎮 和安大道)	<p>The property comprises two 7-storey industrial buildings and two 10-storey dormitory buildings over a 1-storey basement, with a total gross floor area of approximately 147,069.00 sq.m.</p> <p>The property was held for owner occupation as at the Valuation Date.</p> <p>As advised by the Group, the property was completed in 2024.</p> <p>The classification, usage and area details are set out in Note 6.</p> <p>The property is located in Boluo County of Huizhou City, with approximately 6.0 km to Boluo Yuanzhou Bus Terminal and 93.5 km to Shenzhen Bao'an International Airport.</p> <p>The land use rights of the property have been granted for a term expiring on 23 December 2070 for industrial use.</p>	The property was occupied by the Group as at the Valuation Date manufacturing purpose.	No Commercial Value

## Notes:

- Pursuant to a Real Estate Ownership Certificate (for land) – Yue (2021) Bo Luo Xian Bu Dong Chan Quan Di No. 0022926 issued by the Boluo Municipal Bureau of Natural Resources (博羅縣自然資源局), the land use rights of the property with a total site area of approximately 49,979.00 sq.m. have been granted to X.J. Electrical Appliances (Huizhou) Co., Ltd. (惠州市香江智能電器有限公司, “X.J. Electrical Appliances”), in which the Company holds a direct ownership stake of 100%, for a term expiring on 23 December 2070 for industrial use.
- Pursuant to a Construction Land Planning Permit – Bo Zi Ran Zi Di Zi Di No. 4413222021-0267, permission for the planning of a land parcel with a total site area of approximately 49,979.00 sq.m. has been granted to X.J. Electrical Appliances.

3. Pursuant to 7 Construction Works Planning Permits – Bo Zi Ran Zi Jian Zi Di No. 4413222021-1308 to 4413222021-1314, in favour of X.J. Electrical Appliances, the construction work of the property with a total gross floor area of approximately 147,441.00 sq.m. has been approved for construction.

As confirmed by the Group, the property comprises a portion of the abovementioned permits.

4. Pursuant to a Construction Work Commencement Permit – No. 441322202112170301 in favour of X.J. Electrical Appliances, permission has been given by the relevant local authority to commence the construction work of the property with a total gross floor area of approximately 147,441.00 sq.m.

As confirmed by the Group, the property comprises a portion of the abovementioned permit.

5. As advised by the Group, the title certificates of building ownership of the property have not been obtained.
6. In undertaking our valuation, we have assigned no commercial value to the property since X.J. Electrical Appliances has yet to obtain proper title certificates of building ownership due to certain law deficiencies as mentioned in Note 8(c). For reference purposes, we are of the opinion that the estimated value of the property as at the Valuation Date would be RMB375,130,000, assuming the property could be freely transferred in the market.
7. As advised by the Group, the details of the property are set out as below:

Classification	Usage	Gross Floor Area (sq.m.)	No. of Car Parking Spaces
Group I – Property interests held for owner occupation by the Company in the PRC	Industrial	116,820.00	–
	Dormitory	20,850.00	–
	Amenity Facilities	1,143.00	–
	Basement	8,256.00	230
<b>Total:</b>		<b>147,069.00</b>	<b>230</b>

8. We have been provided with the PRC Legal Opinion, which contains, inter alia, the following:
- X.J. Electrical Appliances legally obtained the land use rights of the property, but had not yet obtained the building ownership of the property;
  - X.J. Electrical Appliances has the right to occupy or use the land use rights of the property;
  - There are certain legal deficiencies as X.J. Electrical Appliances commenced production before completing the as-built acceptance filings (竣工驗收備案), fire protection acceptance filings (消防驗收備案), environmental protection acceptance filings (竣工環境保護驗收備案), and energy conservation acceptance filing (節能驗收備案). However, due to the following:
    - X.J. Electrical Appliances has completed the environmental protection acceptance filings, the energy conservation acceptance filings procedures, the as-built acceptance filings, as well as the fire protection acceptance filing;
    - X.J. Electrical Appliances has not been subjected to any administrative penalties by governmental authorities;

- iii. The Boluo County People's Government (博羅縣人民政府, the "Government") has issued a document certifying X.J. Electrical Appliances meets the basic requirements for production. The Government is aware of and has agreed X.J. Electrical Appliances to commence production in June 2024. No violations or illegal activities in construction projects, fire safety, environmental protection, safety production, energy conservation, or other areas requiring administrative penalties by the Government or other relevant authorities have been discovered. The Government agrees X.J. Electrical Appliances in maintaining its current production status; and
- iv. The actual controllers of the Company, Mr. Pan Yun and Mr. Guangshe Pan, have committed to bearing all losses that may arise from fines or production suspension due to the aforementioned matters.

The deficiencies in the construction procedures do not constitute significant violations. The risk of administrative penalties is deemed low, with no significant adverse impact foreseen on the Company's production and operations, and does not present a significant legal obstacle to this issuance.

- d. The property has been pledged to Industrial and Commercial Bank of China Limited, Boluo Branch (中國工商銀行股份有限公司博羅支行); and
  - e. The land use rights of the property has not been subject to any other encumbrances.
9. In the course of our valuation, we assume that the property is transferable without legal impediment.
10. Our valuation has been made on the following basis and analysis:

In our valuation of the land use rights, we have considered and analyzed 6 land sale comparables in the vicinity. The adjusted site values of the land sales range from RMB1,010 to RMB1,020 per sq.m. for industrial use. The unit rate adopted in the valuation is consistent with the unit rates of the relevant comparables after due adjustments in terms of location, time, and size, etc.

Regarding the building portion, the current replacement cost of the building is assessed by determining the construction cost of a modern substitute building with the same service capacity as the building which is being valued. The adjusted replacement costs range from RMB2,040 per sq.m. to RMB2,190 per sq.m. for industrial buildings, from RMB2,080 per sq.m. to RMB3,190 per sq.m. for dormitory buildings and from RMB3,070 per sq.m. to RMB3,760 per sq.m. for basement based on our research of the local construction costs. The replacement cost adopted in the valuation is consistent with the findings of our research.

## VALUATION CERTIFICATE

## Group II – Property interests held for investment by the Company in the PRC

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 March 2025 RMB
2.	Unit 2407, Block 11, Phase II, Tianan Yungu Industrial Park, Xuegang North Road, Longgong District, Shenzhen City, Guangdong Province, the PRC (中國廣東省深圳市龍崗區雪崗北路天安雲谷產業園二期11棟2407室)	<p>The property comprises an office unit with a total gross floor area of approximately 499.02 sq.m. located on the 24th floor of a 34-storey industrial office building within an industrial park, namely Tianan Yungu Industrial Park.</p> <p>The property was held for investment as at the Valuation Date.</p> <p>As advised by the Group, the property was completed in 2019.</p> <p>The property is located at Xuegang North Road in Longgang District of Shenzhen City, with approximately 11.0 km to Shenzhen North Station of Guangzhou-Shenzhen-Hong Kong Express Rail Link and 34.6 km to Shenzhen Bao'an International Airport.</p>	<p>The property was leased to a tenant for office use as at the Valuation Date.</p>	<p>10,640,000</p> <p>(100% interest attributable to the Company: 10,640,000)</p>
		<p>The land use rights of the property have been granted for a term expiring on 28 September 2065 for industrial use.</p>		

## Notes:

- Pursuant to a sale and purchase agreement dated 17 March 2021 between 深圳天安雲谷投資發展有限公司 and X.J. Electrics (Shenzhen) Co., Ltd. (愛思傑電器(深圳)有限公司, “X.J. Electrics (Shenzhen)”), in which the Company holds a direct ownership stake of 100%, an office unit with a total gross floor area of approximately 499.02 sq.m. have been contracted to be purchased by X.J. Electrics (Shenzhen) at a total consideration of RMB16,317,954.
- Pursuant to a Real Estate Ownership Certificate – Yue (2021) Shen Zhen Shi Bu Dong Chan Quan Di No. 0135366 issued by the Shenzhen Real Estate Registration Centre (深圳市不動產權登記中心), the land use rights of the property with a total site area of approximately 30,051.31 sq.m. for a term expiring on 28 September 2065 for industrial use and the building ownership of the property with a total gross floor area of approximately 499.02 sq.m. for industrial research and development use have been vested in X.J. Electrics (Shenzhen).

3. Pursuant to a tenancy agreement, the property with a gross floor area of approximately 499.02 sq.m. had been leased to an independent third party with a total monthly rent of RMB39,922, inclusive of value-added tax but exclusive of management fees and utility fees, for a term with the expiry date on 1 April 2028.
4. We have been provided with the PRC Legal Opinion, which contains, inter alia, the following:
  - a. X.J. Electrics (Shenzhen) legally obtained the land use rights and the building ownership of the property;
  - b. X.J. Electrics (Shenzhen) has the right to occupy or use the property under the terms of the Real Estate Ownership Certificate;
  - c. The property has been pledged to Industrial and Commercial Bank of China Limited, Boluo Branch (中國工商銀行股份有限公司博羅支行); and
  - d. The property has not been subjected to any other encumbrances.
5. In the course of our valuation, we assume that the property is transferable without legal impediment.
6. Our valuation has been made on the following basis and analysis:

In the course of our valuation of the property, we have made references to various relevant rental evidence in the locality which has similar characteristics as the subject property such as nature, use, size, and accessibility. The adjusted unit rents of the comparables range from RMB99 to RMB114 per sq.m. per month. The market yield assumed by us is 5.0%.

## **THE PRC**

### **The PRC Legal System**

The PRC legal system is based on Constitution of the People's Republic of China (《中華人民共和國憲法》, the “**Constitution**”), which was adopted on 20 September 1954 and subsequently amended on 17 January 1975, 5 March 1978, 4 December 1982, 12 April 1988, 29 March 1993, 15 March 1999, 14 March 2004 and 11 March 2018. The PRC legal system is made up of written laws, administrative regulations, local regulations, autonomous regulations, separate regulations, rules and regulations of State Council departments, rules and regulations of local governments, laws of special administrative regions and international treaties of which the PRC government is a signatory and other regulatory documents. Court judgments do not constitute legally binding precedents, although they are used for the purposes of judicial reference and guidance.

The National People's Congress (the “**NPC**”) and its Standing Committee are empowered to exercise the legislative power of the State in accordance with the Constitution and the Legislation Law of the People's Republic of China (《中華人民共和國立法法》, the “**Legislation Law**”), which was adopted on 13 March 2023. The NPC has the power to formulate and amend basic laws governing state authorities, civil, criminal and other matters. The Standing Committee of the NPC formulates and amends laws other than those required to be enacted by the NPC and to supplement and amend parts of the laws enacted by the NPC during the adjournment of the NPC, provided that such supplements and amendments are not in conflict with the basic principles of such laws.

The State Council is the highest organ of state administration and has the power to formulate administrative regulations based on the Constitution and laws.

The people's congresses of the provinces, autonomous regions and municipalities and their respective standing committees may formulate local regulations based on the specific circumstances and actual needs of their respective administrative areas, provided that such local regulations do not contravene any provision of the Constitution, laws or administrative regulations. The people's congresses of cities divided into districts and their respective standing committees may formulate local regulations on aspects such as urban and rural construction and management, environmental protection and historical cultural protection based on the specific circumstances and actual needs of such cities, provided that such local regulations do not contravene any provision of the Constitution, laws, administrative regulations and local regulations of their respective provinces or autonomous regions. If the law provides otherwise on the matters concerning formulation of local regulations by cities divided into districts, those provisions shall prevail. Such local regulations 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. The standing committees of the people's congresses of the provinces or

---

## APPENDIX IV SUMMARY OF PRINCIPAL LEGAL AND REGULATORY PROVISIONS

---

autonomous regions examine the legality of local regulations submitted for approval, and such approval should be granted within four months if they are not in conflict with the Constitution, laws, administrative regulations and local regulations of such provinces or autonomous regions. Where, during the examination for approval of local regulations of cities divided into districts by the standing committees of the people's congresses of the provinces or autonomous regions, conflicts are identified with the rules and regulations of the people's governments of the provinces or autonomous regions concerned, a handling decision should be made by the standing committees of the people's congresses of provinces or autonomous regions to resolve the issue. People's congresses of national autonomous areas have the power to enact autonomous regulations and separate regulations in light of the political, economic and cultural characteristics of the ethnic groups in the areas concerned. The autonomous regulations and separate regulations of an autonomous region shall come into force after being reported to and approved by the Standing Committee of the NPC. The autonomous regulations and separate regulations of an autonomous prefecture or an autonomous county shall come into force after being reported to and approved by the standing committee of the people's congress of the province, autonomous region, or municipality directly under the Central Government.

The ministries and commissions of the State Council, the People's Bank of China, National Audit Office and the subordinate institutions with administrative functions directly under the State Council may formulate departmental rules within the jurisdiction of their respective departments based on the laws and administrative regulations, and the decisions and orders of the State Council. The people's governments of the provinces, autonomous regions, municipalities and cities or autonomous prefectures divided into districts may formulate rules and regulations based on the laws, administrative regulations and local regulations of such provinces, autonomous regions and municipalities.

According to the Constitution and the Legislation Law, the power to interpret laws is vested in the Standing Committee of the NPC. Pursuant to the Resolution of the Standing Committee of the NPC Providing an Improved Interpretation of the Law (《全國人民代表大會常務委員會關於加強法律解釋工作的決議》) implemented on 10 June 1981, the Supreme People's Court has the power to give interpretation on issues related to the application of laws and decrees in a court trial, and issues related to the application of laws and decrees in a prosecution process of a procuratorate should be interpreted by the Supreme People's Procuratorate. If there is any disagreement in principle between Supreme People's Court's interpretations and Supreme People's Procuratorate's interpretations, such issues shall be reported to the Standing Committee of the NPC for interpretation or judgment. The other issues related to laws and decrees other than the abovementioned should be interpreted by the State Council and the competent authorities. The State Council and its ministries and commissions are also vested with the power to give interpretations of the administrative regulations and departmental rules which they have promulgated. At the regional level, the power to interpret regional laws is vested in the regional legislative and administrative authorities which promulgate such laws.



### **The PRC Judicial System**

Under the Constitution and the Law of Organisation of the People's Courts of the People's Republic of China (《中華人民共和國人民法院組織法》), which is adopted on 21 September 1954 and subsequently amended on 5 July 1979, 2 September 1983, 2 December 1986, 31 October 2006 and 26 October 2018, the PRC judicial system is made up of the Supreme People's Court, the local people's courts, the military courts and other special people's courts.

The local people's courts are comprised of the basic people's courts, the intermediate people's courts and the higher people's courts. The basic people's courts may set up civil, criminal and economic divisions, and certain people's tribunals based on the facts of the region, population and cases. The intermediate people's courts have divisions similar to those of the basic people's courts and may set up other special divisions if needed. These two levels of people's courts are subject to supervision by people's courts at higher levels. The Supreme People's Court is the highest judicial authority in the PRC. It supervises the administration of justice by the people's courts at all levels and special people's courts. The Supreme People's Procuratorate is authorised to supervise the judgment and ruling of the people's courts at all levels which have been legally effective, and the people's procuratorate at a higher level is authorised to supervise the judgment and ruling of a people's court at lower levels which have been legally effective.

Under the Civil Procedure Law of the People's Republic of China (《中華人民共和國民事訴訟法》), which is adopted on 9 April 1991 and subsequently amended on 28 October 2007, 31 August 2012, 27 June 2017, and 1 September 2023, which became effective from 1 January 2024, a people's court takes the rule of the second instance as the final rule. A party may appeal against the judgment or ruling of the first instance of a local people's court. The people's procuratorate may present a protest to the people's court at the next higher level in accordance with the procedures stipulated by the laws. In the absence of any appeal by the parties and any protest by the people's procuratorate within the stipulated period, the judgments or rulings of the people's court are final. Judgments or rulings of the second instance of the intermediate people's courts, the higher people's courts and the Supreme People's Court, and judgments or rulings of the first instance of the Supreme People's Court are final. However, if the Supreme People's Court finds some definite errors in a legally effective judgment, ruling or conciliation statement of the people's court at any level, or if the people's court at a higher level finds such errors in a legally effective judgment, ruling or conciliation statement of the people's court at a lower level, it has the authority to review the case itself or to direct the lower-level people's court to conduct a retrial. If the chief judge of all levels of people's courts finds some definite errors in a legally effective judgment, ruling or conciliation statement, and considers a retrial is preferred, such case shall be submitted to the judicial committee of the people's court at the same level for discussion and decision.

---

## APPENDIX IV SUMMARY OF PRINCIPAL LEGAL AND REGULATORY PROVISIONS

---

The Civil Procedure Law of the People's Republic of China prescribes the conditions for instituting a civil action, the jurisdiction of the people's courts, the procedures for conducting a civil action, and the procedures for enforcement of a civil judgment or ruling. All parties to a civil action conducted within the PRC must abide by the PRC Civil Procedure Law. Generally, a civil case is initially heard by the court located in the defendant's place of domicile. The court of jurisdiction in respect of a civil action may also be chosen by explicit agreement among the parties to a contract, provided that the people's court having jurisdiction should be located at places substantially connected with the disputes, such as the plaintiff's or the defendant's place of domicile, the place where the contract is executed or signed or the place where the object of the action is located, provided that the provisions regarding the level of jurisdiction and exclusive jurisdiction shall not be violated.

A foreign individual, a person without nationality, a foreign enterprise or a foreign organisation is given the same litigation rights and obligations as a citizen, a legal person or other organisations of the PRC when initiating actions or defending against litigations at a PRC court. Should a foreign court limit the litigation rights of PRC citizens or enterprises, the PRC court may apply the same limitations to the citizens and enterprises of such foreign country. A foreign individual, a person without nationality, a foreign enterprise or a foreign organisation must engage a PRC lawyer in case he or it needs to engage a lawyer for the purpose of initiating actions or defending against litigations at a PRC court. In accordance with the international treaties to which the People's Republic of China is a signatory or participant or according to the principle of reciprocity, a people's court and a foreign court may request each other to serve documents, conduct investigation and collect evidence and conduct other actions on its behalf. All parties to a civil action shall perform the legally effective judgments and rulings. If any party to a civil action refuses to abide by a judgment or ruling made by a people's court or an award made by an arbitration tribunal in the PRC, the other party may apply to the people's court for the enforcement of the same within two years subject to application for postponed enforcement or revocation. If a party fails to satisfy within the stipulated period a judgment which the court has granted an enforcement approval, the court may, upon the application of the other party, mandatorily enforce the judgment on the party.

Where a party applies for enforcement of a judgment or ruling made by a people's court, and the opposite party or his property is not within the territory of the PRC, the applicant may directly apply to a foreign court with jurisdiction for recognition and enforcement of the judgment or ruling. A foreign judgment or ruling may also be recognised and enforced by the people's court in accordance with the PRC enforcement procedures if the PRC has entered into, or acceded to, international treaties with the relevant foreign country, which provided for such recognition and enforcement, or if the judgment or ruling satisfies the court's examination according to the principle of reciprocity, unless the people's court considers that the recognition or enforcement of such judgment or ruling would violate the basic legal principles of the PRC, its sovereignty or national security, or against the social and public interests.

**The PRC Securities Laws and Regulations**

The PRC has promulgated a number of regulations that relate to the issue and trading of shares and disclosure of information. In October 1992, the State Council established the Securities Committee and the CSRC. The Securities Committee is responsible for coordinating the drafting of securities regulations, formulating securities-related policies, planning the development of securities markets, directing, coordinating and supervising all securities-related institutions in the PRC and administering the CSRC. The CSRC is the regulatory arm of the Securities Committee and is responsible for the drafting of regulatory provisions of securities markets, supervising securities companies, regulating public offerings 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》) stipulates the 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 25 December 1995, the State Council promulgated 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 principally govern the issue, subscription, trading and declaration of dividends and other distributions of domestic listed foreign shares and disclosure of information of joint stock limited companies having domestic listed foreign shares.

The Securities Law of the People's Republic of China (《中華人民共和國證券法》, the “**PRC Securities Law**”) took effect on 1 July 1999 and was revised as of 28 August 2004, 27 October 2005, 29 June 2013, 31 August 2014 and 28 December 2019, respectively. The PRC Securities Law, which was revised on 28 December 2019 and came into effect on 1 March 2020, is divided into 14 chapters and 226 articles, regulating, among other things, the issue and trading of securities, the listing of securities, and takeovers of listed companies.

Article 224 of the PRC Securities Law provides that domestic enterprises which, directly or indirectly, issue securities or list and trade their securities outside the PRC shall comply with the relevant regulations of the State Council. Currently, the issue and trading of foreign issued securities (including shares) are principally governed by the regulations and rules promulgated by the State Council and the CSRC.

**Arbitration and Enforcement of Arbitral Award**

The Arbitration Law of the People's Republic of China (《中華人民共和國仲裁法》) (the “**PRC Arbitration Law**”) was enacted by the Standing Committee of the NPC on 31 August 1994, which became effective on 1 September 1995 and was amended on 27 August 2009 and 1 September 2017, respectively. It is applicable to, among other matters, economic disputes involving foreign parties where all parties have entered into a written agreement to resolve disputes by arbitration before an arbitration committee constituted in accordance with the PRC Arbitration Law. The PRC Arbitration Law provides that an arbitration committee may, before the promulgation of arbitration regulations by the PRC Arbitration Association, formulate interim arbitration rules in accordance with the PRC Arbitration Law and the PRC Civil Procedure Law. Where the parties have agreed to settle disputes by means of arbitration, a people's court will refuse to handle a legal proceeding initiated by one of the parties at such people's court, unless the arbitration agreement is invalid.

Under the PRC Arbitration Law and PRC Civil Procedure Law, an arbitral award shall be final and binding on the parties involved in the arbitration. If any party fails to comply with the arbitral award, the other party to the award may apply to a people's court for its enforcement. The people's court can issue a ruling prohibiting the enforcement of an arbitral award made by an arbitration commission after verification by collegial bench formed by the people's court if there is any procedural irregularity (including but not limited to irregularity in the composition of the arbitration tribunal or arbitration proceedings, the jurisdiction of the arbitration commission, or the making of an award on matters beyond the scope of the arbitration agreement).

Any party seeking to enforce an award of a foreign affairs arbitral body of the PRC against a party who or whose property is not located within the PRC shall apply to a foreign court with jurisdiction over the case for recognition and enforcement of the award. Likewise, an arbitral award made by a foreign arbitral body may be recognised and enforced by a PRC court in accordance with the principle of reciprocity or any international treaties concluded or acceded to by the PRC.

The PRC acceded to the Convention on the Recognition and Enforcement of Foreign Arbitral Awards (《承認及執行外國仲裁裁決公約》, the “**New York Convention**”) adopted on 10 June 1958 pursuant to a resolution passed by the Standing Committee of the NPC on 2 December 1986. The New York Convention provides that all arbitral awards made in a state which is a party to the New York Convention shall be recognised and enforced by other parties thereto subject to their rights to refuse enforcement under certain circumstances, including where the enforcement of the arbitral award is against the public policy of that state. At the time of the PRC's accession to the Convention, the Standing Committee of the NPC declared that (i) the PRC will only apply the Convention to the recognition and enforcement of arbitral awards made in the territories of other parties based on the principle of reciprocity; and (ii) the New York Convention will only be applied to disputes deemed under PRC laws to be arising from contractual or non-contractual mercantile legal relations.

An arrangement for mutual enforcement of arbitral awards between Hong Kong and the Supreme People's Court of China was reached. The Supreme People's Court of China adopted the Arrangements on the Mutual Enforcement of Arbitral Awards between the Mainland and the Hong Kong Special Administrative Region (《關於內地與香港特別行政區相互執行仲裁裁決的安排》) on 18 June 1999, which went into effect on 1 February 2000. The arrangement reflects the spirit of the New York Convention. Under the arrangement, the awards by the Mainland arbitral bodies in accordance with the PRC Arbitration Law may be enforced in Hong Kong, and the awards by the Hong Kong arbitral bodies according to the Arbitration Ordinance of Hong Kong SAR may also be enforced in the Mainland China. If the Mainland court finds that the enforcement of awards made by the Hong Kong arbitral bodies in the Mainland will be against public interests of the Mainland, or the court of Hong Kong SAR decides that the enforcement of the arbitral awards in Hong Kong SAR will be against public policies of Hong Kong SAR, the awards may not be enforced. The Supreme People's Court of China adopted the Supplementary Arrangements on the Mutual Enforcement of Arbitral Awards between the Mainland and the Hong Kong Special Administrative Region (《最高人民法院關於內地與香港特別行政區相互執行仲裁裁決的補充安排》) (the “**Supplementary Arrangements**”) on 9 November 2020. According to the Supplementary Arrangements, before or after the acceptance of an application for enforcement of an arbitration award, the relevant court may, upon application and in accordance with the law of the place where the arbitration award is enforced, adopt preservation or enforcement measures.

### **Judicial Judgment and its Enforcement**

According to the Arrangement on 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 (《最高人民法院關於內地與香港特別行政區法院相互認可和執行民商事案件判決的安排》) (the “**Arrangement**”) promulgated by the Supreme People's Court on 25 January 2024 and implemented on 29 January 2024, the Arrangement applies to the reciprocal recognition and enforcement of legally effective judgments in civil and commercial matters between the courts of Hong Kong and the PRC. In respect of judgments for the award of property, reciprocal recognition and enforcement of judgments includes both monetary and non-monetary rulings. the scope of recognition and enforcement by the courts of the Mainland and of the HKSAR shall include the property awarded, the corresponding interest, costs, payment for late compliance, or interest for late compliance awarded in the judgment, but shall not include taxes and penalties.

### **The PRC Company Law, The Trial Measures and The Guidelines**

Company Law of the People's Republic of China (《中華人民共和國公司法》) (the “**PRC Company Law**”) was adopted by the 5th meeting of the SCNPC on 29 December 1993 and came into effect on 1 July 1994. It was amended on 25 December 1999, 28 August 2004, 27 October 2005, 28 December 2013, 26 October 2018, and 29 December 2023 respectively. The latest revised PRC Company Law was implemented on 1 July 2024.

---

## APPENDIX IV SUMMARY OF PRINCIPAL LEGAL AND REGULATORY PROVISIONS

---

The Trial Measures which were promulgated by the CSRC on 17 February 2023 and came into effect on 31 March 2023, and were applicable to the overseas offering and listing of PRC domestic companies' securities.

The Guidelines for Articles of Association of Listed Companies (《上市公司章程指引》) the “Guidelines”) which were issued by the CSRC on 16 December 1997, latest revised on 28 March 2025 and came into effect on the same date, providing the guidelines for the Articles of Association. As such, the contents provided in the Guidelines are set out in the Articles of Association of the Company, the summary of which is set out in the section entitled “Appendix V – Summary of the Articles of Association” in this prospectus.

Set out below is a summary of the major provisions of the PRC Company Law, the Trial Measures and the Guidelines applicable to the Company.

### **General**

A joint stock limited company refers to an enterprise legal person incorporated in China under the PRC Company Law with independent legal person properties and entitlements to such legal person properties. The liability of the company for its own debts is limited to all the properties it owns and the liability of its shareholders for the company is limited to the extent of the shares they subscribe for.

### **Incorporation**

A joint stock limited company may be established by promotion or subscription. A joint stock limited company shall have a minimum of one but no more than 200 people as its promoters, and over half of the promoters must be resident within the PRC. Companies established by promotion are companies of which the registered capital is the total share capital subscribed for by all the promoters registered with the company's registration authorities. No share offering shall be made before the shares subscribed for by the promoters are fully paid up. If laws, administrative regulations and State Council decisions provide otherwise on paid-in registered capital and the minimum registered capital, the company should follow such provisions.

For companies incorporated by way of promotion, the promoters shall subscribe in writing for the shares required to be subscribed for by them and pay up their capital contributions under the articles of association. In the case of capital contributions to be made in non-cash assets, the formalities for transfer of property rights shall be completed in accordance with the provisions of the law. Promoters who fail to pay up their capital contributions in accordance with the foregoing provisions shall be liable for compensation for the losses it causes to the company.



---

## **APPENDIX IV SUMMARY OF PRINCIPAL LEGAL AND REGULATORY PROVISIONS**

---

Where a joint stock limited company is established by means of promotion, the convening and voting procedures for the establishment meeting shall be prescribed by the articles of association of the company or the agreement of the promoters. The Board shall, within 30 days after the end of the establishment meeting of a company, authorise a representative to file an application for registration of establishment with the company registration authority.

### **Share Capital**

The promoters of a company may make a capital contribution in currencies, or on-monetary assets such as in kind or intellectual property rights or land use rights which can be appraised with monetary value and transferred lawfully, except for assets which are prohibited from being contributed as capital by the laws or administrative regulations. If a capital contribution is made in non-monetary assets, a valuation and verification of the fair value of the assets contributed must be carried out.

The issuance of shares shall be conducted in a fair and equitable manner. The same class of shares must carry equal rights. For shares issued at the same time and within the same class, the conditions and price per share must be the same. The share offering price may be equal to or greater than the nominal value of the share, but may not be less than the nominal value. A PRC domestic company must file with the CSRC to offer its shares to the overseas public. According to the Trial Measures, target investors of overseas offering and listing by domestic companies shall be overseas investors, unless prescribed in the Trial Measures or otherwise stipulated by the state.

### **Increase in Share Capital**

Under the PRC Company Law, where a company is issuing new shares, resolutions shall be passed at shareholder's meeting in accordance with the articles of association in respect of the class and amount of the new shares, the issue price of the new shares.

After new shares issued by the company has been paid up, the change must be registered with the company registration authorities and a public announcement must be made accordingly. Where an increase in registered capital of a company is made by means of an issue of new shares, the subscription of new shares by shareholders shall be governed by the relevant provisions on the payment of stock capital for the establishment of a joint stock limited company.

### **Reduction of Share Capital**

When a company needs to reduce its registered capital, it shall prepare a balance sheet and an inventory of property. The company shall inform its creditors within 10 days from the date of resolution of the shareholders' meeting on reduction in registered capital, and make an announcement in the newspaper or the National Enterprise Credit Information Publicity System within 30 days.

The creditors have the right to demand the company to settle the debts or provide corresponding guarantees within 30 days from the date of receipt of the notice, or within 45 days from the date of the announcement if the notice has not been received.

### **Repurchase of Shares**

No company may purchase its own shares except under any of the following circumstances:

- (1) where the company's registered capital is reduced;
- (2) where it merges with another company holding its shares;
- (3) where its shares are used for employee stock ownership plan or equity incentives;
- (4) where any shareholder, who raises objections to the resolution of the shareholders' meeting on the merger or split-up of the company, requests the company to purchase its shares;
- (5) where its shares are used for converting the corporate bonds into convertible stocks issued by the company; or
- (6) it is necessary for a listed company to maintain its company value and its shareholders' equity.

Where a company purchases its own shares under any of the circumstances as mentioned in items (1) or (2) of the preceding paragraph, a resolution of the shareholders' meeting shall be adopted. Where a company purchases its own shares under any of the circumstances as mentioned in items (3), (5) or (6) of the preceding paragraph, a resolution shall be adopted at the Board meeting with the attendance of not less than two thirds of the directors, according to the articles of association or the shareholders' meeting of the company.

After the company purchases its own shares according to the aforementioned, the shares purchased shall be written off within ten days as of the purchase date under the circumstance as mentioned in item (1); the shares shall be transferred or written off within six months under the circumstance as mentioned in item (2) or (4); and the shares held accumulatively by the company shall not exceed 10% of the total shares issued and be transferred or written off within three years under any of the circumstances as mentioned in item (3), (5) or (6).

Where a listed company purchases its own shares, it shall perform its obligation of information disclosure according to the provisions of the PRC Securities Law. Where a listed company purchases its own shares due to any of the circumstances as mentioned in items (3), (5) or (6), such purchase shall be conducted by way of public centralised trading.

No company may accept the shares of its own as the subject matter of pledge.



**Transfer of Shares**

The shares held by a shareholder may be transferred to other shareholders or to persons other than the shareholders of the company. Where the articles of association of the company have any restriction on the transfer of shares, the transfer shall be carried out in accordance with the articles of association. The share transfer by a shareholder shall be conducted on a lawfully established stock exchange or by any other means as prescribed by the State Council.

The shares shall be transferred by a shareholder in the form of endorsement or by any other means prescribed by the relevant laws or administrative regulations. After the transfer, the company shall record the name and domicile of the transferee in the register of shareholders. The register of shareholders shall not be modified within 20 days before any shareholders' meeting is held, or within 5 days prior to the benchmark date decided by the company for the distribution of dividends. Where it is otherwise provided for in any law, administrative regulation or by the securities regulatory authority of the State Council for the modification of the register of shareholders of a listed company, such provisions shall prevail.

The shares issued before a company makes a public offering of shares shall not be transferred within 1 year as of the day when the stocks of the company are listed and traded on the stock exchange. Where it is otherwise provided for in any law, administrative regulation or by the securities regulatory authority of the State Council for the transfer of shares held by the shareholders or actual controllers of a listed company, such provisions shall prevail.

The directors, supervisors and senior management of the company shall declare to the company the shares they hold and the changes thereof. During their term of office as determined when they assume the posts, the shares transferred each year shall not exceed 25% of the total shares they hold of the company. The shares of the company held by them shall not be transferred within 1 year as of the day when the stocks of the company are listed and traded on the stock exchange. Any of the aforesaid persons shall not transfer the shares of the company held within six months after he/she leaves the position in the company. Any other restrictions on the transfer of company shares held by directors, supervisors or senior management may be specified in the articles of association.

Where the shares are pledged within the time limit for restricted transfer as provided for by laws and administrative regulations, the pledgee may not exercise the pledge right within such restricted period.

Under the PRC Company Law and the Guidelines, the rights of holders of ordinary shares of a joint stock limited company include the right:

- (1) to receive dividends and profit distributions in any other form in proportion to their shareholdings;
- (2) to lawfully require, convene, preside over or attend general meetings either in person or by proxy and exercise the corresponding voting right;

- (3) to supervise, present suggestions on or make inquiries about the operations of the company;
- (4) to transfer, donate or pledge their shares in accordance with the laws, administrative regulations and the articles of association;
- (5) to consult and copy the articles of association, register of shareholders, minutes of shareholders' meetings, resolutions of Board meetings or meetings of Supervisory Committee, as well as financial and accounting reports of a company;

where the shareholders who separately or aggregately hold 3% or more of the company's shares for 180 consecutive days or more, to request to consult the accounting books or accounting vouchers of the company;

where the shareholders request to consult or copy the relevant materials of a wholly-owned subsidiary of the company, the provisions of this item (5) shall apply;

- (6) in the event of the termination or liquidation of the company, to participate in the distribution of the remaining property of the company in proportion to the shares held by them;
- (7) to require the company to buy their shares in the event of their objection to resolutions of the general meeting concerning merger or division of the company; and
- (8) any other shareholders' rights provided for in laws, administrative regulations, other regulatory documents and the articles of association.

The obligations of shareholders include the obligation to abide by the articles of association, to pay the subscription monies in respect of the shares subscribed for, 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 shareholder obligation specified in the articles of association.

### **Shareholders' Meetings**

The shareholders' meeting is the authority of the company, which exercises its powers in accordance with the PRC Company Law.

The shareholders' meeting shall exercise the following functions and powers:

- (1) electing and replacing directors and supervisors and deciding on their remunerations;
- (2) reviewing and approving the reports of the Board;
- (3) reviewing and approving the reports of the Supervisory Committee;

- (4) reviewing and approving the plans for profit distribution and making up losses of the company;
- (5) making resolutions on the increase or decrease of the registered capital of the company;
- (6) making resolutions on the issuance of corporate bonds;
- (7) making resolutions on the merger, split-up, dissolution, liquidation or change of corporate form of the company;
- (8) amending the articles of association; and
- (9) other functions and powers as prescribed in the articles of association.

The shareholders' meeting may authorise the Board to make resolutions on the issuance of corporate bonds.

An annual shareholders' meeting shall be held every year. If any of the following circumstances occurs, an interim shareholders' meeting shall be held within two months:

- (1) where the number of directors is less than two thirds of the number as provided for by PRC Company Law or the articles of association;
- (2) where the outstanding losses of the company amounted to one-third of the company's total capital stock;
- (3) where shareholders individually or in aggregate holding 10% or more of the company's shares request the convening of an extraordinary meeting;
- (4) where the Board deems it necessary;
- (5) where the Supervisory Committee proposes; or
- (6) any other circumstances as provided for in the articles of association.

---

## APPENDIX IV SUMMARY OF PRINCIPAL LEGAL AND REGULATORY PROVISIONS

---

The shareholders' meeting shall be convened by the Board and presided over by the chairman of the Board. If the chairman is unable or fails to perform his/her duties, the meeting shall be presided over by the deputy chairman. If the deputy chairman is unable or fails to perform his/her duties, the meeting shall be presided over by a director jointly elected by more than half of the directors. If the Board is unable or fails to perform the duties of convening the shareholders' meeting, the Board shall timely convene and preside over the meeting. If the Supervisory Committee fails to convene and preside over the meeting, shareholders who separately or aggregately hold more than 10% of the shares of the company for more than 90 consecutive days may convene and preside over the meeting by themselves.

The time and place of the meeting and the matters to be deliberated shall be notified to each shareholder 20 days before a shareholders' meeting is held. For an interim shareholders' meeting, a notice shall be served 15 days in advance. The shareholders who separately or aggregately hold more than 1% of the shares of the company may, 10 days before a shareholders' meeting is held, submit an interim proposal in writing to the Board. The contents of the interim proposal shall fall within the scope of powers of the shareholders' meeting, and the proposal shall have a clear agenda and specific matters on which resolutions are to be made. The Board shall, within 2 days after it receives such a proposal, notify other shareholders and submit the interim proposal to the shareholders' meeting for deliberation, unless the interim proposal is in violation of any law, administrative regulation or the articles of association or fails to fall into the scope of powers of the shareholders' meeting. The company shall not raise the shareholding proportion of the shareholder who brings forward any interim proposal.

The shareholders' meeting shall not make any resolution on any matter not specified in the notice.

Under the PRC Company Law, shareholders present at a shareholders' meeting have one vote for each share they hold, save that the company's shares held by the company are not entitled to any voting rights.

An accumulative voting system may be adopted for the election of directors and supervisors at the shareholder's meeting pursuant to the provisions of the articles of association or a resolution of the shareholder's meeting. Under the accumulative voting system, each share shall be entitled to the number of votes equivalent to the number of directors or supervisors to be elected at the shareholder's meeting, and shareholders may consolidate their votes for one or more directors or supervisors when casting a vote.

Under the PRC Company Law, resolutions of the shareholders' meeting must be passed by more than half of the voting rights held by shareholders present at the meeting, with the exception of matters relating to merger, division or dissolution of the company, increase or reduction of registered share capital, change of corporate form or amendments to the articles of association, which in each case must be passed by at least two-thirds of the voting rights held by the shareholders present at the meeting.

Minutes shall be prepared in respect of matters considered at the shareholders' meeting and the chairperson and directors attending the meeting shall endorse such minutes by signature. The minutes shall be kept together with the shareholders' attendance register and the proxy forms.

### **Board**

If the Board of the company has more than three members, it may include an employees' representative of the company. Where a company has 300 or more employees, the Board shall include the employees' representatives of the company unless the Supervisory Committee has been established and includes employees' representatives of the company according to law. The employees' representatives in the Board shall be democratically elected by the employees through the employees' representative congress, employees' congress or by other means.

The term of office of directors shall be prescribed in the articles of association, but each term shall not exceed three years. After the term of office of a director expires, he/she may be reelected to serve another term. Where a director is not reelected timely upon expiration of the term of office, or the resignation of any director during his/her term of office results in the number of members of the Board being less than the quorum, the original director shall, before a newly elected director takes office, perform his/her duties as a director according to the laws, administrative regulations and the articles of association. Where a director resigns, he/she shall notify the company in written form, and the resignation shall become effective on the day when the company receives the notice. However, under any of the circumstances as mentioned previously, the director shall continue performing his/her duties.

Under the PRC Company Law, the Board shall exercise the following functions and powers:

- (1) convening the shareholders' meeting and reporting its work to the shareholders' meeting;
- (2) executing the resolutions of the shareholders' meeting;
- (3) deciding the business plans and investment scheme of the company;
- (4) formulating the plans for profit distribution and making up for loss of the company;
- (5) formulating the plan for increasing or decreasing the registered capital, as well as the plan for issuance of corporate bonds;
- (6) formulating the plan for merger, division, dissolution, or change of corporate form of the company;
- (7) deciding the establishment of the internal management body of the company;

---

## APPENDIX IV SUMMARY OF PRINCIPAL LEGAL AND REGULATORY PROVISIONS

---

- (8) deciding the appointment or dismissal of the manager of the company and the remuneration thereof, and, according to the nomination of the manager, deciding on hiring or dismissing deputy managers and financial director of the company as well as their remuneration;
- (9) formulating the basic management rules of the company; and
- (10) other functions and powers specified in the articles of association or granted by the shareholders' meeting.

Board meetings shall be convened at least twice each year. Notices of meeting shall be given to all directors and supervisors 10 days before the meeting. Interim board meetings may be proposed to be convened by shareholders representing more than 10% of the voting rights, more than one-third of the directors or the Supervisory Committee. The chairman of the Board shall convene the meeting within 10 days of receiving such proposal, and preside over the Board meeting. The board may otherwise determine the means and the period of notice for convening an interim board meeting. Board meetings shall be held only if more than half of the directors are present. Resolutions of the board shall be passed by more than half of all directors. Each director shall have one vote for a resolution to be approved by the board. Directors shall attend board meetings in person. If a director is unable to attend for any reason, he/she may appoint another director to attend the meeting on his/her behalf by a written power of attorney specifying the scope of authorisation.

The directors shall be responsible for the resolutions made by the Board. Where a resolution of the Board is in violation of any law, administrative regulation, article of association or resolution of the shareholders' meeting and causes any serious loss to the company, the directors who participate in adopting such resolution shall be liable for compensation to the company. If a director is proved to have expressed his/her objection to the voting on such resolution and such objection has been recorded in the minutes, he/she may be exempted from liability.

Under the PRC Company Law, under any of the following circumstances, anyone may not act as a director of a company:

- (1) having no capacity for civil conduct or having limited capacity for civil conduct;
- (2) having been sentenced to any criminal penalty due to an offence of corruption, bribery, encroachment of property, misappropriation of property or disrupting the order of the socialist market economy, or having been deprived of political rights due to a crime, where a five-year period has not elapsed since the expiration of execution period; If he/she is pronounced for suspension of sentence, a two-year period has not elapsed since the expiration of the suspension of sentence;

- (3) serving as a director, factory director or manager of a company or enterprise which has been bankrupt and liquidated and being personally liable for the bankruptcy of such company or enterprise, where a three-year period has not elapsed since the completion of the bankruptcy and liquidation;
- (4) acting as the legal representative of a company or enterprise whose business licence has been revoked or which was ordered to close down due to any violation of the law and being personally liable, where a three-year period has not elapsed since the date of revocation of business licence or the order for closure; or
- (5) being listed as a dishonest person subject to enforcement by the people's court due to his/her failure to pay off a relatively large amount of due debts.

Where a company elects or appoints a director to which any of the above circumstances applies, such election or appointment shall be null and void. A director to which any of the above circumstances applies during his/her term of office shall be released of his/her duties by the company.

Under the PRC Company Law, the board shall appoint a chairman and may appoint a vice chairman.

The chairman and the vice chairman shall be elected with approval of more than half of all the directors. The chairman shall convene and preside over the Board meetings and check the implementation of the resolutions of the Board. The deputy chairman shall assist the chairman in work. If the chairman is unable or fails to perform his/her duties, the deputy chairman shall perform such duties. If the deputy chairman is unable or fails to perform his/her duties, a director jointly elected by more than half of the directors shall perform such duties.

### **Supervisory Committee**

The Supervisory Committee shall comprise 3 members or more. The Supervisory Committee shall consist of representatives of the shareholders and an appropriate proportion of representatives of the company's staff, of which the proportion of representatives of the company's staff shall not be less than one-third, and the actual proportion shall be determined in the articles of association. Representatives of the company's staff at the Supervisory Committee shall be democratically elected by the company's staff at the staff representative assembly, general staff meeting or otherwise. Directors and senior executive shall not act concurrently as supervisors.

Each term of office of a supervisor is three years and he/she may serve consecutive terms if reelected. A supervisor shall continue to perform his/her duties as a supervisor in accordance with the laws, administrative regulations and the articles of association until a duly re-elected supervisor takes office, if re-election is not conducted in a timely manner upon the expiry of his/her term of office or if the resignation of supervisors results in the number of supervisors being less than the quorum.

The Supervisory Committee shall exercise the following functions and powers:

- (1) examining the financial affairs of the company;
- (2) supervising the acts of the directors and senior management in the performance of their duties, and proposing the removal of the directors and senior management who have violated laws, administrative regulations, the articles of association or the resolutions of the shareholders' meeting;
- (3) requiring the directors and senior management to correct their acts if such acts damage the interests of the company;
- (4) proposing to convene interim shareholders' meetings, and convening and presiding over the shareholders' meeting when the Board fails to implement the duties to convene and preside over the shareholders' meeting as prescribed in PRC Company Law;
- (5) presenting proposals to the shareholders' meetings;
- (6) initiating lawsuits against the directors and senior management according to relevant provisions of the PRC Company Law; and
- (7) other functions and powers provided for in the articles of association.

Supervisors may attend the Board meetings and raise inquiries or suggestions concerning the matters subject to resolutions to be adopted by the Board. If the Supervisory Committee finds any abnormality in the operation of the company, it may carry out an investigation. If necessary, it may hire an accounting firm to assist in its work at the expense of the company.

The Supervisory Committee shall appoint a chairman and may appoint a vice chairman. The chairman and the vice chairman of the supervisory board shall be elected by more than half of the supervisors. The chairman of the Supervisory Committee shall convene and preside over the meetings of Supervisory Committee. Where the chairman of the Supervisory Committee is unable or fails to perform his/her duties, the vice chairman of the supervisory board shall convene and preside over the meetings of Supervisory Committee. Where the vice chairman of the Supervisory Committee is unable or fails to perform his/her duties, a supervisor elected by more than half of the supervisors shall convene and preside over such meetings.

### **Manager and Senior Management**

Under the PRC Company Law, a company shall have a manager who shall be appointed or removed by the Board. The manager shall be responsible to the Board and exercise his/her functions and powers according to the articles of association or the authorisation of the Board. The manager shall attend the Board meetings as a non-voting member.



According to the PRC Company Law, senior management refers to the manager, deputy manager, head of finance, secretary to the Board of a listed company and other personnel as stipulated in the articles of association.

### **Duties of Directors, Supervisors and Senior Management**

Directors, supervisors and senior management shall assume the obligation of loyalty to the company and take measures to avoid the conflict between their own interests and those of the company and may not seek any improper interests by taking advantage of their powers.

The directors, supervisors and senior management shall assume the duty of diligence to the company. When performing their duties, they shall, for the best interests of the company, exercise the reasonable care that shall be generally possessed by a manager.

The provisions of the preceding two paragraphs shall apply to the controlling shareholder or actual controller of a company who does not serve as a director but actually executes the affairs of the company.

No director, supervisor or senior executive may have any of the following acts:

- (1) embezzling the property or misappropriating the funds of the company;
- (2) depositing the funds of the company into an account opened in his/her own name or in the name of any other individual;
- (3) giving bribes or accepting any other illegal proceeds by taking advantage of his/her power;
- (4) taking commissions from the transactions between the company and any other person into his/her own pocket;
- (5) unlawfully disclosing the confidential information of the company; or
- (6) other acts in violation of the obligation of loyalty to the company.

Where any director, supervisor or senior executive directly or indirectly concludes a contract or conducts a transaction with his/her company, he/she shall report the matters relating to the conclusion of the contract or transaction to the Board or shareholders' meeting, which shall be subject to the resolution of the Board or shareholders' meeting according to the articles of association.

---

## APPENDIX IV SUMMARY OF PRINCIPAL LEGAL AND REGULATORY PROVISIONS

---

Where any of the near relatives of the directors, supervisors or senior management, or any of the enterprises directly or indirectly controlled by the directors, supervisors or senior management or any of their near relatives, or any of the related parties who has any other related-party relationship with the directors, supervisors or senior management, concludes a contract or conducts a transaction with the company, the provisions of the preceding paragraph shall apply.

No director, supervisor or senior executive may take advantage of his/her position to seek any business opportunity that belongs to the company for himself/herself or any other person except under any of the following circumstances:

- (1) where he/she has reported to the Board or the shareholders' meeting and has been approved by a resolution of the Board or the shareholders' meeting according to the articles of association; or
- (2) where the company cannot make use of the business opportunity as stipulated by laws, administrative regulations or the articles of association.

Where any director, supervisor or senior executive fails to report to the Board or the shareholders' meeting and obtain an approval by resolution of the Board or the shareholders' meeting according to the articles of association, he/she may not engage in any business that is similar to that of the company where he/she holds office for himself/herself or for any other person.

The incomes derived by any director, supervisor or senior executive in violation of related provisions of the PRC Company Law shall belong to the company.

If the shareholders' meeting demands a director, supervisor or senior executive to attend the meeting as a non-voting delegate, he/she shall do so and answer shareholders' inquiries.

Where any director, supervisor or senior executive violates any law, administrative regulation or the articles of association during the performance of duties and causes any loss to the company, he/she shall be liable for compensation.

Where any director or senior executive is under the circumstance as mentioned in the preceding provisions, the shareholders of a joint stock limited company separately or aggregately holding 1% or more of the total shares of the company for 180 consecutive days or more may request the Supervisory Committee in writing to initiate a lawsuit in the people's court. If any supervisor is under the circumstance in the preceding provisions, the aforesaid shareholders may request the Board in writing to file a lawsuit with the people's court.

---

## **APPENDIX IV SUMMARY OF PRINCIPAL LEGAL AND REGULATORY PROVISIONS**

---

Where the Supervisory Committee or the Board refuses to initiate a lawsuit after it receives a written request of the shareholders as mentioned in the preceding paragraph, or fails to file a lawsuit within 30 days upon receipt of the request, or in an emergency, the failure to initiate a lawsuit immediately will cause irreparable damage to the interests of the company, the shareholders in the preceding paragraph shall have the right to directly initiate a lawsuit in the people's court in their own name for the interests of the company.

If others infringe upon the legitimate rights and interests of a company and cause losses to the company, the shareholders of a joint stock limited company separately or aggregately holding 1% or more of the total shares of the company for 180 consecutive days or more may initiate a lawsuit in the people's court in accordance with the related provisions of the PRC Company Law.

If a director, supervisor or senior executive of a wholly-owned subsidiary of the company is under the aforementioned circumstance, or if the legitimate rights and interests of a wholly-owned subsidiary of the company are impaired by any other person, thus causing any losses, shareholders of a joint stock limited company separately or aggregately holding 1% or more of the total shares of the company for 180 consecutive days or more may request the Supervisory Committee or the Board of the wholly-owned subsidiary in written form to initiate a lawsuit in the people's court or directly files a lawsuit with the people's court in their own name.

### **Finance and Accounting**

A company shall establish its own financial and accounting systems according to the laws, administrative regulations and the regulations of the competent financial departments of the State Council. At the end of each financial year, a company shall prepare a financial report which shall be audited by an accounting firm in accordance with the laws. The financial and accounting reports shall be prepared in accordance with the laws, administrative regulations and the regulations of the financial departments of the State Council.

The company's financial reports shall be made available for shareholders' inspection at the company 20 days before the convening of an annual general meeting. A joint stock limited company that makes public stock offerings shall publish its financial reports.

When a company distributes its after-tax profit for the current year, 10% of the profit shall be accrued and included in the company's statutory reserve. Such accrual is no longer required when the accumulated amount of the company's statutory reserve is more than 50% of the company's registered capital. Where the accumulative amount of the company's statutory reserve is not enough to make up for the losses of the previous year, the current year's profits shall first be used to make up for the losses before the statutory reserve is accrued according to the provisions of the preceding paragraph.

---

## **APPENDIX IV SUMMARY OF PRINCIPAL LEGAL AND REGULATORY PROVISIONS**

---

After having accrued statutory reserve from the after-tax profits, a company can also set aside discretionary reserve from the after-tax profits upon a resolution made by the shareholders' meeting.

The residual after-tax profits after a company has made up its losses and accrued reserve can be distributed by the company in proportion to the shares held by its shareholders, except as otherwise provided for in the company's articles of association.

Profit shall not be distributed for a company's shares held by this company.

Where a company distributes profits to shareholders in violation of the provisions of PRC Company Law, the shareholders shall refund the profits distributed to the company, and the shareholders and the liable directors, supervisors and senior management shall be held liable for compensation if any loss is caused to the company.

The reserve of a company shall be used for making up losses, expanding the production and business scale or increasing the registered capital of the company. Where the reserve of a company is used for making up losses, the discretionary reserve and statutory reserve shall be firstly used. If losses still cannot be made up, the capital reserve can be used according to the relevant provisions. Where the statutory reserve is converted to increase registered capital, the amount of such reserve retained shall not be less than 25% of the registered capital of the company prior to the conversion.

The company shall have no accounting books other than the statutory books. No account shall be opened in the name of any individual for the deposit of a company's funds.

### **Appointment and Retirement of Auditors**

Pursuant to the PRC Company Law, the engagement or dismissal of an accounting firm responsible for the company's auditing shall be determined by a shareholders' meeting, the Board or the Supervisory Committee in accordance with the articles of association. The accounting firm should be allowed to make representations when the shareholders' meeting, the Board or the Supervisory Committee conduct a vote on the dismissal of the accounting firm. The company should provide true and complete accounting documents, accounting books, financial and accounting reports and other accounting information to the engaged accounting firm, and shall not refuse, conceal or misrepresent.

### **Profit Distribution**

According to the PRC Company Law, the residual after-tax profits after a company has made up its losses and accrued reserve can be distributed by the company in proportion to the shares held by its shareholders, except as otherwise provided for in the company's articles of association.

**Dividends**

A company has the power in certain circumstances to withhold, and pay to the relevant tax authorities, any tax payable under PRC laws on any dividends or other distributions payable to a shareholder. Under PRC laws, the limitation period for an action to recover a debt (including the recovery of dividends) is three years. A company must not exercise its powers to forfeit any unclaimed dividend in respect of shares until after the expiry of the applicable limitation period.

**Amendments to the Articles of Association**

Pursuant to PRC Company Law, the resolution of a shareholders' meeting regarding any amendment to a company's articles of association requires affirmative votes by at least two-thirds of the votes held by shareholders attending the meeting.

**Dissolution and Liquidation**

Under the PRC Company Law, a company shall be dissolved for any of the following reasons:

- (1) the term of its operation set out in the articles of association has expired or other events of dissolution specified in the articles of association have occurred;
- (2) the shareholders' meeting has resolved to dissolve the company;
- (3) the company is dissolved by reason of its merger or division;
- (4) the business licence of the company is revoked or the company is ordered to close down or to be dissolved in accordance with the laws;
- (5) the company is dissolved by a people's court in response to the request of shareholders who hold 10% or more of the voting rights of the company, on the grounds that the operation and management of the company has suffered serious difficulties that cannot be resolved through other means, rendering ongoing existence of the company a cause for significant losses to the shareholders.

If any of the situations as mentioned in the preceding paragraph arises, a company shall publicise the situations through the National Enterprise Credit Information Publicity System within ten days.

Where a company falls under the circumstance as mentioned in item (1) or (2) above, and it has not distributed the assets to its shareholders yet, it may survive by modifying its articles of association or upon a resolution of the shareholders' meeting. To modify its articles of association or make a resolution of the shareholders' meeting according to the provisions of the preceding paragraph, the consent of two thirds or more of the voting rights of the shareholders who attend the meeting of the shareholders' meeting is required.

---

## APPENDIX IV SUMMARY OF PRINCIPAL LEGAL AND REGULATORY PROVISIONS

---

Where a company is dissolved according to item (1), (2), (4) or (5) above, it shall be liquidated. The directors, who are the liquidation obligors of the company, shall form a liquidation committee to carry out liquidation within 15 days from the date of occurrence of the cause of dissolution. The liquidation committee shall be composed of the directors, unless it is otherwise provided for in the company's articles of association or it is otherwise elected by the shareholders' meeting. The liquidation obligors shall be liable for compensation if they fail to fulfil their obligations of liquidation in a timely manner, and thus any loss is caused to the company or the creditors.

Where a company shall be liquidated in accordance with the preceding provision, and the liquidation committee fails to be formed within the time limit or fails to carry out the liquidation after its formation, any interested party may request the people's court to designate relevant persons to form a liquidation committee. The people's court shall accept such request and organise a liquidation committee to carry out the liquidation in a timely manner. Where a company is dissolved according to item (4), the department or company registration authority that made the decision to revoke the company's business licence, ordered the company to close down or dissolved the company may request the people's court to designate relevant persons to form a liquidation committee for liquidation of the company.

The liquidation committee may exercise following powers during the liquidation:

- (1) to sort out the company's assets and to prepare a statement of financial position and an inventory of assets, respectively;
- (2) to notify creditors by notice or public notices;
- (3) to deal with any outstanding business related to the liquidation;
- (4) to pay outstanding tax together with any tax arising during the liquidation process;
- (5) to settle claims and liabilities;
- (6) to distribute the company's remaining assets after its debts have been paid off;
- (7) to represent the company in any civil procedures.

The liquidation committee shall notify the company's creditors within 10 days of its establishment, and publish an announcement in newspapers or on the National Enterprise Credit Information Publicity System within 60 days.

A creditor shall lodge his claim with the liquidation committee within 30 days of receipt of the notification or within 45 days of the date of the announcement if he has not received any notification. A creditor shall report all matters relevant to his claimed creditor's rights and furnish relevant evidence. The liquidation committee shall register such creditor's rights. The liquidation committee shall not make any settlement to creditors during the period of the claim.

---

## **APPENDIX IV SUMMARY OF PRINCIPAL LEGAL AND REGULATORY PROVISIONS**

---

Upon disposal of the company's property and preparation of the required statement of financial position and inventory of assets, the liquidation committee shall draw up a liquidation plan and submit this plan to a shareholders' meeting or a people's court for endorsement. The remaining part of the company's assets, after payment of liquidation expenses, employee wages, social insurance expenses and statutory compensation, outstanding taxes and the company's debts, shall be distributed to shareholders in proportion to shares held by them. The company shall continue to exist during the liquidation period, although it cannot conduct operating activities that are not related to the liquidation. The company's property shall not be distributed to shareholders before repayments are made in accordance with the requirements described above.

Upon liquidation of the company's property and preparation of the required statement of financial position and inventory of assets, if the liquidation committee becomes aware that the company does not have sufficient assets to meet its liabilities, it shall file an application to a people's court for bankruptcy liquidation in accordance with the laws. After the people's court accepts the application for bankruptcy, the liquidation committee shall hand over the liquidation matters to the bankruptcy administrator designated by the people's court.

The members of the liquidation committee performing their duties of liquidation are obliged to loyalty and diligence. Any member of the liquidation committee who neglects to fulfil his/her liquidation duties, thus causing any loss to the company shall be liable for compensation, and any member of the liquidation committee who cause any loss to any creditor due to his/her intentional or gross negligence shall be liable for compensation.

Upon completion of the liquidation, the liquidation committee shall prepare a liquidation report and submit it to the shareholders' meeting or a people's court for confirmation of its completion and submit the same to the company registration authority to apply for deregistration of the company. The members of the liquidation committee performing their duties of liquidation are obliged to loyalty and diligence. Any member of the liquidation committee who neglects to fulfil his/her liquidation duties, thus causing any loss to the company shall be liable for compensation, and any member of the liquidation committee who cause any loss to any creditor due to his/her intentional or gross negligence shall be liable for compensation.

Where, during the period of survival, a company has not incurred any debts or has paid off all the debts, the company may, upon a commitment of all the shareholders, be deregistered under the summary procedures according to the relevant provisions. The deregistration of a company under the summary procedures shall be announced through the National Enterprise Credit Information Publicity System for a period of no less than 20 days. If there is no objection after the expiry of the announcement period, the company may apply for deregistration of the company with the company registration authority within 20 days. For a company deregistered under the summary procedures, its shareholders shall be jointly and severally liable for the debts incurred before the deregistration if they have made untrue commitment thereof.

---

## **APPENDIX IV SUMMARY OF PRINCIPAL LEGAL AND REGULATORY PROVISIONS**

---

Where, after three years since the business licence of a company is revoked, or the company is ordered to close down or is revoked, the company fails to apply for its deregistration with the company registration authority, the said authority may announce the company's deregistration through the National Enterprise Credit Information Publicity System for a period of no less than 60 days. If there is no objection after the announcement period expires, the company registration authority may deregister the company. The deregistration of a company under such situation will not affect the liability of the original shareholders or liquidation obligors.

Liquidation of a company declared bankrupt according to laws shall be processed in accordance with the laws on corporate bankruptcy.

### **Overseas Listing**

Pursuant to the Trial Measures, where an issuer submits an application for initial public offering to competent overseas regulators, such issuer must file with the CSRC within three PRC business days after such application is submitted.

### **Merger and Division**

A merger agreement shall be signed by merging companies and the involved companies shall prepare respective statements of financial position and inventory of assets. The companies shall within 10 days of the date of passing the resolution approving the merger notify their respective creditors and publicly announce the merger in newspapers or National Enterprise Credit Information Publicity System within 30 days. A creditor may, within 30 days of receipt of the notification, or within 45 days of the date of the announcement if he has not received the notification, request the company to settle any outstanding debts or provide relevant guarantees. In case of a merger, the credits and debts of the merging parties shall be assumed by the surviving or the new company.

In case of a division, the company's assets shall be divided and a statement of financial position and an inventory of assets shall be prepared. When a resolution regarding the company's division is approved, the company should notify all its creditors within 10 days of the date of passing such resolution and publicly announce the division in newspapers or National Enterprise Credit Information Publicity System within 30 days. Unless an agreement in writing is reached with creditors before the company's division in respect of the settlement of debts, the liabilities of the company which have accrued prior to the division shall be jointly borne by the divided companies.



**THE U.S.****Corporate law: formation and compliance (California law)**

Corporate law governs the creation, organisation, and operation of business entities. Each state has its own corporate laws, and in California, business entities are regulated primarily by the California Corporations Code. The choice of business entity is a critical decision for entrepreneurs as it affects liability, taxation, and the ability to raise capital. Key types of business entities include corporations, limited liability companies (LLCs), partnerships, and sole proprietorships. Each entity type has different legal implications and is subject to various state and federal laws.

***Business entity formation***

Businesses in California must file formation documents with the California Secretary of State to legally form an entity. For corporations, this involves filing Articles of Incorporation, while for LLCs, it involves filing Articles of Organisation. The formation documents generally include key details such as the business name, purpose, registered agent, and address. For corporations, they also include information as to the number of authorised shares.

Corporations must adopt bylaws, which outline the internal rules and governance structure, including how directors are elected, how meetings are conducted, and how decisions are made. LLCs operate under an operating agreement, which serves a similar function but is generally more flexible, allowing LLC members to define their own governance rules.

California law also requires businesses to designate a registered agent to receive legal documents on behalf of the entity. The registered agent must be a California resident or a company authorised to do business in California.

In addition to filing formation documents, businesses are required to file Statements of Information, providing updated details about the business's directors, officers, and agents. Statement of Information filing requirements vary depending on the type of entity (corporation or limited liability company), jurisdiction of formation, and for corporations, if the entity is a stock or nonprofit corporation. Statements of Information can be filed online at the California Secretary of State website. Generally, CA Stock Corporations and Qualified Out-of-State Corporations are required to file their Statement of Information yearly in the month of registration with the California Secretary of State. California Nonprofit Corporations and all Limited Liability Companies are required to file every two years in the month of registration in even or odd years based on the year of registration. All businesses should file a Statement of Information when information changes and must file a new Statement of Information when their agent for service of process resigns or is no longer valid.

### *Corporate governance*

Corporate governance refers to the system by which companies are directed and controlled. In California, corporate governance rules are primarily established by the California Corporations Code. The law imposes fiduciary duties on corporate directors and officers to ensure they act in the best interests of the corporation and its shareholders.

Key fiduciary duties include:

- **Duty of care:** Directors and officers must act with the care that a reasonably prudent person would exercise in a similar situation. This includes staying informed about the company's operations and making decisions based on adequate information.
- **Duty of loyalty:** Directors and officers must prioritise the interests of the corporation over their own personal interests. This includes avoiding conflicts of interest and not engaging in self-dealing.

To maintain transparency and accountability, California law requires corporations to hold annual meetings of shareholders and directors. These meetings provide a forum for discussing important issues, such as electing directors and officers, approving major transactions, and reviewing the company's financial performance. Minutes of these meetings must be recorded and retained as part of the corporate records. Alternatively, under Sections 307 and 603 of the California Corporations Code, shareholders and directors of a corporation may choose to have those actions required or permitted to be taken by the board or those actions that may be taken at any annual or special meeting of shareholders also be taken without a meeting in the form of written consents.

In terms of recordkeeping, California law mandates that corporations keep accurate and complete books and records of accounts. This includes maintaining financial statements, board meeting minutes, and shareholder records. Failure to comply with corporate governance requirements can expose directors and officers to personal liability for breaches of fiduciary duty.

### *Piercing the corporate veil*

One of the primary reasons for incorporating a business is to protect shareholders from personal liability for the company's debts and obligations. However, under certain circumstances, courts may "pierce the corporate veil," meaning they will hold shareholders personally liable for the company's actions.

In California, courts may pierce the corporate veil if they find that:

- The corporation was used to perpetrate fraud or was grossly undercapitalised.
- The corporation failed to follow corporate formalities, such as holding regular meetings or maintaining proper records.
- There was a commingling of personal and corporate assets.

By adhering to the governance requirements outlined in the California Corporations Code, businesses can reduce the risk of veil piercing and protect the personal assets of shareholders.

#### **Tax law (federal and California law)**

Taxation is one of the most significant regulatory areas for businesses, with obligations arising at both the federal and state levels. In the U.S., businesses are subject to income taxes, payroll taxes, and other taxes depending on the structure and location of the business.

#### ***Federal taxation (internal revenue code)***

At the federal level, business taxation is governed by the Internal Revenue Code (IRC). The taxation system depends on the legal structure of the business, with different rules applying to C-Corporations, S-Corporations, LLCs, and partnerships.

C-Corporations are subject to “double taxation,” meaning the corporation pays taxes on its income at a corporate rate, and shareholders are taxed again on dividends. The corporate tax rate was reduced to a flat 21% following the passage of the Tax Cuts and Jobs Act (TCJA) in 2017. In addition to corporate income taxes, C-Corporations must file annual returns using Form 1120.

Pass-through entities such as S-Corporations, LLCs, and partnerships do not pay income taxes at the corporate level. Instead, the profits and losses of the business “pass through” to the owners, who report the income on their personal tax returns. The IRS taxes these individuals at their personal income tax rates, and they must file forms like Form 1065 (for partnerships) or Form 1120S (for S-Corporations) to report their business activity.

There are certain limitations as to the identity and residential status of the shareholders of a corporation that determine if it may elect to file as a S-Corporation. For example, a corporation generally would not be allowed to elect a S-Corp status if any of its shareholders were foreign residents or C-Corporations.

---

## APPENDIX IV SUMMARY OF PRINCIPAL LEGAL AND REGULATORY PROVISIONS

---

In addition to income taxes, businesses are subject to a variety of federal payroll taxes, including:

- **Social Security and Medicare Taxes (FICA):** Employers must withhold these taxes from employee wages and contribute an equal amount on behalf of the employee.
- **Federal Unemployment Tax (FUTA):** Employers must also pay FUTA tax, which funds unemployment benefits for workers who lose their jobs.

Federal payroll taxes are reported on forms such as Form 941 (Employer's Quarterly Federal Tax Return) and Form 940 (Annual FUTA Return).

### *California state taxation*

In addition to federal taxes, businesses operating in California are subject to state taxes administered by the Franchise Tax Board (FTB). The primary taxes include corporate income tax, franchise tax, and LLC fees.

**Corporate Income Tax:** California imposes an 8.84% corporate income tax on the net income of C-Corporations. This tax applies to corporations operating within the state, even if they are incorporated elsewhere. Corporations must file Form 100 (California Corporation Franchise or Income Tax Return) annually.

**Franchise Tax:** All corporations, including S-Corporations and LLCs taxed as corporations, must pay a minimum annual franchise tax of \$800, regardless of whether they are profitable. This tax is intended to cover the privilege of doing business in California.

**LLC Fees:** In addition to the franchise tax, LLCs are subject to an additional fee based on their total income from all sources derived from or attributable to California. The fee ranges from \$900 to \$11,790, depending on the LLC's gross receipts.

California also imposes various other taxes, such as sales and use tax, which applies to all retail sales of goods and merchandise except those sales specifically exempted by law. The use tax generally applies to the storage, use, or other consumption in California of goods purchased from retailers in transactions not subject to the sales tax. Use tax may also apply to purchases shipped to a California consumer from another state, including purchases made by mail order, telephone, or Internet. The sales and use tax rate in a specific California location has three parts: the state tax rate, the local tax rate, and any district tax rate that may be in effect.

***Payroll taxes***

In addition to federal payroll taxes, California employers are responsible for paying state payroll taxes, which fund various state programmes. These taxes include:

- **State Disability Insurance (SDI):** SDI is a state-mandated programme that provides short-term disability benefits to workers who are unable to work due to non-work-related injuries or illnesses. Employers are required to withhold SDI contributions from employee wages.
- **Unemployment Insurance (UI):** California's Unemployment Insurance programme provides temporary financial assistance to workers who lose their jobs. Employers must pay UI taxes based on a percentage of each employee's wages, up to a certain limit.
- **Employment Training Tax (ETT):** The **Employment Training Tax** is used to fund job training programmes in California. It is paid by employers at a very low rate and is included in the overall payroll tax calculations.

Employers in California report these payroll taxes on forms such as DE-9 (Quarterly Contribution Return and Report of Wages) and DE-9C (Quarterly Contribution Return and Report of Wages – Continuation), which are filed with the Employment Development Department (EDD).

**Labour and employment law (California law)**

California is known for having some of the most employee-friendly labour and employment laws in the country. These laws are designed to protect workers' rights and regulate the employer-employee relationship, covering everything from wage and hour rules to workplace safety.

***At-will employment***

California operates under an at-will employment system, codified in *California Labour Code* § 2922. This means that an employer can terminate an employee at any time, for any reason, or for no reason, as long as it is not an illegal reason. Similarly, employees are free to quit their jobs at any time without notice.

However, there are exceptions to the at-will doctrine. Employers cannot terminate employees for reasons that violate state or federal anti-discrimination laws, or for engaging in protected activities such as whistleblowing, taking family or medical leave, or reporting unsafe working conditions.

***Wage and hour laws***

California's wage and hour laws are designed to protect workers from unfair pay practices. These laws are governed by the California Labour Code and the Industrial Welfare Commission (IWC) Wage Orders, which cover specific industries and occupations.

Key wage and hour rules include:

- **Minimum wage:** As of 2024, California's state minimum wage is \$16 per hour for most employees. Some local jurisdictions, such as San Francisco and Los Angeles, have enacted higher minimum wages.
- **Overtime pay:** California's overtime law requires employers to pay non-exempt employees 1.5 times their regular rate of pay for any hours worked beyond 8 hours in a day or 40 hours in a week. Employers must pay double time for any hours worked beyond 12 hours in a day.
- **Meal and rest breaks:** California mandates that non-exempt employees be provided with a 30-minute unpaid meal break for every 5 hours worked, and a 10-minute paid rest break for every 4 hours worked. Failure to provide these breaks entitles employees to an additional hour of pay for each day a break is missed.

***Workers' compensation***

All California employers are required to carry workers' compensation insurance to cover medical expenses and lost wages for employees who are injured on the job. The workers' compensation system is a no-fault system, meaning employees do not need to prove employer negligence to receive benefits.

The California Workers' Compensation Act outlines the types of benefits available to injured workers, including:

- **Medical care:** Workers' compensation covers the all reasonable and necessary costs of medical treatment related to the injury.
- **Temporary disability benefits:** These benefits provide partial wage replacement for workers who are temporarily unable to perform their jobs due to an injury.
- **Permanent disability benefits:** If a worker suffers a permanent disability that impairs their ability to work, they may be eligible for permanent disability benefits.
- **Death benefits:** If an employee dies as a result of a work-related injury, their dependents may be entitled to death benefits.

Failure to carry workers' compensation insurance can result in severe penalties, including fines and potential criminal charges.

### *Anti-discrimination laws*

Both federal and state laws prohibit discrimination in the workplace. At the federal level, anti-discrimination laws include:

- **Title VII of the Civil Rights Act of 1964:** Prohibits discrimination based on race, colour, religion, sex, or national origin.
- **Americans with Disabilities Act (ADA):** Prohibits discrimination against individuals with disabilities and requires employers to provide reasonable accommodations.
- **Age Discrimination in Employment Act (ADEA) of 1967:** protects certain applicants and employees 40 years of age and older from discrimination on the basis of age in hiring, promotion, discharge, compensation, or terms, conditions or privileges of employment.

In California, the primary anti-discrimination law is the Fair Employment and Housing Act (FEHA), which provides broader protections than federal law. FEHA prohibits discrimination based on additional protected characteristics, including sexual orientation, gender identity, marital status, and medical condition (cancer and genetic characteristics). It also applies to smaller employers, covering those with five or more employees, compared to the 15-employee threshold under federal law.

FEHA also requires employers to take proactive steps to prevent harassment in the workplace. Employers with 5 or more employees are required to provide at least two hours of classroom or other effective interactive training and education regarding sexual harassment to all supervisory employees and at least one hour of classroom or other effective interactive training and education regarding sexual harassment to all nonsupervisory employees in California. Thereafter, each employer covered by this section shall provide sexual harassment training and education to each employee in California once every two years. New nonsupervisory employees shall be provided training within six months of hire. New supervisory employees shall be provided training within six months of the assumption of a supervisory position.

Employees who believe they have been discriminated against can file a complaint with the California Department of Fair Employment and Housing (DFEH), which investigates allegations and may pursue enforcement actions.

### *Family and medical leave*

The federal Family and Medical Leave Act (FMLA) provides eligible employees with up to 12 weeks of unpaid leave per year for certain family and medical reasons, including the birth or adoption of a child, a serious health condition, or caring for an immediate family member with a serious health condition.

California has its own version of this law, the California Family Rights Act (CFRA), which mirrors the FMLA but offers additional protections. Under CFRA, employees can take leave for similar reasons as FMLA but are also protected from retaliation for exercising their leave rights.

In addition, California has a Paid Family Leave (PFL) programme, which provides partial wage replacement to employees who take time off to care for a seriously ill family member, to bond with a new child, or to participate in a qualifying event because of a family member's military deployment.

### **Intellectual property law (Federal law)**

Intellectual property (IP) law protects the rights of individuals and entities to control the use of their creations, inventions, and innovations. In the U.S., IP law is governed primarily at the federal level, and there are several key areas of intellectual property protection, including trademarks, patents, and copyrights.

### *Trademark law*

Trademarks are protected under the Lanham Act, the primary federal statute governing trademark registration and protection. A trademark is a word, name, symbol, or device used to identify and distinguish goods or services from those offered by others.

Key provisions of trademark law include:

- **Registration:** Trademarks can be registered with the United States Patent and Trademark Office (USPTO). While common law rights in trademarks can exist without registration, federal registration provides several benefits, including nationwide protection, the presumption of ownership, and the ability to bring an action for infringement in federal court.
- **Infringement:** Trademark infringement occurs when another party uses a mark that is confusingly similar to a registered mark in a way that causes confusion among consumers. The owner of a trademark can file a lawsuit in federal court to stop the infringement and seek damages.
- **Dilution:** Famous trademarks are also protected from dilution, which occurs when the distinctiveness of a famous mark is weakened, even in the absence of direct competition or likelihood of confusion.



- **Renewal:** Trademarks must be renewed periodically to maintain their protection. Federal trademarks must be renewed between the 5th and 6th year after registration and then every 10 years after that.

Trademark owners have the exclusive right to use their marks in connection with the goods or services for which the mark is registered. Unauthorised use of a mark can result in legal action to enforce trademark rights.

### *Patent law*

Patent law in the U.S. is governed by the Patent Act, and patents are issued by the USPTO. Patents provide inventors with the exclusive right to make, use, sell, or import their inventions for a limited period, in exchange for public disclosure of the invention.

There are three primary types of patents:

- **Utility patents:** These are the most common type of patent and are granted for new and useful processes, machines, manufactures, or compositions of matter. Utility patents last for 20 years from the filing date.
- **Design patents:** These patents protect the ornamental design of a functional item, such as the shape of a bottle or the design of a piece of furniture. Design patents last for 15 years from the date of issuance.
- **Plant patents:** These are granted for new and distinct varieties of plants that are asexually reproduced. Plant patents last for 20 years from the filing date.

To obtain a patent, the invention must meet certain requirements, including novelty, non-obviousness, and usefulness. Once granted, the patent owner has the exclusive right to exploit the patented invention. Patent infringement occurs when another party makes, uses, or sells a patented invention without permission, and the patent owner can sue for damages and seek an injunction to stop the infringement.

### *Copyright law*

Copyright protection is governed by the Copyright Act of 1976 and applies to original works of authorship, including literary, artistic, musical, and architectural works. Copyright protection is automatic upon the creation of a work, but registration with the U.S. Copyright Office provides additional legal benefits, including the ability to bring a lawsuit for infringement.

Copyright law grants the author of a work several exclusive rights, including:

- The right to reproduce the work.
- The right to distribute copies of the work.
- The right to create derivative works.
- The right to publicly perform or display the work.

The duration of copyright protection depends on when the work was created. For works created after 1 January 1978, copyright protection lasts for the life of the author plus 70 years. For works made for hire, the copyright lasts for 95 years from first publication or 120 years from creation, whichever is shorter.

Copyright infringement occurs when another party exercises one of the copyright owner's exclusive rights without permission. Remedies for copyright infringement can include statutory damages, compensatory damages, and injunctive relief.

### **Environmental and safety regulations (California and federal law)**

Environmental law in the United States is a combination of federal and state regulations aimed at protecting the environment and ensuring public health and safety. Federal environmental laws are administered by the Environmental Protection Agency (EPA), while California enforces its own environmental regulations through the California Environmental Protection Agency (CalEPA) and the California Air Resources Board (CARB).

#### ***Federal environmental regulations***

At the federal level, the EPA is responsible for enforcing several key environmental laws, including:

- **The Clean Air Act (CAA):** The Clean Air Act is the primary federal law governing air pollution. It regulates emissions from stationary sources (e.g., factories) and mobile sources (e.g., cars and trucks). The CAA establishes National Ambient Air Quality Standards (NAAQS) to protect public health and welfare and requires states to develop plans for achieving and maintaining these standards.
- **The Clean Water Act (CWA):** The Clean Water Act governs water pollution and regulates discharges of pollutants into U.S. waters. The law establishes water quality standards for surface waters and regulates activities such as the discharge of industrial pollutants and the placement of dredged or fill material in wetlands.

- **The Resource Conservation and Recovery Act (RCRA):** RCRA governs the disposal of solid and hazardous waste. It sets standards for the generation, transportation, treatment, storage, and disposal of hazardous waste, and establishes a framework for managing non-hazardous waste.
- **The Comprehensive Environmental Response, Compensation, and Liability Act (CERCLA):** Also known as Superfund, CERCLA authorises the federal government to respond to releases or threatened releases of hazardous substances that may endanger public health or the environment. It also establishes a fund to clean up contaminated sites.

Violations of federal environmental laws can result in significant fines, penalties, and cleanup costs. The EPA has the authority to enforce these laws through administrative actions, civil lawsuits, and criminal prosecutions.

### *California environmental laws*

California has a reputation for being a leader in environmental regulation, with many state laws that are stricter than their federal counterparts. Key California environmental laws include:

- **The California Environmental Quality Act (CEQA):** CEQA requires state and local agencies to evaluate the environmental impact of proposed projects and to mitigate or avoid significant adverse effects on the environment. CEQA applies to both public and private projects that require government approval and ensures that decision-makers consider the environmental consequences of their actions.
- **The California Global Warming Solutions Act (AB 32):** AB 32, passed in 2006, established a statewide goal to reduce greenhouse gas emissions to 1990 levels by 2020. The law gives CARB the authority to adopt regulations to achieve these emissions reductions and to implement a cap-and-trade programme for major emitters of greenhouse gases.
- **The California Clean Air Act:** This law gives CARB the authority to regulate air pollution in the state and to adopt emissions standards for mobile sources that are more stringent than federal standards. California is the only state with the authority to set its own vehicle emissions standards, and other states are allowed to adopt California's standards.

California businesses must comply with both federal and state environmental regulations, and failure to do so can result in penalties, enforcement actions, and civil or criminal liability.

**Commercial law and contracts (California and federal law)**

Commercial law governs the transactions and relationships between businesses and individuals in commercial activities. Contracts form the foundation of commercial law, and businesses must comply with both federal and state contract laws.

***Uniform Commercial Code (UCC)***

The UCC is a set of laws adopted by all 50 states, including California, to regulate commercial transactions. The UCC covers a wide range of transactions, including the sale of goods, leases of personal property, negotiable instruments, and secured transactions.

Key articles of the UCC include:

- **Article 2 (Sales):** Article 2 governs the sale of goods. It establishes rules for contract formation, performance, and remedies for breach of contract. Article 2 also provides implied warranties, such as the warranty of merchantability and the warranty of fitness for a particular purpose.
- **Article 9 (Secured Transactions):** Article 9 governs secured transactions, where a lender takes a security interest in a debtor's personal property to secure the payment of a debt. Article 9 provides rules for the creation, perfection, and enforcement of security interests.

In California, the UCC is codified in the California Commercial Code. Businesses engaged in commercial transactions must comply with the provisions of the UCC to ensure the enforceability of their contracts and the protection of their rights.

***Contract law***

Contract law is primarily governed by state law, and in California, contracts are regulated by the California Civil Code. A contract is a legally enforceable agreement between two or more parties, and it must meet certain elements to be valid:

- **Offer and acceptance:** One party must make an offer, and the other party must accept the offer. The acceptance must mirror the terms of the offer, and any changes to the terms constitute a counteroffer.
- **Consideration:** Each party must give something of value in exchange for the other party's promise. Consideration can take the form of money, goods, services, or a promise to do (or refrain from doing) something.
- **Capacity:** The parties must have the legal capacity to enter into a contract. This means they must be of legal age and have the mental ability to understand the terms of the contract.

- **Legality:** The contract must have a lawful purpose. Contracts for illegal activities, such as gambling or the sale of illegal drugs, are void and unenforceable.

In California, certain contracts must be in writing to be enforceable, under the Statute of Frauds. These include contracts for the sale of real estate, contracts that cannot be performed within one year, and contracts for the sale of goods over \$500.

When a contract is breached, the non-breaching party can seek remedies, including damages, specific performance, or rescission. California courts will enforce valid contracts and award remedies to the injured party.

#### **Foreign investment regulations (federal law)**

The U.S. government regulates foreign investments to protect national security and prevent foreign entities from gaining control of critical industries. Key regulations governing foreign investments include the Committee on Foreign Investment in the United States (CFIUS) and the Foreign Corrupt Practices Act (FCPA).

#### ***Committee on Foreign Investment in the United States (CFIUS)***

CFIUS is an interagency committee authorised to review transactions that could result in foreign control of a U.S. business. CFIUS reviews transactions to determine whether they pose a threat to national security and has the authority to block or unwind transactions that could harm U.S. interests.

Transactions subject to CFIUS review include mergers, acquisitions, and investments that give foreign entities control over U.S. businesses. While filing with CFIUS is voluntary in most cases, certain transactions involving critical technologies, infrastructure, or personal data require mandatory filing.

CFIUS has the authority to block transactions or require the parties to take mitigating measures to address national security concerns. Failure to comply with CFIUS review requirements can result in significant penalties. It is important to notice that generally, CFIUS reviews are not by “statute of limitation,” meaning that CFIUS may theoretically impose penalties against non-complying foreign investment activities at any time following such investment activities.

***Foreign Corrupt Practices Act (FCPA)***

The FCPA prohibits U.S. companies and individuals from bribing foreign officials to obtain or retain business. The FCPA applies to U.S. companies, their officers, directors, employees, and agents, as well as foreign companies listed on U.S. stock exchanges.

The FCPA has two main provisions:

- **Anti-Bribery provisions:** These provisions make it illegal to offer, promise, or give anything of value to a foreign official to influence their decisions or actions in their official capacity.
- **Accounting provisions:** These provisions require companies to maintain accurate books and records and implement internal controls to prevent and detect bribery.

The U.S. Department of Justice (DOJ) and the Securities and Exchange Commission (SEC) enforce the FCPA, and violations can result in significant fines and criminal penalties, including imprisonment for individuals involved in the misconduct.

**Consumer protection laws (federal and California law)**

Consumer protection laws are designed to safeguard consumers from unfair, deceptive, and fraudulent business practices. These laws are enforced at both the federal and state levels, with key federal protections provided by the Federal Trade Commission (FTC) and state protections provided by the California Consumer Protection Act.

***Federal Consumer Protection (FTC Act)***

The FTC Act is the primary federal law governing consumer protection. The FTC Act prohibits “unfair or deceptive acts or practices” in commerce, and the FTC is responsible for enforcing this law.

Key consumer protection provisions of the FTC Act include:

- **Deceptive advertising:** Businesses are prohibited from making false or misleading claims about their products or services. Advertisements must be truthful, not deceptive, and based on solid evidence.
- **Unfair practices:** The FTC defines an unfair practice as one that causes substantial injury to consumers, cannot be reasonably avoided, and is not outweighed by benefits to consumers or competition.

- **Privacy and data security:** The FTC enforces privacy laws to protect consumers' personal information from unauthorised use or disclosure. The FTC has brought enforcement actions against companies for failing to protect consumer data and for violating their privacy policies.

The FTC has broad authority to investigate businesses, bring enforcement actions, and impose penalties for violations of consumer protection laws. Remedies for violations can include cease-and-desist orders, monetary penalties, and consumer redress.

### ***Import Tariffs Regulations***

Manufactured goods imported from the PRC are generally subject to U.S. import duties. The PRC is subject to the general rates applicable to most countries with which the U.S. does not have a free-trade agreement (“**FTA**”) in place. The rates of duty are set forth in the Harmonized Tariff Schedule of the United States (“**HTS**”) which identifies applicable duties for all imported goods, organised by class and specific article. The HTS classifies all products imported into the U.S. by reference to factors such as material composition, product name, and/or intended function, with a specific tariff rate assigned to each category of products under the HTS classification. It should be noted that embargoes, anti-dumping duties, countervailing duties, and other specific matters administered by the U.S. Executive Branch are not contained in the HTS.

There are a number of provisions of U.S. trade law which may allow or result in modification of these duties. Sections 201 through 204 of the Trade Act of 1974, as amended (19 U.S.C. §§2251–2254) provide the authority and procedures for the U.S. to take various actions to facilitate a domestic industry's adjustment to import competition. For example, if the U.S. International Trade Commission determines that an article is being imported in such increased quantities so as to threaten domestic producers of similar products, the U.S. may, among other things, increase or impose a duty, or a tariff-rate quota.

Currently, U.S. and China trade policy has given rise to the imposition of significant additional tariffs on products imported into the United States from China under Sections 201 and 301 of the Trade Act. To date, four lists of products imported from China, identified by HTSUS codes, have been issued with various tariff impositions. Recently, the U.S. government imposed additional tariffs on specific products, including air fryers on List 3 (the “**Product List**”) to be imported from China to the U.S.. Tariffs rate applicable to the Group's products remained stable during the Track Record Period.

On 1 February 2025, President Trump issued an executive order directing the U.S. to impose new tariffs on all imports from China, to take effect on 4 February 2025. Since then, President Trump issued several amendments to the executive order to adjust tariff applicable to Chinese goods as well as imports from other East Asian countries, including Thailand and Indonesia.

Depending on the latest development of the trade negotiations between the U.S. and China, the level and number of products subject to additional tariffs may change over time.

***California consumer protection laws***

California has some of the strongest consumer protection laws in the country, including the California Consumers Legal Remedies Act (CLRA) and the Unfair Competition Law (UCL).

- **The CLRA:** The CLRA prohibits a wide range of deceptive and unfair business practices in the sale of goods or services to consumers. These include false advertising, bait-and-switch tactics, and misrepresentations about the quality or characteristics of a product. The CLRA gives consumers the right to sue for damages, injunctive relief, and attorney’s fees.
- **The UCL:** The UCL prohibits “unfair competition,” which includes unlawful, unfair, or fraudulent business acts or practices. The UCL is a broad statute that allows consumers, competitors, and government agencies to bring actions against businesses for violating the law. Remedies under the UCL can include restitution, injunctive relief, and civil penalties.

California also has a strong focus on protecting consumer privacy. The California Consumer Privacy Act (CCPA) gives consumers the right to know what personal information businesses collect about them, the right to have that information deleted, and the right to opt out of the sale of their information.

**THAILAND**

**Civil and Commercial Code of Thailand**

Laws governing formation and incorporation of types of Thai business entity can be found in the Civil and Commercial Code of Thailand (the “CCC”). A private limited company is formed through a process which leads to the registration of a Memorandum of Association and Articles of Association (By-laws), as its constitutive documents. A company is formed with the registered capital and divided into shares to be subscribed by the promoters or shareholders. The liability of the shareholders being limited to the amount unpaid on the shares respectively held by them.



***Incorporation and promoters***

There must be a minimum of 3 (three) promoters for a private limited company who are responsible for subscribing and registering the incorporation of the company with the DBD as it is stated in Section 1097 of the CCC that any three or more persons may promote and form a limited company by subscribing their names to a memorandum and otherwise complying with the provisions of the CCC. The promoters must be individual persons (not juristic entities). The promoters can be foreigners and/or Thai nationals. However, each promoter is required to be among the company's initial shareholders immediately upon the company's registration and is required to subscribe and hold a minimum of one share upon the company's registration. They are generally free to transfer those shares to existing shareholders or third parties, thereafter, if they wish. However, the number of shareholders in a company shall always be remaining of not less than 3 (three) shareholders (individual and/or juristic entities) as required by the CCC.

Noted that after 7 February 2023, the requirement of minimum shareholders of 3 persons are reduced to 2 persons according to Section 1097 of the CCC.

***Memorandum of Association***

The Memorandum of Association of the company has to be filed with the DBD and must include the name of the company that has been successfully reserved and approved by the DBD, the physical address where the company will be located in Thailand, its business objectives, the capital to be registered, and the names of the promoters.

***Articles of Association***

The Articles of Association are the regulations of the company concerning its internal affairs such as shares, general meetings, voting rights, director and auditor, distribution of dividends, dissolution etc. It is one of the most important corporate documents, the content of which is determined and approved by at the statutory meeting or the general meeting of shareholders with a special resolution (if later amended). A company may choose to either adopt its own Articles of Association or refer to the relevant provisions of the CCC.

***Registered capital***

In general, the registered amount of the capital should be respectable enough and adequate for the intended business operation. The registered capital will be divided into shares with the same par value, which must not be less than THB 5 per share. All shares must be subscribed, and at least 25% of the subscribed shares must be paid up. If the company intends to employ foreigners, the minimum registered capital requirements for applying work permit may also apply. The company must have registered capital of not less than THB 2 million with fully paid-up for each one foreign employee, or THB 4 million share capital for two foreign employees, or THB 6 million for three foreign employees respectively.

***Directors***

A company shall be managed by at least one individual director under the control of the general meeting of shareholders. There are currently no general restrictions on the nationality of directors who control a Thai private limited company in Thailand. Therefore, a foreigner can be a sole director of the company. By law, foreign director and Thai director are not treated differently. However, foreign director needs a work permit to work in Thailand in order to manage a company by all lawful means necessary within the scope stipulated in the Memorandum of Association, Articles of Association, the resolutions of shareholders' meetings, and applicable Thai laws. Thus, foreign directors residing abroad should pay attention and apply for a work permit to work in Thailand even if they only intend to attend a meeting or training. Under Thai law, it specifies only the requirements of director and the board of directors for companies (without having supervisor or board of supervisors). Therefore, a company in Thailand is not required to have supervisor or board of supervisors which is subject to each company's management policy and organisation chart.

***Shareholders and shareholders meeting***

Every company is required to hold the annual general meeting (the "AGM") annually. The extra-general meeting shall be held upon being called by the directors or one-fifth of the shareholders.

Notice of every general meeting of shareholders shall be published at least once in a local paper and be sent to every shareholder of the company by receipt acknowledge registered mail at least seven days before the date of meeting unless, in case of the general meeting which has to provide a special resolution, the notice shall be published in a local newspaper and be sent to every shareholder of the company at least 14 days before the date of the meeting.

Shareholders representing not less than 25% of the capital of the company must present at the shareholders' meeting to constitute a quorum. A resolution shall be made by a majority vote; in the case of a tied vote, the Chairman of the meeting shall be entitled to a casting vote.

According to the CCC, a supermajority vote of 75% of total shares is required for passing a special resolution as required by law, i.e. amendment to the memorandum of association and articles of association, increase or decrease of registered capital, dissolution, conversion to a public company and subscription shares by payment in kind.

In addition, pursuant to Section 1171 of the CCC, the AGM shall be held within 6 months after the registration and subsequently be held every 12 months.

***Share transfer***

Under the CCC, the transfer of shares must be made in writing and signed by the transferor and transferee whose signatures are certified by at least one witness (the “**Share Transfer Instrument**”); otherwise, such transfer shall be void. The Share Transfer Instrument must contain at least (i) the names of the transferor and transferee, and (ii) the numbers of the transferred shares. The transfer of shares will become valid against the company and/or any third party only upon its registration in the share register book specifying the details of the transfer and the name and address of the transferee.

***Share registered book***

A company is required to prepare and keep a share registered book recording the history of change of shareholders. It is important to note that any share transfers shall be invalid against a company and third parties until such transfer is recorded in the share registered book. Share registered book is presumed to be correct evidence of any matters directed or authorised by the laws.

Under the CCC, in case a company fails to keep a share registered book in accordance with Section 1138 and fails to have the share registered book opened for inspection by shareholders upon their request in accordance with Section 1139, the Target Company shall be liable to a fine not exceeding THB 20,000 under Section 10 and 11 of the Corporate Criminal Act.

***Share certificate***

Share certificates shall be issued and delivered by a limited company to each shareholder for the share held by him. Share certificates shall be signed by at least one of the directors and affixed to the limited company’s seal; moreover, the share certificate must contain a name of the company, share number(s), the value of each share and if the shares have not been fully paid up, the paid amount of each share shall be indicated therein.

Failure to provide share certificates for the shareholders containing the particulars as specified in Section 1127 and Section 1128 would result in a fine not exceeding THB 10,000 pursuant to Section 8 of the Corporate Criminal Act.

**Foreign Business Act**

Thai law imposes restrictions on foreigners engaging in certain business activities. The principal law with respect to foreign participation in various business activities is the Foreign Business Act (the “**FBA**”). The FBA defines the definition of “foreigner” as (i) a non-Thai natural person, (ii) a legal entity not incorporated in Thailand, (iii) a juristic entity incorporated in Thailand with at least 50% (fifty percent) of share capital is owned by foreign individuals or entities, and (iv) a limited partnership or a registered ordinary partnership that having the managing partner or manager is a non-Thai natural person. Based on the aforesaid definition, a private limited company which is owned by majority Thai nationals and/or entities with at least more than half of the share capital shall be considered as a Thai private limited company and is not subject to the FBA. Foreigners therefore are generally allowed to participate and own less than 50% of shares capital unless otherwise particularly prescribed in specific law, in case the Company intends to engage in any restricted businesses.

**BOI Act**

The Thailand Board of Investment (the “**BOI**”) was set up under the Investment Promotion Act (the “**Investment Act**”) for purpose of encouraging investment in Thailand through several eligible business activities under the BOI promotion. Under the Investment Act, the Thai government has granted full foreign ownership rights to foreign nationals who promised to make major investments and transfer technology to Thailand. Generally, the BOI privileges are granted for manufacturing activities as well as certain non-manufacturing activities of such activities fall within the eligible activities as listed by the BOI. However, to qualify for the BOI privileges, the foreign nationals are obligated to transfer into Thailand the specified capital, technology and equipment technology within the period as set forth in its investment promotion certificate, and strictly comply with the specific condition as set forth in the investment promotion certificate.

**Land Code**

The Land Code stipulates that foreigners may acquire land by virtue of the provisions of a treaty giving the right to own immovable property, subject to the provisions of the Land Code and, subject to the limitation on rights over land for religious purposes, foreigners may acquire land for residence, commerce, industry, agriculture, burial, public charity or religion under the conditions and procedures prescribed in ministerial regulations and with the permission of the minister.

**Social Security Act**

The Social Security Act of B.E. 2533 (1990) (the “**Social Security Act**”) in Thailand, and its amendments, established the Social Security Fund (the “**Fund**”) with the objective of providing coverage for fund members under certain conditions.

---

## **APPENDIX IV SUMMARY OF PRINCIPAL LEGAL AND REGULATORY PROVISIONS**

---

The stipulations of the Social Security Act apply to every company having one or more employees. Persons insured under the provisions of the Fund include all employees from the age of 15 years up through those not over 60 years.

A company having one or more employees must register with the Social Security Office for the Fund within 30 days after hiring the first employee. If the company increases the number of employees, it must submit a new employee registration form for each new employee.

### **Workmen Compensation Fund**

The Workmen's Compensation Fund was established under the Workmen's Compensation Act, B.E. 2537 (1994) to ensure that adequate compensation is paid when workers are injured, become ill, or die as a result of their work, or as a result of illnesses arising out of the nature or conditions of the work, or as the Department of the Interior may prescribe. This objective will be achieved by requiring employers to register with and contribute to the Workers' Compensation Fund and by having the Department of Labour Protection and Social Welfare pay the above compensation that employers are required to pay under the Occupational Safety and Health Act instead of employees. The contribution rate should be 0.2%–1%.

### **Labour Protection Act**

The Thailand Labour Protection Act is a comprehensive law that sets out the rights and obligations of employers and employees in the workplace. It aims to protect the welfare of workers and ensure fair treatment.

Under section 108 of the Labour Protection Act, B.E. 2535 (1992), the Target Company shall procure the work rules in Thai language upon the date the employer employed more than ten (10) employees and shall disclose such work rules at the working place of the employee. As from 4 April 2017, the work rules are not required to submit to the Labour Department in accordance with the Order of the Head of the National Council for Peace and Order No. 21/2017 dated 4 April 2017 Governing Amendment of Laws for Ease of Doing Business.

### **Foreigners' Working Management Emergency Decree**

Pursuant to Section 8 of the Foreigners' Working Management Emergency Decree B.E. 2560 (2017), a foreigner shall not carry out any work prescribed in the Notification issued under section 7 paragraph one or carry out any work without a work permit.

### **The Revenue Code**

The principal law with respect to tax implication in Thailand is the Revenue Code of Thailand (the "RC") under governed by the Revenue Department.

***Corporate Income Tax (“CIT”)***

According to the RC, in general, a company is subject to the CIT rate of 20 % on net profit. In addition, with respect to small medium enterprises which a company that having its paid-up registered capital at the end of the accounting period of not exceeding THB 5 million and having annual revenue income from business operation not exceeding THB 30 million per annum shall be entitled to reduction of CIT in which it will be exempted from CIT for the net profit not over THB 300,000, and it will be subject to 15% CIT on net profit range between THB 300,001–3,000,000, and 20% CIT on net profit exceeding THB 3,000,000.

***Value Added Tax (“VAT”)***

VAT is an indirect consumption tax levied on the supply of goods and provision of services by a VAT operator and on the import of goods or services. Any person (individual or juristic entity) who conducts business in Thailand and its annual turnover exceeds THB 1.8 million is required to register to be a VAT operator. A VAT operator is required to comply with VAT requirements per the Revenue Code. Only a registered VAT operator is entitled to claim for prepaid VAT credit or VAT refund.

There are also other applicable taxes, for example, the excise tax, withholding tax, special business tax, land and building tax and stamp duty, etc. A company is required to file tax returns to the Revenue Department on a regular basis, including monthly, annual and semi-annual reports.

**INDONESIA****Company Laws pursuant to Law No. 40 of 2007 concerning limited liability (the “Company Law”)**

Company Law governing formation and incorporation of a limited liability company (in Indonesia namely as “Perseroan Terbatas”, hereinafter referred to as “PT”). Establishment of a PT shall be managed by a public notary and such establishment must be submitted to the Ministry of Laws and Human Rights (“MoLHR”) to obtain ratification, upon its ratification the PT will be recorded as a legitimate legal entity then have a legitimate rights to engage with third parties. PT is allowed to be established for a limited period or unlimited period based on the business types following the prevailing laws and regulations.

PT as a legal entity are managed by three different structure, which are general meeting of shareholders (“GMS”), board of directors, board of commissioners, each of them have a different rights and obligations based on the Company Law and their constitutive documents in form of Articles of Association. PT is formed with a registered capital and divided into shares to be subscribed by the shareholders. The shareholders of a Company are not personally liable over contracts made on behalf of the Company and are not liable over the losses of the Company exceeding the shares they own.

***Shareholders***

There must be a minimum of 2 (two) or more shareholders to establish a PT by subscribing a sum of capital which will be divided into authorised capital, issued and paid up capital. These capital will be divided into shares and each shares will have a nominal as determined by the Company.

The establishment of PT is made by executing a deed of establishment made before by the public notary. The shareholders can be in a form of individual or a PT, either foreigners or Indonesian nationals, subject to the investment arrangement based on the relevant regulations which will be further described below.

The Shareholders shall have the authorities which not vested in the Board of Directors or the Board of Commissioners, within the limits set out under the Company Law and/or the Articles of Association. The transfer of shares among the Shareholders are specified in the Articles of Association and shall align with the Company Law.

For further information, Company Law has protected each Shareholders to be offered for any additional new shares issued in a PT, meanwhile the Articles of Association may arrange that prior to transfer the existing shares to the third parties, each Shareholders must offer the shares to the others existing Shareholders.

***Deed of establishment and articles of association******Deed of establishment***

The Deed of Establishment has to be made by Indonesian Public Notary and shall be submitted to the MoLHR for ratification matters. The Deed of Establishment must be made pursuant to the Company Law, however the Company Law is grants the Shareholders a rights to modify the rules and provisions specified on the Company Law, provided that such modification will have higher requirements as specified on the Company Law. Pursuant to the Company Law, the Deed of Establishment shall contain Articles of Association and others information regarding the establishment matters.

***Articles of association***

Pursuant to Company Law, the Articles of Association apply as highest laws which shall be obligated by the Shareholders, Board of Directors and Board of Commissioner on managing and operating prior to conduct and take any legal action towards the Company.

The Articles of Association shall consist of:

- (i) the name and place of domicile of the Company;
- (ii) the purposes and objectives, as well as business activities of the Company;

- (iii) the duration of establishment of the Company;
- (iv) the amount of authorised capital, issued capital and paid-up capital;
- (v) the amount of shares, the classification of shares, if any, including the amount of shares for each classification;
- (vi) the rights attached to each shares, and the par value of each shares;
- (vii) the name of position and number of members of the Board of Directors and the Board of Commissioners;
- (viii) the stipulation of a place and procedures for holding a EGMS;
- (ix) the procedures for the appointment, replacement and dismissal of members of the Board of Directors and the Board of Commissioners;
- (x) the procedures for the appropriation of profit and distribution of dividends and shall not contain;
- (xi) provisions on the receipt of fixed interest rate on shares; or
- (xii) provisions on the granting of personal benefits to the founder(s) or other parties.

***Amendments to articles of association***

The Articles of Association can be amended from time to time through held GMS or Circular Resolution and shall be submitted to the MoLHR. There are three (3) types of approval will be issued by the MoLHR depends on the amended articles on the Articles of Association. The following are the change shall to obtain approval from the MoLHR:

- (i) the name and/or place of domicile of the Company;
- (ii) the purposes and objectives, as well as business activities of the Company;
- (iii) the duration of establishment of the Company;
- (iv) the amount of authorised capital;
- (v) the reduction in issued and paid-up capital; and/or
- (vi) the status of a private Company into a Publicly-Traded Company or vice versa.

Meanwhile, the amendments of Articles of Association other than the above mentioned is only requires to be notified to the MoLHR.



***Required capital***

In theory, the capital of the Company shall be adequate and suffice to fund the business activities and operation. By law, the authorised capital shall at least IDR50Million and 25% of such authorised capital shall fully issued and paid up by the Shareholders to the Company no later than 60 (sixty) calendar days since the ratification obtained from the MoLHR.

In this case, Company is foreign PT and the issued and paid-up shall at least IDR10Billion. In addition, aside from minimum issued and paid-up capital, there also requirements for the foreign limited company to comply with minimum investment value in nominal more than IDR10Billion excluding land and building for each business licences.

***Board of directors***

A company shall be managed by at least 1 (one) individual director appointed and terminated by the GMS along with the rights, obligations and limitations. In the event of members of the Board of Directors consists of more than 1 (one) person, then every member of the Board of Directors shall be authorised to represent the PT, unless stipulated otherwise under the Articles of Association.

There are restrictions where the foreign directors is not allowed to serve, manage, control and represent the PT for human resources matters. By law, foreign director and Indonesia director are not treated differently. However, foreign director requires a work permit to work in Indonesia.

The Board of Directors is responsible for the management of the PT and shall be carried out in good faith and full responsibility. Each member of the Board of Directors shall be fully and personally responsible for the losses of the PT if the person concerned is at fault or negligent in carrying out his/her duties.

***Board of commissioners***

The Board of Commissioners is appointed and terminated by the GMS along with the rights, obligations and limitations. The Board of Commissioners shall supervise toward Board of Directors policies, performance of management in general, both in respect of the PT and the business of the PT, and provide advice to the Board of Directors.

A Board of Commissioners consisting of more than 1 (one) member shall constitute a council and every member of the Board of Commissioners cannot act on individually, but only based on a resolution of the Board of Commissioners.

***Shareholders and GMS***

The GMS are consist of annual general meeting of shareholders (“**AGMS**”) that hold within maximum period of 6 (six) months after the end of the fiscal year and the GMS shall be held at any time based on the needs for the interest of the PT, such as changes to the composition of the Board of Directors and Board of Commissioners, changes to the Company’s name, Company’s domicile, duration of establishment and etc.

The GMS is held at the Company’s domicile or at the place where the Company carries out its main business activities as determined in the Company’s Articles of Association. The GMS may be conducted via teleconference, video teleconference or other electronic media. The meeting invitation is made by letter or newspaper. However, there is another method of shareholder meeting, namely the circular resolution, which all of the shareholders agree of the meeting minutes.

The Board of Directors is required to issue a summons for a GMS within a maximum period of 15 (fifteen) days from the date the request for holding a GMS is received. However, if the Board of Directors does not issue a summons for a GMS, the Board of Commissioners may issue a summons for a GMS itself within a maximum period of 15 (fifteen) days from the date the request for holding a GMS is received. If the Board of Directors or the Board of Commissioners does not issue a summons for a GMS, shareholders may submit a request for a GMS to the Head of the District Court.

A GMS may be held if more than 1/2 (one half) of the total number of shares with voting rights are present or represented unless otherwise stipulated in the articles of association. However, if the quorum is not achieved, then a summons for a Second GMS must be made and in the Second GMS, at least 1/3 (one third) of the shareholders with voting rights are present/represented.

If, in the Second GMS, the quorum is not met, then an application may be made to the district court whose jurisdiction covers the Company’s domicile at the Company’s request to determine the quorum for the Third GMS.

The Second and Third GMS shall be held within a period of at least 10 (ten) days and at the latest 21 (twenty one) days after the previous GMS was held.

In Indonesia, private companies must have at least 2 (two) shareholders. Shareholders, either individually or represented by a power of attorney, are entitled to attend the GMS and exercise their voting rights in accordance with the number of shares they own. In voting, the votes cast by shareholders apply to all shares they own and shareholders are not entitled to grant power of attorney to more than one proxy for a portion of the number of shares they own with different votes. In voting, members of the Board of Directors, members of the Board of Commissioners, and employees of the Company concerned are prohibited from acting as proxies for shareholders.

***Share transfer***

Under the Company Law, the share transfer shall be made in writing, sign by the transferor and transferee and drawn up in a deed of transfer. In the Articles of Association, PT may further arrange additional requirement such as: i) obligation to first offer them to holders of certain classification of shares or other shareholders, ii) obligation to first secure approval from GMS, Board of Directors and Board of Commissioner, iii) obligation to first secure approval from the authorised institutions in accordance with laws and regulations.

***Shareholders registry***

Directors shall create and maintain a shareholders registry which should at least contain: i) the name and address of shareholders, ii) the amounts, numbers, and dates of acquisition of the shares owned by shareholders and its classifications, in the event of more than one classification of shares is issued; iii) the amount which is paid up for each share; iv) the name and address of individuals or legal entities having pledge rights over shares or being the beneficiaries of fiduciary security over the shares and the date of acquisition of the pledge rights or the date of registration of the fiduciary security in question; and v) information on the payment of shares in other forms.

***Share certificate***

In Indonesia, a share certificate is a document that serves as proof of ownership of shares in a company. This certificate is issued by the company that issues the shares and acts as a receipt for the purchase of shares.

The share certificate has several important functions, including:

- (i) Proof of share ownership.
- (ii) Protection of shareholder rights.
- (iii) Facilitation of share ownership transfer.
- (iv) Assistance for the company in tracking legitimate shareholders.
- (v) Compliance with the Limited Liability Company Law (UUPT).
- (vi) Promotion of transparency in corporate governance.

A share certificate typically contains essential information such as:

- (i) The number of shares owned.
- (ii) The purchase date.
- (iii) The identification number of the shareholder.
- (iv) The company number.
- (v) The signature of an authorised party.

### **Foreign business regulations**

Indonesian law imposes limitations on foreign investment in certain business activities as stipulated in Presidential Regulation No. 49 of 2021 concerning Amendment To Regulation Of The President Number 10 Of 2021 On Investment Business Fields (“**Perpres 49/21**”).

Investment is consist of individual and business entity engaging in either domestic or foreign investment. Perpres 49/21 classifies business sectors into several categories, namely:

- (i) Business Sectors open for investment, which include priority sectors, sectors allocated for partnerships with cooperatives and micro-middle scale, sectors with specific requirements limiting foreign investment, and sectors fully open to foreign investment;
- (ii) Business Sectors closed to investment; and
- (iii) Activities that can only be conducted by the central government.

### **Indonesia investment authorities**

The Ministry of Investment/ Indonesia Investment Coordinating Board (BKPM) is tasked with assisting the President in managing government affairs related to investment, as well as coordinating the implementation of policies and providing services in the field of investment in accordance with the prevailing laws and regulations.

The Ministry has the authority to formulate and establish investment policies, coordinate and synchronise the implementation of investment policies, develop regional investment potential, and conduct investment promotion and cooperation.

Additionally, the Ministry is responsible for supervising the investment sector, assessing and planning national investment, setting norms, standards, procedures, and criteria for services, as well as managing state assets. The Ministry also oversees the implementation of tasks within its scope and facilitates foreign investors, including the handling of licences and tax incentives, through a one-stop integrated service and investment facilities.

### **Land law**

In Indonesia, land ownership rights are regulated under Law No. 5 of 1960 on Basic Agrarian Principles (“**Law 5/60**”). UU 5/60 establishes several types of land rights, including right of ownership (*hak milik*), right of cultivation (*hak guna-usaha*), right to building (*hak guna-bangunan*), right to usage (*hak pakai*), and right to lease (*hak sewa*). Foreign nationals are only permitted to obtain land rights in the form of right to use (*hak pakai*) and right to lease (*hak sewa*) for building purposes. To acquire other land rights, foreign nationals are required to establish an Indonesian legal entity domiciled in Indonesia.

### **Social security and employment security**

Law No. 24 of 2011 on the Social Security Agency (“**UU 24/11**”) regulates social security as a form of social protection to ensure that all citizens can meet their basic needs for a decent life. In Indonesia, the agency responsible for administering social security as social security agency (“**BPJS**”).

BPJS in Indonesia consists of two forms of social security: BPJS Health and BPJS Employment. BPJS Health administers health insurance programmes, while BPJS Employment manages programmes for work accident insurance, old-age benefits, pension benefits, death benefits, and unemployment insurance.

Participation in the BPJS programmes is mandatory for everyone, including foreign nationals working in Indonesia for at least 6 (six) months. Every company is also required to register itself and its employees as participants in the relevant BPJS social security programmes. If a company fails to register its employees, it will face administrative sanctions in the form of written warnings, fines, and/or loss of access to certain public services.

### **Employment law**

Indonesia has employment regulations governed by Law No. 13 of 2003 on Manpower in conjunction with Law No. 6 of 2023 on the Enactment of Government Regulation in Lieu of Law No. 2 of 2022 on Job Creation into Law (hereinafter referred to as the “**Employment Law**”). Under the Employment Law, employment agreements are categorised into two types: Fixed-Term Employment Agreements (“**PKWT**”) and Indefinite-Term Employment Agreements (“**PKWTT**”). PKWT is designated for temporary work, including seasonal work or daily labour, while PKWTT covers permanent employment.

Companies employing a minimum of 10 workers are required to establish either a Company Regulation or a Collective Labour Agreement, which must be approved by the Minister of Manpower. To facilitate this process, the approval of Company Regulations or Collective Labour Agreements can be conducted online through the official website of the Ministry of Manpower.

Additionally, companies are obligated to submit annual employment reports to the Minister of Manpower. Failure to comply with this reporting requirement may result in criminal sanctions in accordance with applicable regulations.

### **Foreign workers**

In Indonesia, the employment of foreign workers (TKA) is strictly regulated by applicable legal provisions. Any company wishing to employ foreign workers must obtain a Foreign Worker Utilisation Plan (RPTKA) and process a notification for approval to employ foreign workers issued by the Director General of Employment Placement and Expansion of Job Opportunities. Additionally, companies are also required to secure a work visa and process a temporary stay permit for the foreign workers concerned.

If foreign workers operate in Indonesia without a temporary stay permit with work status, they may face administrative and/or criminal sanctions. These sanctions can include fines, imprisonment, or even deportation from Indonesia

### **Business licence**

In Indonesia, business operators are required to possess business licences to conduct any business activities. The provisions regarding business licensing are governed by Government Regulation No. 5 of 2021 on the Implementation of Risk-Based Business Licensing (“**PP 5/21**”). Business licensing is the legal authorisation granted to business operators to start and carry out their business activities.

Business licensing is categorised based on the level of risk:

- (i) Low risk, where business operators can conduct their business activities solely with a Business Identification Number (NIB);
- (ii) Medium risk, which requires companies to have an NIB and a Standard Certificate; and
- (iii) High risk, where companies are mandated to possess an NIB and a Business Licence.

For business activities classified as medium-high or high risk, an environmental impact analysis is required.

### **The revenue code**

The legal basis for taxation which applicable in Indonesia is Laws No. 7 year 2021 concerning the Harmonisation of Tax Regulations.

***Corporate Income Tax (“CIT”)***

In general, a PT in 2024 is subjected to a CIT rate of 22% of its fiscal net profit. However, certain Taxpayers with a revenue below 4.8 billion Rupiah are entitled to use a CIT rate of 0.5% of its gross income. This rate can be used by corporate taxpayers for 3 years from its company date of registration.

***Value Added Tax (“VAT”)***

VAT is an indirect consumption tax levied on the supply of goods (tangible and intangible), services and import by a taxable employer.

Taxpayer both an individual or entity who conducts business in Indonesia in which its annual revenue exceeds 4,8 Billion (Four Billion Eight Hundred Million Rupiahs) is required to register to become a taxable employer. As of 2024, a taxable employer is required to collect VAT at a rate of 11% of its tax base.

Only a registered taxable employer is entitled to claim for prepaid VAT credit and VAT refund. There are also other applicable taxes, for example, the excise tax, withholding tax, land and building tax, stamp duty and etc. A company is required to file the tax returns to Indonesia's Tax Office (ITO) on a monthly and annual basis.

*This Appendix contains a summary of the principal provisions of the Company's Articles of Association. The major objective of this Appendix is to provide potential investors with an overview of the Company's Articles of Association, and therefore it may not contain all the information that may be important to potential investors.*

## **SHARES AND REGISTERED CAPITAL**

Shares of the Company shall take the form of registered share certificates.

The shares of the Company shall be issued in accordance with the principles of open, fairness and justice. Each share of the same class carries the same rights.

Shares of the same class and the same issuance are issued on the same conditions and at the same price. A subscriber pays the same price for each of the Shares it/he/she subscribes for.

## **INCREASE, REDUCTION, REPURCHASE AND TRANSFER OF SHARES**

### **Increase and Reduction of Shares**

Based on its operation and development needs, in accordance with the relevant laws and regulations, and subject to the special resolutions of the shareholders' meeting, the Company may increase its registered capital by any of the following ways:

- (i) Issuing shares to unspecified targets;
- (ii) Issuing shares to specific targets;
- (iii) allocate shares to existing Shareholders;
- (iv) distribution of bonus shares to existing Shareholders;
- (v) conversion of capital reserve into share capital;
- (vi) other means permitted by applicable laws, administrative regulations, the Listing Rules and approved by related securities regulatory agencies.

The Company may reduce its registered capital. The reduction of registered capital shall comply with the procedures stipulated in the PRC Company Law, the Listing Rules and other relevant regulations as well as the Articles of Association.



**Repurchase of Shares**

The Company may buy back its shares in accordance with the provisions of laws, administrative regulations, departmental rules, the Listing Rules and the Articles of Association under the following circumstances:

- (i) reduction of the Company's registered capital;
- (ii) mergers with another company holding shares of the Company;
- (iii) use of shares for employee shareholding scheme or equity incentives;
- (iv) Shareholders who object to resolutions of the general meeting on merger or division of the Company requesting the Company to purchase their shares;
- (v) use of shares for conversion of corporate bonds issued by the Company which are convertible into shares;
- (vi) where it is necessary for the Company to preserve its value and Shareholders' interest;
- (vii) other situations where the company can buy back its shares in accordance with laws, administrative regulations, departmental rules, normative documents, the Listing Rules, and other securities regulatory rules of the place where the shares of the Company are listed.

The Company shall not buy back its shares, except in one of the above circumstances.

Where the Company purchases its shares under the circumstances set forth in items (i) and (ii) above, it shall be resolved at a shareholder's meeting. Where the Company purchases its shares under the circumstances set forth in items (iii), (v) and (vi) above, subject to compliance with the securities regulatory rules of the place where the shares of the Company are listed, a resolution thereon may, be resolved at a Board meeting that is attended by more than two-thirds of the Directors according to the authorisation of the shareholders' meeting.

Upon the purchase of its shares by the Company pursuant to the above provisions, under the circumstance set forth in item (i), such shares shall be cancelled within 10 days from the day of purchase; under the circumstances set forth in items (ii) and (iv), such shares shall be transferred or cancelled within six months; under the circumstances set forth in items (iii), (v) and (vi), the total number of shares held by the Company shall not exceed 10% of the total issued shares of the Company, and shall be transferred or cancelled within three years.

With respect to overseas listed shares, if laws, administrative regulations or the securities regulatory authority where the company's shares are listed have other provisions on matters related to the repurchase of shares, such provisions shall prevail.

The Company may purchase its own shares by the centralised trading or by any other means recognised by the laws, administrative regulations, the CSRC and the stock exchange(s) of the place where the shares of the Company are listed, and shall comply with the applicable laws, administrative regulations, departmental regulations and securities regulatory rules of the place where the company's shares are listed.

### **Transfer of Shares**

Shares of the Company that were issued prior to a public issue shall not be transferred within one year from the date on which shares of the Company are listed and traded on the stock exchange.

Directors, Supervisors and senior management of the Company shall report to the Company their holdings of shares of the Company and the changes thereof. During their term of office confirmed at the assumption of the position, the shares transferred by any of them each year shall not exceed 25% of the total shares of the Company held by them. The above personnel shall not transfer the shares of the Company held by them within 6 months after the expiry of their term of office. If the above personnel leave their posts before the expiration of their terms, they shall continue to comply with the aforementioned restrictive provisions during the term confirmed when they took office and within six months after the expiration of their terms. The shares of the Company held by the aforesaid persons shall not be transferred within one year from the date on which the shares of the Company are listed and traded. If the securities regulatory authority where the company's shares are listed have other provisions on matters related to the restrictions on the transfer, such provisions shall prevail.

Where Directors, Supervisors, senior management and Shareholders holding 5% or above shares of the Company sell the shares of the Company or other securities with an equity nature within 6 months after purchasing the same, or purchase the shares of the Company or other securities with an equity nature as held within 6 months after selling the same, the earnings arising therefrom shall belong to the Company, and the Board of the Company shall recover such earnings. However, the restriction shall not be applicable to a securities company holding 5% or above of the shares of the Company as a result of its purchase of the remaining unsold shares underwritten by it and other circumstances stipulated by the CSRC.

## **SHAREHOLDERS AND SHAREHOLDERS' MEETINGS**

### **Shareholders**

The Company shall establish a register of members with the evidence provided by the securities registration and settlement authority. The register of members shall be sufficient evidence of the holding of the shares of the Company by the Shareholders. Shareholders shall enjoy the rights and assume the obligations according to the class of the shares they hold. Shareholders holding the same class of shares shall enjoy the same rights and assume the same obligations.

Shareholders of the Company shall enjoy the following rights:

- (i) to speak and vote at the shareholders' meeting, unless it is required by the Listing Rules to waive voting rights on individual matters;
- (ii) to receive dividends and other distributions in proportion to the shares they hold;
- (iii) to request, convene, hold, attend or appoint a proxy to attend general meetings and exercise the corresponding voting rights in accordance with laws;
- (iv) to supervise, present suggestions on or make inquiries about the operations of the Company;
- (v) to transfer, gift or pledge the shares it holds in accordance with laws, administrative regulations, departmental rules, normative documents, the Listing Rules, other securities regulatory rules of the place where the shares of the Company are listed and the Articles of Association;
- (vi) to inspect the Articles of Association, register of members, record of bondholders, minutes of general meetings, resolutions of Board meetings, resolutions of meetings of the Supervisory Committee and the publicised financial reports, and shareholders in compliance with the requirements may inspect the accounting books and accounting evidence of the Company;
- (vii) in the event of termination or liquidation of the Company, to participate in the distribution of the remaining property of the Company in proportion with the number of shares held by them;
- (viii) to require the Company to purchase their shares in the event of objection to the resolutions of the general meeting on merger or division of the Company;
- (ix) to enjoy other rights stipulated by laws, administrative regulations, departmental rules, the Listing Rules, other securities regulatory rules of the place where the shares of the Company are listed and the Articles of Association.

If the procedure for convening a shareholders' meeting or a Board meeting, or the voting method used in such a meeting, violates any law, administrative regulations or the Articles of Association, or if any resolution adopted includes content that violates the Articles of Association, shareholders may, within 60 days from the date of adopting the resolution, request the people's court to annul it, except in cases where there are only minor defects in the procedure for convening the meeting or the voting method used in the meeting, which had no material impact on the resolution.

Where the board of directors, shareholders and other stakeholders dispute the validity of a resolution of a shareholders' meeting, they shall promptly file a lawsuit with the court. Before the court makes a judgement or ruling revoking the resolution, the stakeholders shall execute the resolution of the shareholders' meeting. The Company, its directors and senior management shall perform their duties diligently to ensure the normal operation of the Company.

Shareholders of the Company shall assume the following obligations:

- (i) to abide by the laws, administrative regulations, departmental rules, normative documents, the Listing Rules, other securities regulatory rules of the place where the shares of the Company are listed and the Articles of Association;
- (ii) to pay subscription monies as per the shares subscribed for and the method of subscription;
- (iii) not to withdraw the share capitals unless prescribed otherwise in laws, administrative regulations, departmental rules, normative documents, the Listing Rules, other securities regulatory rules of the place where the shares of the Company are listed and the Articles of Association;
- (iv) not to abuse shareholders' rights to impair the interests of the Company or other shareholders; not to abuse the independent status of legal person or shareholders' limited liabilities to impair the interests of the creditors of the Company;
- (v) to assume other obligations prescribed by the laws, administrative regulations, departmental rules, normative documents, the Listing Rules, other securities regulatory rules of the place where the shares of the Company are listed and the Articles of Association.

Shareholders of the Company who abuse their shareholders' rights and thereby cause loss on the Company or other Shareholders shall be liable for loss compensation according to the laws. Where Shareholders of the Company abuse the Company's position as an independent legal person and the limited liabilities of shareholders for the purposes of evading repayment of debts, thereby materially impairing the interests of the creditors of the Company, such Shareholders shall be jointly and severally liable for the debts owed by the Company.

#### **General Provisions for Shareholders' Meeting**

The shareholders' meeting is the organ of authority of the Company and shall exercise the following duties and powers in accordance with laws:

- (i) to elect and replace Directors or Supervisors and to determine matters relating to the remuneration of the Directors or Supervisors;
- (ii) to consider and approve the reports of the Board;

- (iii) to consider and approve the reports of the Supervisory Committee;
- (iv) to consider and approve the profit distribution plan and loss recovery plans of the Company;
- (v) to resolve on the increase or reduction of the registered capital of the Company;
- (vi) to resolve on the issue of corporate bonds;
- (vii) to resolve on the merger, division, dissolution, liquidation or change in corporate form of the Company;
- (viii) to amend the Articles of Association;
- (ix) to resolve on the appointment and dismissal of accounting firms by the Company;
- (x) to consider and approve the transaction specified in Article 39 of the Articles of Association;
- (xi) to consider and approve the guarantee matters specified in Article 40 of the Articles of Association;
- (xii) to consider matters relating to the purchase and sale by the Company within 12 months of material assets valued at more than 30% of the audited total assets of the Company as at the most recent period;
- (xiii) to consider transactions between the Company and its related parties that are required to be submitted to the shareholders' meeting for approval according to the Listing Rules;
- (xiv) to consider and approve matters relating to changes in the use of proceeds;
- (xv) to consider share incentive scheme and employee stock ownership scheme;
- (xvi) to consider other matters to be resolved by the shareholders' meeting as required by laws, administrative regulations, departmental rules, the Listing Rules, other securities regulatory rules of the place where the shares of the Company are listed or the Articles of Association.

Transactions that occur in the Company (excluding financial assistance, providing guarantees or cash assets donated to the Company, obtaining debt relief, and other transactions that do not involve payment of consideration and do not carry any obligations), and meet the following standards according to the definition and relevant calculation methods stipulated in the Listing Rules, shall not only be approved by the Board, but also submitted to the shareholders' meeting for review:

1. Main transactions;
2. Significant sales events;
3. Very significant acquisition matters;
4. Anti takeover actions.

The calculation method for the transaction amount involved in this provision shall be based on the relevant provisions of Chapter 14 of the Listing Rules.

The financial assistance provided by the Company (including interest or interest free loans, entrusted loans, etc.) should be submitted to the shareholders' meeting for approval under the Listing Rules. In addition to being approved by the Board, it should also be submitted to the shareholders' meeting for approval. If the funding target is a controlling subsidiary within the scope of the Company's consolidated financial statements, and the other Shareholders of the controlling subsidiary do not include the Company's controlling shareholder, actual controller, and related parties, the provisions of the preceding paragraph may be exempted.

Without the approval of the Board or the shareholders' meeting, the Company shall not provide external guarantees. The following provision of external guarantees by the Company is subject to the consideration and approval of the general meeting:

- (i) the total amount of the external guarantees provided by the Company and its holding subsidiaries exceeding 50% of the latest audited net assets;
- (ii) the amount of the guarantees provided by the Company within twelve consecutive months exceeding 30% of the latest audited total assets;
- (iii) any guarantee provided by the Company after the total amount of external guarantees for twelve consecutive months reaches or exceeds 50% of the latest audited net assets and the total amount exceeds RMB50 million;
- (iv) any guarantee to be provided to a recipient of such security whose asset to liability ratio is over 70%;
- (v) any single guarantee with an amount exceeding 10% of the latest audited net assets;

- (vi) the total amount of the external guarantees provided by the Company exceeding 30% of the latest audited total assets;
- (vii) any guarantee provided to shareholders, controllers, and their related parties;
- (viii) any guarantee required by applicable laws, regulations, normative documents, the Listing Rules, other securities regulatory rules of the place where the shares of the Company are listed, and internal policies to be submitted to the shareholders' meeting for approval.

External guarantees other than those mentioned above shall be reviewed and approved by the Board. When a guarantee is considered at the Board, it shall obtain the consent of more than two-thirds of the Directors present at the Board meeting and the consent of more than two-thirds of all independent directors. When the shareholders' meeting deliberates on the guarantee matters in item (ii) of the preceding paragraph, it must be approved by more than two-thirds of the voting rights held by the attending Shareholders.

The shareholders' meetings are classified into annual shareholders' meetings and interim shareholders' meetings. The annual shareholders' meetings shall be convened once a year within six months from the end of the previous fiscal year.

The Company shall convene an interim shareholders' meeting within two months from the date of occurrence of any of the following circumstances:

- (i) where the number of directors is less than two thirds of the number as provided for by laws or the Articles of Association;
- (ii) when the uncovered loss of the Company reaches one-third of its total share capital;
- (iii) upon written request(s) by Shareholder(s) individually or collectively holding 10% or above of the shares of the Company;
- (iv) when the Board deems it necessary;
- (v) when the Supervisory Committee proposes such a meeting be held;
- (vi) when the independent directors is less than the statutory minimum requirement;
- (vii) other circumstances required by the laws, administrative regulations, departmental rules, the Listing Rules, other securities regulatory rules of the place where the shares of the Company are listed or the Articles of Association.

**Summoning of Shareholders' Meetings**

A shareholders' meeting shall be convened by the Board. The publication of shareholders' meeting notices (including supplementary notices) shall comply with relevant laws, regulations and securities regulatory rules of the place where the shares of the Company are listed.

The Supervisory Committee shall have the right to propose to the Board in writing to convene an interim shareholders' meeting. The Board shall, in accordance with relevant laws, administrative regulations and the Articles of Association, give a written response on whether or not it agrees to convene such an interim general meeting within 10 days after the receipt of the proposal. If the Board agrees to convene an interim general meeting, it shall give a notice convening such meeting within 5 days after it has so resolved. Any changes to be made to the original request in the notice shall be subject to approval of the Supervisory Committee. If the Board does not agree to convene an interim general meeting or fails to give a response within 10 days after the receipt of the proposal, the Supervisory Committee may convene and preside over such meeting on its own.

Shareholders that hold, individually or collectively, 10% or more of the shares in the Company shall have the right to request in writing the Board to convene an interim shareholders' meeting. The Board shall, in accordance with relevant laws, administrative regulations, the Listing Rules and the Articles of Association, give a written response on whether or not it agrees to convene such an interim shareholders' meeting within 10 days after the receipt of the proposal. If the Board agrees to convene an interim general meeting, it shall give a notice convening such meeting within 5 days after it has so resolved. Any changes to be made to the original request in the notice shall be subject to approval of the relevant Shareholders. If the Board does not agree to convene an interim general meeting or fails to give a response within 10 days after the receipt of the proposal, the Shareholders that hold, individually or collectively, 10% or more of the shares of the Company may propose to the Supervisory Committee to convene an interim shareholders' meeting. If the Supervisory Committee agrees to convene an interim shareholders' meeting, it shall give a notice convening such meeting within 5 days after it has so resolved. Any changes to be made to the original request in the notice shall be subject to approval of the relevant Shareholders. If the Supervisory Committee fails to give the notice convening such meeting within the period specified herein above, it shall be deemed to have failed to convene and preside over such meeting. The Shareholders that hold, individually or collectively, 10% or more of the shares in the Company for 90 days or more consecutively may convene and preside over such meeting on their own. Before the announcement of the shareholders' meeting resolution, the total shareholding ratio of the Shareholders convening the shareholders' meeting shall not be less than 10%.



The independent directors shall have the right to propose to the Board to convene an interim shareholders' meeting. The Board shall, in accordance with relevant laws, administrative regulations, the Listing Rules and the Articles of Association, give a written response on whether or not it agrees to convene such an interim general meeting within 10 days after the receipt of the proposal. If the Board agrees to convene an interim general meeting, it shall give a notice convening such meeting within 5 days after it has so resolved. If the Board does not agree to convene the interim shareholders' meeting, it shall give the reasons and issue an announcement.

Where the Supervisory Committee or the Shareholder(s) convene a shareholders' meeting on its or their own, the board and the secretary to the Board shall provide assistance. The Board will provide the register of members as of the date of the share registration.

Any necessary expenses incurred in connection with the convening and holding of the shareholders' meeting by the Supervisory Committee or the shareholder(s) on its or their own shall be borne by the Company.

### **Proposal and Notice of Shareholders' Meetings**

The content of proposals shall fall within the functions and powers of the shareholders' meeting, have clear subject for discussion and specific matters to be resolved and comply with relevant requirements of the laws, administrative regulations, the Listing Rules, other securities regulatory rules of the place where the shares of the Company are listed and the Articles of Association.

The Board, the Supervisory Committee or Shareholders that hold, individually or collectively, 1% or more of the shares of the Company shall have the right to propose resolutions. Shareholders that hold, individually or collectively, 1% or more of the Shares of the Company may submit ad hoc proposals in writing to the convener 10 days before the convening of the shareholders' meeting. The convener shall give a supplemental notice of the shareholders' meeting within 2 days upon receipt of the proposals and announce the contents of the ad hoc proposals.

The convener shall notify all Shareholders by announcement 21 days before the annual shareholders' meeting (excluding the day of the notice and the meeting), and the convener shall notify all Shareholders by announcement 15 days or 10 working days (whichever is longer) before the interim shareholders' meeting (excluding the day of the notice and the meeting).

A notice of a shareholders' meeting shall include the following:

- (i) the time, venue and duration of the meeting;
- (ii) matters and proposals submitted to the meeting for consideration;
- (iii) method of convening the meeting;

- (iv) if any director, supervisor, general manager, or other senior management personnel have a significant interest in the matter to be discussed, the nature and extent of their interest shall be disclosed; if the impact of the discussed matter on the director, supervisor, general manager, and other senior management as shareholders differs from its impact on other shareholders of the same category, the difference should be explained;
- (v) materials necessary for shareholder voting;
- (vi) a prominent written statement that all shareholders are entitled to attend shareholders' meeting and are entitled to appoint in writing a proxy to attend and vote at the meeting and that such proxy need not be a shareholder of the Company;
- (vii) specify the delivery time and location of the proxy letter for voting at the meeting;
- (viii) the name and telephone number of the regular contact person for the meeting;
- (ix) voting time and voting procedures online or by other means;
- (x) the record date of registration of shareholders entitled to attend the shareholders' meeting;
- (xi) other contents stipulated by laws, regulations, normative documents, the Listing Rules and other securities regulatory rules of the place where the shares of the Company are listed.

### **Convening of Shareholders' Meetings**

All shareholders registered on the share right registration date or their proxies shall be entitled to attend the shareholders' meetings and exercise voting rights in accordance with relevant laws, regulations, the Listing Rules and the Articles of Association. Shareholder may attend the general meeting in person, or appoint a proxy to attend or vote on behalf of such Shareholder.

Individual Shareholders attending the meeting in person shall present his or her identity card or other valid licence or certificate or stock account card that can prove his or her identity. Proxies appointed to attend the meeting shall present valid proof of their identities and the power of attorney from the appointing shareholder.

Shareholder that is a legal person shall attend the meeting by its legal representative or by proxies appointed by it. If a legal representative attends the meeting, he/she shall present a copy of the corporate shareholder's business licence (with official seal), his/her identity card, a valid certificate proving his/her qualifications as a legal representative, and a securities account card. Where the meeting is attended by proxy, he/she shall present his/her identity card and written power of attorney issued by the legal representative of the corporate shareholder unit in accordance with the law (except where the shareholder is a Recognised Clearing House (or its nominees) as defined in the relevant regulations in force from time to time under Hong Kong law or the securities regulatory rules of the place where the company's shares are listed).

Where such Shareholder is a Recognised Clearing House (or its nominees), it may authorise one or more persons or company representatives as it thinks fit to act as its representative(s) at shareholders' meeting and creditor meeting. However, if more than one person are so authorised, the power of attorney shall specify the number and class of shares in respect of which each such person is so authorised, and be signed by the person authorised by the Recognised Clearing House. The person(s) so authorised will be entitled to exercise rights on behalf of the Recognised Clearing House (or its nominees) (without being required to present share certificate, notarised authorisation and/or further evidence of formal authorisation) and must enjoy the same statutory rights as other shareholders, including the right to speak and vote, as if such person was an individual shareholder of the Company.

The power of attorney issued by a Shareholder to appoint a proxy to attend any shareholders' meeting shall contain the following:

- (i) the name of the principal, as well as the class and number of shares of the Company held by him/her;
- (ii) the name of the proxy;
- (iii) specific instructions from shareholders, including instructions as to whether to vote "for" or "against" or "abstained" from voting on, each item on the agenda of the general meeting as an item for consideration thereat;
- (iv) the date of issuance and term of validity of the power of attorney;
- (v) the signature (or seal) of the shareholder. In the case of a corporate shareholder, the seal of the legal person shall be affixed. In the case of a partnership enterprise shareholder, the seal of the partnership enterprise shall be affixed and the executing partner shall stamp or sign.

If the Shareholder does not give specific instructions on authorising a proxy to attend the shareholders' meeting, the power of attorney shall state whether the proxy may vote as he/she thinks fit.

If the power of attorney is sign by other personnel authorised by consignor, the power of attorney for authorised signature or other authorization documents should be certified by a notary. The power of attorney or other authorisation documents upon notarized shall, together with the power of attorney for voting, be placed at the domicile of the Company or such other location as specified in the notice of the meeting.

The directors or senior management who are required to attend the shareholders' meeting shall so attend and answer shareholders' inquiries. Subject to compliance with the securities regulatory rules of the place where the shares of the Company are listed, the aforementioned persons may attend the meeting through the internet, video, telephone or other means with equivalent effect.

A shareholders' meeting shall be presided over by chairman of the Board. Where the chairman of the Board is unable or fails to perform his/her duties, the meeting shall be presided over by a Director jointly elected by more than half of the Directors. A shareholders' meeting convened by the Supervisory Committee shall be presided over by the chairman of the Supervisory Committee. Where the chairman of the Supervisory Committee is unable or fails to perform his/her duties, the meeting shall be presided over by a supervisor jointly elected by more than half of the supervisors. A shareholders' meeting convened by Shareholders shall be presided over by a representative elected by convener(s). Where the host of the meeting violates the rules of procedure and makes it impossible to continue the meeting, with the consent of more than half of the shareholders present at the meeting with voting rights, the shareholders' meeting may elect a person to serve as the host of the meeting and continue the meeting.

### **Voting of Shareholders' Meetings**

Resolutions of a shareholders' meeting are divided into ordinary resolutions and special resolutions. Ordinary resolutions of a shareholders' meeting shall be passed by votes representing more than half of the voting rights held by Shareholders (including proxies thereof) attending the shareholders' meeting. Special resolutions of a shareholders' meeting shall be passed by votes representing more than two-thirds of voting rights held by Shareholders (including proxies thereof) attending the shareholders' meeting.

The following matters shall be passed by ordinary resolutions at a shareholders' meeting:

- (i) work reports of the Board and the Supervisory Committee;
- (ii) profit distribution plans and plans for recovery of losses formulated by the Board;
- (iii) appointment and dismissal of members of the Board and the Supervisory Committee, their remunerations and methods of payment;

- (iv) engagement, dismissal or non renewal of accounting firms and their remuneration;
- (v) related transactions between the Company and its related parties that are required to be submitted to shareholders' meeting for approval according to the Listing Rules;
- (vi) changes in the use of proceeds;
- (vii) matters other than those required by the laws, administrative regulations, departmental rules, normative documents, the Listing Rules, other securities regulatory rules of the place where the shares of the Company are listed or the Articles of Association to be passed by special resolution.

The following matters shall be passed by special resolutions at a general meeting:

- (i) increase or reduction of registered capital of the Company;
- (ii) issuance of bonds by the Company;
- (iii) division, spin-off, merger, dissolution and liquidation of the Company;
- (iv) the amendment of the Articles of Association;
- (v) the purchase and sale of material assets or amount of guarantee provided by the Company within one year valued at more than 30% of the audited total assets of the Company as at the most recent period;
- (vi) share incentive scheme and employee shareholding scheme;
- (vii) other matters as required by the laws, administrative regulations, administrative regulations, departmental rules, normative documents, the Listing Rules, other securities regulatory rules of the place where the shares of the Company are listed or the Articles of Association, and considered by the general meeting, by way of an ordinary resolution, to be of a nature which may have a material impact on the Company, shall be passed by a special resolution.

Shareholders (including proxies thereof) have the right to exercise their voting rights based on the number of voting shares they represent. Each share is entitled to one vote.

The shares of the Company held by the Company do not carry voting rights, and shall not be counted in the total number of voting shares represented by shareholders attending a shareholders' meeting.

Shareholders who purchase the voting shares of the Company in violation of the provisions of Clause 1 and Clause 2 of Article 63 of the Securities Law shall not exercise the voting right of the shares that exceed the prescribed ratio within 36 months after the purchase, and such number shall not be counted in the total number of voting shares represented by shareholders attending a general meeting. Where any shareholder is, under the Listing Rules, required to abstain from voting on any particular resolution or restricted to voting only for (or only against) any particular resolution, any votes cast by the shareholder (or his/her proxy) in contravention of such requirement or restriction shall not be counted.

When a connected transaction is considered at a shareholders' meeting, the related Shareholders shall refrain from voting and the number of voting shares that they represent shall not be counted the total number of valid voting shares. Announcement of resolutions of the shareholders' meeting shall fully disclose the voting of non-related Shareholders.

## **BOARD OF DIRECTORS**

### **Directors**

Directors of the Company shall be natural persons. A person may not serve as a Director of the Company in case of any of the following circumstances:

- (i) the person is without civil conduct capacity or with limited civil conduct capacity;
- (ii) the person who has committed an offence of corruption, bribery, conversion of property, misappropriation of property or sabotaging the market economic order of socialism and has been punished therefor; or who has been deprived of his/her political rights, in each case where less than five years have elapsed since the date of the completion of implementation of such punishment or deprivation, two years have not elapsed since the probation period was completed;
- (iii) the person who is a former director, factory director or manager of a company or enterprise which is insolvent and under liquidation and he/she is personally liable for the insolvency of such company or enterprise, where less than three years have elapsed since the date of the completion of such insolvency and liquidation of the company or enterprise;
- (iv) the person who is a former legal representative of a company or enterprise which has had its business licence revoked or been ordered to shut down due to any violation of the law, and where the person was personally responsible for the situation, and three years have not elapsed since the date of revocation of business licence or shutdown order;
- (v) the person identified as a subject of enforcement for breach of trust by the people's court for failure to repay a significant amount of overdue debts;

- (vi) The person has been subject to a ban from accessing to the securities market imposed by the CSRC, and the term of prohibition has not expired;
- (vii) other contents stipulated by laws, administrative regulations, departmental rules, the Listing Rules and other securities regulatory rules of the place where the shares of the Company are listed.

There are no provisions in the Articles of Association requiring Directors to hold any qualification shares.

Directors shall be elected or replaced at the shareholders' meeting. A Director shall serve a term of three years and may serve consecutive terms if re-elected upon the expiration of their terms. Subject to compliance with relevant laws and administrative regulations, the shareholders' meeting may depose any director whose term has not expired by ordinary resolution.

The term of office of a director shall commence from the date of taking the position until the expiry of the term of office of the current session of the Board. Where a re-election fails to be carried out in a timely manner upon the expiry of the term of office of a Director, such director shall continue to perform his/her duties as a director in accordance with the laws, administrative regulations, departmental rules, the Listing Rules, other securities regulatory rules of the place where the shares of the Company are listed and the Articles of Association until the newly elected director assumes the office.

Senior management officers may serve concurrently as Directors, provided that the total number of such Directors who concurrently serve as senior management officers and the employee representatives shall not exceed a half of the total number of the Directors of the Company.

Directors may resign prior to the expiration of their terms of office. The Directors who resign shall submit to the Board a written report in relation to their resignation. Relevant information shall be disclosed by the Board within 2 days. In the event that the resignation of any Director results in the number of members of the Board falling below the statutory minimum requirement, or the resignation of an independent director results in the number of independent directors being less than 1/3 of the Board members, or there is no accounting professional among the independent directors, the resigned Directors shall continue to perform his/her duties in accordance with laws, administrative regulations, departmental rules and the Articles of Association until the newly elected Director assumes the office.

### **Board of Directors**

The Company has established a Board which shall be accountable to the shareholders' meetings. The Board shall comprise nine Directors, with one chairman.

The Board shall exercise the following duties and powers:

- (i) to convene shareholders' meetings and report its work to the shareholders' meetings;
- (ii) to implement the resolutions of the shareholders' meetings;
- (iii) to formulate business operation plans and investment plans of the Company;
- (iv) to formulate the profit distribution plans and plans for recovery of losses of the Company;
- (v) to formulate plans of the Company regarding increase or reduction of the registered capital, issuance of bonds or other securities and listing;
- (vi) to draft plans for major acquisitions of the Company, the purchase of Shares of the Company, merger, division, dissolution or change in the form of the Company;
- (vii) to determine on matters such as the company's external investment, entrusted wealth management, acquisition and sale of assets, asset mortgage, external guarantee matters, related party transactions, and external donations authorised by the shareholders' meeting;
- (viii) to determine the internal management structure of the Company;
- (ix) to determine the appointment or dismissal of the manager of the Company, secretary to the Board and other senior management and decide on their remuneration, rewards and penalties; and based on the nomination of the manager, to determine the appointment or dismissal of the senior management including vice manager(s) and chief financial officer of the Company and determine their remuneration, rewards and penalties;
- (x) to formulate the basic management system of the Company;
- (xi) to formulate proposals for any amendment of the Articles of Association;
- (xii) to manage the information disclosure of the Company;
- (xiii) to propose to the shareholders' meeting for appointment or replacement of the accounting firms which provide audit services to the Company;
- (xiv) to listen to work reports of the manager of the Company and review his/her work;
- (xv) other duties as stipulated in laws, administrative regulations, departmental rules, securities regulatory rules of the place where the shares of the Company are listed and the Articles of Association.



The Board shall have one chairman. The chairman of the Board shall be elected by more than half of all the directors. The chairman of the Board shall exercise the following duties and powers:

- (i) to convene and preside over Board meetings, and to preside over shareholders' meetings;
- (ii) to supervise and examine the implementation of resolutions of the Board;
- (iii) to sign company shares, bonds and other securities;
- (iv) to sign important documents of the Board;
- (v) to exercise the powers of the legal representative, and to sign documents that should be signed by the legal representative of the Company;
- (vi) to approve mortgage financing, loan guarantee and fixed assets investment within the authorisation by the Board;
- (vii) in the event of an emergency such as a natural disaster or other force majeure, to exercise special disposal rights over the company's affairs in accordance with the law and the interests of the company, and report to the company's Board and shareholders' meeting afterwards;
- (viii) to propose to the Board on the appointment or dismissal of the secretary of the Board;
- (ix) other duties and powers granted by laws, administrative regulations, departmental regulations, the Articles of Association or resolutions of the Board.

Where the chairman of the Board is unable or fails to perform his/her duties, the duties shall be performed by a Director jointly elected by more than half of the Directors.

The Board shall hold at least four meetings per year, approximately once a quarter, which shall be convened by the chairman and all Directors and Supervisors shall be notified in writing 14 days before the meeting.

The Board shall convene at least four meetings per year, approximately once a quarter, and all Directors and Supervisors shall be notified in writing of each meeting 14 days prior to the meeting. Shareholders representing more than one-tenth of the voting rights, more than one-third of the directors or the Supervisory Committee, more than half of the independent directors may propose to convene an interim Board meeting. The chairman of the Board shall convene and preside over the interim meeting within 10 days from the receipt of the proposal. The Board shall notify all Directors and Supervisors in writing 3 days before convening the interim meeting of the Board.

The quorum of a Board meeting shall consist of more than one half of all Directors. A resolution of the Board shall be passed by more than half of all Directors. When voting on the resolutions of the Board, each Director shall have one vote.

Where a Director has any related relationship with the enterprise involved in the matter to be decided at the meeting, he/she shall not exercise his/her voting rights on the resolution, nor shall he/she exercise his/her voting rights on behalf of other Directors. Such a Board meeting may be held only if more than one half of the Directors without a related relationship are present, and the resolutions made at such a Board meeting shall require adoption by more than one half of the Directors without a related relationship. If the number of non-related Directors in presence is less than 3 persons, the matter shall be submitted to the shareholders' meeting for consideration.

Directors shall attend Board meetings in person. If any Director is unable to attend the meeting for any reason, he/she may by a written power of attorney appoint another Director to attend the meeting on his/her behalf. The power of attorney shall include the name of the proxy, the subject, scope of authorisation and validity period, which shall be signed or officially sealed by the appointing Director. Where a Director does not attend a Board meeting and does not appoint a proxy to attend the meeting on his behalf, he/she shall be deemed to have waived his/her voting right at the meeting. Independent directors cannot authorise non-independent directors to attend and vote on their behalf.

#### **MANAGERS AND OTHER SENIOR MANAGEMENT**

The Company shall have one general manager, who shall be appointed or dismissed by the Board. The Company may have deputy general managers as necessary. Deputy general managers shall be nominated by the general manager and appointed or dismissed by the Board. The Company's general manager, deputy managers, chief financial officer, secretary to the Board and other senior management designated by the Board are the senior management of the Company.

The circumstances of disqualification for Directors prescribed in Article 89 of the Articles of Association shall also be applicable to senior management.

The general manager shall serve for a term of 3 years and may serve consecutive terms if re-appointed.

The general manager shall report to the Board and exercise the following duties and powers:

- (i) to take charge of the production, operation and management of the Company, organise the implementation of the Board's resolutions, and report to the Board;
- (ii) to organise the implementation annual business plans and investment plans of the Company;

- (iii) to draft the plans for establishment of the internal management organisation of the Company;
- (iv) to draft the basic management system of the Company;
- (v) to formulate the rules and regulations of the Company;
- (vi) to propose to the Board the appointment or dismissal of the deputy general manager and chief financial officer of the Company;
- (vii) to determine the appointment or dismissal of management personnel other than those whose appointment or dismissal shall be determined by the Board;
- (viii) other duties and powers as may be conferred by the Articles of Association or by the Board.

The Company shall have a secretary to the Board, who is responsible for preparing for shareholders' meeting and Board meetings, maintaining documents and managing Shareholders' information, as well as handling information disclosure matters.

## **SUPERVISORY COMMITTEE**

### **Supervisors**

The circumstances of disqualification for Directors prescribed in Article 89 of the Articles of Association shall be applicable to Supervisors. Directors, the general manager, other senior management and their spouses and immediate family members shall not concurrently serve as Supervisors.

Supervisors shall comply with laws, administrative regulations and the Articles of Association and shall assume the duties of honesty and due diligence towards the Company. Supervisors shall not receive bribes or other illegal income in abuse of the position or authority, or embezzle the company assets.

A Supervisor shall serve for a term of 3 years and may serve consecutive terms if re-appointed upon expiry of a term.

Where a re-election fails to be carried out in a timely manner upon the expiry of the term of office of a Supervisor, or in the event that the resignation of the Supervisor during his/her term of office results in the number of members of the Supervisory Committee falling below the statutory minimum requirement, such Supervisor shall continue to perform his/her duties as a Supervisor in accordance with the laws, administrative regulations and the Articles of Association until the newly elected Supervisor assumes the office.

**Supervisory Committee**

The Company shall have a Supervisory Committee. The Supervisory Committee comprises three Supervisors. It shall have one chairman, who shall be elected by more than half of all the Supervisors. The chairman of the Supervisory Committee shall convene and preside over Supervisory Committee meetings. Where the chairman of the Supervisory Committee is unable or fails to perform his/her duties, the Supervisory Committee meetings shall be convened or presided over by a Supervisor jointly elected by more than half of the Supervisors.

The Supervisory Committee shall include 2 representatives of Shareholders and 1 employee representatives of the Company. The employee representatives of the Board of Supervisors shall be elected at the employee representatives' meeting, employee meeting or otherwise democratically.

The Supervisory Committee shall exercise the following duties and powers:

- (i) to review the periodic reports of the Company prepared by the Board and express its written opinion;
- (ii) to check the financial condition of the Company;
- (iii) to monitor the performance of duties in the Company by Directors and senior management and propose dismissal of Directors and senior management who have violated laws, administrative regulations, departmental regulations, the Listing Rules, other securities regulatory rules of the place where the shares of the Company are listed, the Articles of Association or the resolutions of shareholders' meetings;
- (iv) to require Directors and the senior management to make corrections if their conduct has damaged the interests of the Company;
- (v) to propose the convening of interim shareholders' meetings and, in the event that the Board fails to perform the obligations to convene and preside over the shareholders' meetings in accordance with PRC Company Law, to convene and preside over the shareholders' meetings;
- (vi) supervise the implementation of the special committee of the Board and inspect whether the members of the special committee of the Board fulfil their duties in accordance with the rules of procedure;
- (vii) to propose proposals to the general meetings;
- (viii) to file lawsuit against Directors and senior management in accordance with the PRC Company Law;

- (ix) in case of any irregularity identified in the operations of the Company, investigations may be conducted, and if necessary, professional institutions such as accounting firms and law firms may be engaged to assist in their work at the expense of the Company;
- (x) Other authorities prescribed in laws, administrative regulations, departmental rules, the Listing Rules, other securities regulatory rules of the place where the shares of the Company are listed and the Articles of Association.

The Supervisory Committee shall convene at least one meeting every six months. Supervisors may propose to convene an interim meeting. Resolutions of the Supervisory Committee shall be passed by more than half of the Supervisors.

## **FINANCIAL ACCOUNTING SYSTEM, DISTRIBUTION OF PROFITS AND AUDIT**

### **Financial Accounting System**

The Company shall formulate its financial and accounting systems in accordance with laws, administrative regulations and requirements of relevant PRC authorities. The Company shall prepare a financial accounting report at the end of each fiscal year and have it audited by an accounting firm in accordance with relevant laws.

The Company shall report and disclose its annual reports and interim reports in accordance with securities regulatory rules of the place where the shares of the Company are listed.

The Company shall not keep accounts other than those provided by law. Any assets of the Company shall not be kept under any account opened in the name of any individual.

### **Profit distribution**

When distributing after-tax profits of the year, the Company shall set aside 10% of its after-tax profits for the Company's statutory reserve fund. When the aggregate balance in the statutory reserve fund has reached 50% or more of the Company's registered capital, the Company needs not make any further allocations to that fund. Where the Company's statutory reserve fund is not enough to make up losses of the Company for the preceding year, the current year's profits shall be applied firstly to make up the losses before being allocated to the statutory reserve in accordance with the preceding provision. Subject to a resolution passed at a shareholders' meeting, after allocation has been made to the Company's statutory reserve fund from its after-tax profits, the Company may set aside funds for the discretionary reserve fund. Except for those not distributed in proportion as prescribed in the Articles of Association, the remaining after-tax profit, after recovery of losses and appropriation of statutory reserve funds, shall be distributed to Shareholders in proportion to their shareholdings. Where the shareholders' meeting distributes its profits before recovery of losses and appropriation of statutory reserve funds to the shareholders in breach of the provisions of the preceding provision, Shareholders must refund to the Company the profits distributed in violation of the provisions. No profit shall be distributed in respect of the shares of the Company which are held by the Company.

The reserve fund of the Company shall be used for making up for the loss, expansion of the operation or increase of capital of the Company. When using the reserve fund to cover its losses, any discretionary reserve fund and statutory reserve fund shall first be used to cover such losses; if there is still a shortfall, the capital reserve may be used in accordance with laws. When the statutory reserve fund is capitalised, the retained portion of the fund shall not be less than 25% of the registered capital of the Company before the capitalisation.

The Company may distribute profits in the form of cash, shares or in any other manner permitted by laws and regulations.

### **Internal audit**

The Company implements an internal audit system, which clearly defines the leadership system, responsibilities and authorities, personnel allocation, funding support, application of audit results and accountability for internal audit. The internal audit institution of the Company conducts supervision and inspection on matters such as the Company's business activities, risk management, internal control, and financial information.

The internal audit institution reports to the Board. During the process of supervising and inspecting the Company's business activities, risk management, internal control, and financial information, the internal audit institution shall accept the supervision and guidance of the Audit Committee. Where the internal audit institution discovers relevant significant issues or leads, it shall immediately report directly to the Audit Committee.

### **Appointment of an Accounting Firm**

The Company shall appoint such accounting firm which has complied with the Securities Law, the Listing Rules and other securities regulatory rules of the place where the shares of the Company are listed for carrying out the audit for the accounting statements, net asset verification, and other relevant consultancy services. The term of appointment shall be 1 year and can be re-appointed.

The appointment and dismissal of accounting firm by the Company shall be subject to the approval of shareholders' meetings. The Board shall not appoint accounting firm before the approval of the shareholders' meeting.

The Company guarantees that it shall provide the appointed accounting firm with true and complete accounting proofs, accounting books, financial and accounting reports and other accounting information, and that it engages without any refusal, withholding, and misrepresentation.

The auditing fee of the accounting firm shall be determined by the shareholders' meeting.

In the event of termination of the appointment or non-renewal of appointment of an accounting firm, the Company shall notify the accounting firm 60 days in advance; when the shareholders' meeting votes on termination of appointment of an accounting firm, the accounting firm shall be allowed to make its representation.

An accounting firm proposing to resign shall state at a shareholders' meeting whether the Company has committed any improper act.

**MERGER, DIVISION, CAPITAL INCREASE, CAPITAL REDUCTION, DISSOLUTION AND LIQUIDATION****Merger, Division, Capital Increase and Capital Reduction**

Merger of the Company may take the form of absorption or establishment of a new company.

In case of merger by absorption, a company absorbs any other company and the absorbed company is dissolved. In case of merger by new establishment, two or more companies merge into a new one and the parties to the merger are dissolved.

Where the price paid for a merger does not exceed 10 % of the Company's net assets, the merger may be exempted from approval by resolution of a shareholders' meeting, but subject to approval by resolution of the Board.

If the Company is involved in a merger, the parties to the merger shall enter into a merger agreement, and shall prepare a balance sheet and a property list. The Company shall notify its creditors within 10 days as of the date of the resolution for the merger and shall make a public announcement through a newspaper of the Company's registered address or the National Enterprise Credit Information Publicity System within 30 days. A creditor may within 30 days as of the receipt of the notice or, in case where he/she fails to receive such notice within 45 days of the date of the announcement, to demand the Company to repay its debts or provide guarantees for such debts.

When the Company is merged, the claims and debts of each party to the merger shall be succeeded to by the company surviving the merger or the new company established subsequent to the merger.

Where there is a division of the Company, its assets shall be divided accordingly.

Where there is a division of the Company, a balance sheet and property list shall be prepared. The Company shall notify its creditors within 10 days as of the date of the resolution for the division and shall make a public announcement through a newspaper of the Company's registered address or the National Enterprise Credit Information Publicity System within 30 days.

Unless a written agreement has been entered into, before the division, by the Company and its creditors in relation to the repayment of debts, debts of the Company prior to the division shall be jointly assumed by the surviving companies after the division.

Where the Company needs to reduce its registered capital, it shall prepare a balance sheet and property list.

The Company shall notify its creditors within 10 days as of the date of the resolution for the reduction of its registered capital and shall make a public announcement through a newspaper of the Company's registered address or the National Enterprise Credit Information Publicity System within 30 days. A creditor may within 30 days as of the receipt of the notice or, in case where he/she fails to receive such notice within 45 days of the date of the announcement, to demand the Company to repay its debts or provide guarantees for such debts.

Where the Company reduces its registered capital, it shall reduce the amount of capital contribution or shares in accordance with the proportion of shares held by shareholders.

If the reduction of the registered capital is in violation of the PRC Company Law and other relevant provisions, shareholders shall return the funds they have received and the reduced capital contribution of the shareholders shall be restored to its original amount; in case of losses caused to the Company, the shareholders and the liable directors and senior management personnel shall be liable for compensation.

Where there is a merger or division of the Company, the Company shall, in accordance with the laws, apply for change in its registration with the company registration authority for any changes of its registered information caused thereby. Where the Company is dissolved, the Company shall apply for cancellation of its registration in accordance with the laws. Where a new company is established, the Company shall apply for registration of incorporation in accordance with the laws.

Where there is an increase or reduction in the registered capital, the Company shall, in accordance with the laws, apply for change in registration with the company registration authority.

### **Dissolution and Liquidation**

The Company shall be dissolved upon the occurrence of any of the following events:

- (i) the business term stipulated in the Articles of Association expires or other cause of dissolution provided in the Articles of Association;
- (ii) a resolution on dissolution is passed by shareholders' meeting;
- (iii) dissolution is required due to the merger or division of the Company;
- (iv) the business licence of the Company is revoked or the Company is ordered to close down or dissolved in accordance with the laws;
- (v) the Company suffers significant hardships in operation and management that cannot be resolved through other means, and its continuation may cause substantial loss in Shareholders' interests, Shareholders representing 10% or above of the total voting rights of the Company may plead the people's court to dissolve the Company.



With regard to the occurrence of the situation described in item (i) and (ii) above, if assets have not yet been distributed to shareholders, the Company may continue to exist by amending the Articles of Association. Amendments to the Articles of Association pursuant to the preceding paragraph shall be subject to the approval of Shareholders representing two-thirds or above of the voting rights present at the shareholders' meetings.

Where the Company is dissolved pursuant to item (i), (ii), (iv) or (v) above, it shall establish a liquidation committee within 15 days as of the dissolution circumstance arises, and the liquidation shall be thereby started. The liquidation committee shall comprise the Directors, except where other persons are elected by resolution of a shareholders' meeting. If the liquidation obligor fails to perform the liquidation obligation in time and causes losses to the Company or creditors, it shall be liable for compensation.

As of the date of its establishment, the liquidation committee shall notify the creditors within 10 days and shall make a public announcement through a newspaper of the Company's registered address or the National Enterprise Credit Information Publicity System within 60 days. Creditors shall, within 30 days as of the receipt of the notice or, in case where he/she fails to receive such notice, within 45 days as of the date of the announcement, declare their claims to the liquidation committee.

Creditors shall provide explanations and evidence for their claims upon their declarations of such claims. The liquidation committee shall record the creditors' claims.

The liquidation committee shall not pay off any debts to any creditors during period of credit declaration.

After checking the assets of the Company and preparing a balance sheet and property list, the liquidation committee shall formulate a liquidation plan for the confirmation by general meeting or the people's court. The remaining properties of the Company, after the payment for liquidation expenses, wages, social insurance premiums and statutory compensation of staffs, taxes and debts of the Company, shall be distributed to the shareholders in proportion to their shareholdings. During the liquidation period, the Company shall continue to exist but shall not carry out any business activities unrelated to liquidation. The assets of the Company shall not be distributed to the shareholders until the settlement of debts in accordance with the preceding article.

If the liquidation committee, after checking the assets of the Company and preparing a balance sheet and property list, finds that the assets of the Company are insufficient to pay off its debts, it shall immediately file an application to the people's court for bankruptcy. After the people's court accepts the bankruptcy application, the liquidation committee shall hand over liquidation affairs to the administrator designated by the people's court.

Upon completion of liquidation of the Company, the liquidation committee shall prepare a liquidation report and submit the report to the shareholders' meeting or the people's court for confirmation, and submit the report to the company registration authority to apply for de-registration of the Company.

Where the Company is declared bankruptcy in accordance with law, it shall implement bankruptcy liquidation in accordance with the relevant laws relating to bankruptcy of enterprise.

#### **AMENDMENTS TO THE ARTICLE OF ASSOCIATION**

The Company shall amend the Articles of Association in any of the following circumstances:

- (i) after amendments are made to the PRC Company Law or other relevant laws, administrative regulations, departmental regulations, normative documents and the Listing Rules, any term contained in the Articles of Association become inconsistent with the said amendments;
- (ii) if certain changes of the Company occur resulting in the inconsistency with certain terms specified in the Articles of Association;
- (iii) the shareholders' meeting has resolved to amend the Articles of Association.

Where the amendments to the Articles of Association passed by resolutions of the shareholders' meetings require approval of the competent authorities, the amendments shall be submitted to the relevant authorities for approval. Where the amendments involve registration matters of the Company, the involved change shall be registered in accordance with the laws.

The Board shall amend the Articles of Association in accordance with the resolution of the shareholders' meetings on amendment to the Articles of Association and the examination and approval opinions from relevant authorities.

## 1. 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 resident or otherwise subject to tax. The following summary of certain relevant taxation provisions is based on current laws and practices, is subject to change and does not constitute legal or tax advice. The discussion does not deal with all possible tax consequences relating to an investment in the H Shares, nor does it take into account the specific circumstances of any particular investor, some of which may be subject to special regulation. Accordingly, you should consult your own tax adviser regarding the tax consequences of an investment in the H Shares. The discussion is based upon laws and relevant interpretations in effect as of the date of this Prospectus, all of which are subject to change and may have retrospective effect.

This discussion does not address any aspects of the PRC or Hong Kong taxation other than income tax, capital tax, stamp duty and estate duty. Prospective investors are urged to consult their financial advisers regarding the PRC, Hong Kong and other tax consequences of owning and disposing of H Shares.

### A. The PRC Taxation

#### *Taxation on Dividends*

##### *– Individual Investor*

Pursuant to the Individual Income Tax Law of the PRC (《中華人民共和國個人所得稅法》), which was most recently amended on 31 August 2018 and the Implementation Provisions of the Individual Income Tax Law of the PRC (《中華人民共和國個人所得稅法實施條例》), which was most recently amended on 18 December 2018 (hereinafter collectively referred to as the “**IIT Law**”), dividends distributed by PRC enterprises are subject to 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 relevant tax treaty.

Pursuant to the Circular on Certain Policy Questions Concerning Individual Income Tax (《關於個人所得稅若干政策問題的通知》), which was issued by the MOF and the SAT on 13 May 1994 and came into effect on the same date, the incomes gained by individual foreigners from dividends and bonuses of enterprise with foreign investment are exempt from individual income tax for the time being.

– *Enterprise Investors*

In accordance with the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法》) issued by NPC on 16 March 2007 and most recently amended on 29 December 2018 and the Implementation Regulations for the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法實施條例》) issued by the State Council on 6 December 2007 and most recently amended on 23 April 2019, the rate of enterprise income tax shall be 25%. 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 that issues shares in Hong Kong), 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 of the SAT on Issues Relating to the Withholding and Remitting of Enterprise Income Tax by PRC Resident Enterprises on Dividends Distributed to Overseas Non-Resident Enterprise Shareholders of H Shares (《國家稅務總局關於中國居民企業向境外H股非居民企業股東派發股息代扣代繳企業所得稅有關問題的通知》), which was issued and implemented by the SAT on 6 November 2008, further clarified that a PRC-resident enterprise must withhold enterprise income tax at a rate of 10% on the dividends of 2008 and onwards that it distributes to overseas non-resident enterprise shareholders of H Shares. In addition, the Response to Questions on Levying Enterprise Income Tax on Dividends Derived by Non-resident Enterprise from Holding Stock such as B Shares (《關於非居民企業取得B股等股票股息徵收企業所得稅問題的批覆》), which was issued by the SAT and came into effect on 24 July 2009, further provides that any PRC-resident enterprise whose shares are listed on overseas stock exchanges must withhold and remit enterprise income tax at a rate of 10% on dividends of 2008 and onwards that it distributes to non-resident enterprises. Such tax rates may be further modified pursuant to the tax treaty or agreement that China has entered into with a relevant country or area, where applicable.

Pursuant to the Arrangement between the Mainland and the Hong Kong Special Administrative Region on the Avoidance of Double Taxation and the Prevention of Fiscal Evasion (《內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排》) (hereinafter referred to as the “**Arrangement**”), which was signed on 21 August 2006, the Chinese Government may levy taxes on the dividends paid by a PRC-resident enterprise to Hong Kong residents (including resident individuals and resident 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 the PRC-resident enterprise. The Fifth Protocol of the Arrangement between the Mainland of China and the Hong Kong Special Administrative Region on the Avoidance of Double Taxation and the Prevention of Fiscal Evasion (《內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排第五議定書》), which came into effect on 6 December 2019, adds a criteria for the qualification of entitlement to enjoy treaty benefits. Although there may be other provisions under the Arrangement, the treaty benefits under the criteria shall not be granted in the circumstance where 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 this Arrangement, except when the grant of benefits under such circumstance is consistent with relevant objective and goal under the Arrangement. The application of the dividend clause of tax agreements is subject to the requirements of PRC tax law and regulation, such as the Notice of the SAT on the Issues Concerning the Application of the Dividend Clauses of Tax Agreements (《國家稅務總局關於執行稅收協定股息條款有關問題的通知》).

– *Tax Treaties*

Non-resident investors residing in jurisdictions which have entered into treaties or adjustments for the avoidance of double taxation with the PRC might be entitled to a reduction of the Chinese enterprise income tax imposed on the dividends received from PRC 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 and the United States. Non-PRC resident enterprises entitled to preferential tax rates in accordance with the relevant taxation treaties or arrangements are required to apply to the Chinese 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 Chinese tax authorities.

*Taxation on Share Transfer**– VAT and Local Additional Tax*

According to the Interim Regulations of the PRC on Value-added Tax (《中華人民共和國增值稅暫行條例》) which was promulgated by the State Council on 13 December 1993, and most recently amended on 19 November 2017, and the Detailed Rules for the Implementation of the Interim Regulations of the PRC on Value-Added Tax (《中華人民共和國增值稅暫行條例實施細則》) which was promulgated by the MOF on 25 December 1993 and most recently amended on 28 October 2011, all enterprises and individuals that engage in the sale of goods, the provision of processing, repair and replacement services, sales of service, intangible assets and real estate and the importation of goods within the territory of the PRC shall pay value-added tax at the rate of 0%, 6%, 11% and 17% for the different goods it sells and different services it provides, except when specified otherwise.

According to the Circular on Comprehensively Promoting the Pilot Program of the Collection of Value-added Tax in Lieu of Business Tax (《關於全面推開營業稅改徵增值稅試點的通知》), which was promulgated by the MOF and the SAT on 23 March 2016 and latest amended on 1 April 2019, entities and individuals engaged in the services sale in the PRC are subject to 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. It 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 third appendix of the Notice of the MOF and the SAT on Implementing the Pilot Program of Replacing Business Tax with Value-Added Tax in an All-round Manner, namely Provisions on the Transitional Policies for the Pilot Collection of Value-added Tax in Lieu of Business Tax (《營業稅改徵增值稅試點過渡政策的規定》). 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 China, the holder is not necessarily required to pay the PRC VAT, but if the H-share buyer is an individual or entity located in China, the holder may be required to pay the PRC VAT. However, it is still uncertain whether the non-Chinese resident enterprises are required to pay the PRC VAT for the disposal of H shares in practice.

***Income Tax******– Individual Investors***

Under the IIT Law and its implementation rules, individuals are subject to individual income tax at a rate of 20% on gains realised on the sale of equity interests in PRC resident enterprises. Pursuant to the Circular on Continuing the Temporary Exemption of Individual Income Tax on Gains from Share Transfers by Individuals (《關於個人轉讓股票所得繼續暫免徵收個人所得稅的通知》), which was promulgated by the MOF and the SAT and became effective on 30 March 1998, from 1 January 1997, income of individuals from the transfer of shares in listed companies continues to be temporarily exempted from individual income tax. The SAT does not specify whether to continue to exempt individuals from personal income tax on the income from the transfer of shares in listed company.

***– Enterprise Investors***

In accordance with the EIT Law, a non-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-resident enterprise. Such tax may be reduced or exempted pursuant to relevant tax treaties or agreements on avoidance of double taxation.

***Stamp Duty***

According to the Stamp Duty Law of the PRC (《中華人民共和國印花稅法》) promulgated by the SCNPC on 10 June 2021 and became effective on 1 July 2022, the 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 China. Therefore, the purchase and disposal of H shares by non-PRC investors outside of the PRC does not apply to the relevant provisions of the Stamp Duty Law of the PRC.

***Estate Duty***

According to PRC law, no estate duty is currently levied in the PRC.



**B. Hong Kong taxation***Tax on dividends*

Under the current practice of the Inland Revenue Department of Hong Kong, no tax is payable in Hong Kong in respect of dividends paid by the Company.

*Capital gains and profit tax*

No tax is imposed in Hong Kong in respect of capital gains from the sale of H Shares. However, trading gains from the sale of the H Shares by persons carrying on a trade, profession or business in Hong Kong, where such gains are derived from or arise in Hong Kong from such trade, profession or business will be subject to Hong Kong profits tax, which is currently imposed at the maximum rate of 16.5% on corporations and at the maximum rate of 15% on unincorporated businesses. Certain categories of taxpayers (for example, financial institutions, insurance companies and securities dealers) are likely to be regarded as deriving trading gains rather than capital gains unless these taxpayers can prove that the investment securities are held for long-term investment purposes.

Trading gains from sales of the H Shares effected on the Stock Exchange will be considered to be derived from or arise in Hong Kong. Liability for Hong Kong profits tax would thus arise in respect of trading gains from sales of H Shares effected on the Stock Exchange realised by persons carrying on a business of trading or dealing in securities in Hong Kong.

*Stamp duty*

Hong Kong stamp duty, currently charged at the ad valorem rate of 0.10% on the higher of the consideration for or the market value of the H Shares, will be payable by the purchaser on every purchase and by the seller on every sale of any Hong Kong securities, including H Shares (in other words, a total of 0.2% is currently payable on a typical sale and purchase transaction involving H Shares). In addition, a fixed stamp duty of HK\$5.00 is currently payable on any instrument of transfer of H Shares. Where one of the parties is a resident outside Hong Kong and does not pay the ad valorem duty due by it, the duty not paid will be assessed on the instrument of transfer (if any) and will be payable by the transferee. If no stamp duty is paid on or before the due date, a penalty of up to 10 times the duty payable may be imposed.

*Estate duty*

The Revenue (Abolition of Estate Duty) Ordinance 2005 abolished estate duty in respect of deaths occurring on or after 11 February 2006.



## **2. PRINCIPAL TAXATION OF THE COMPANY IN THE PRC**

Please see “Regulatory Overview” of this prospectus.

## **3. TAXATION OF THE COMPANY IN HONG KONG**

The Inland Revenue Ordinance (Chapter 112 of the Laws of Hong Kong) (“**IRO**”) is an ordinance for the purposes of imposing taxes on property, earnings and profits in Hong Kong. The IRO provides, among others, that persons, which include corporations, partnerships, trustees and bodies of persons, carrying on any trade, profession or business in Hong Kong are chargeable to tax on all profits (excluding profits arising from the sale of capital assets) arising in or derived from Hong Kong from such trade, profession or business.

Under the two-tiered profits tax rates regime in Hong Kong, the first HK\$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK\$2 million will be taxed at 16.5%. The profits of a group entity not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

As our Group carries on certain trade and business in Hong Kong, our Group may be subject to the profits tax regime under the IRO.

## **4. FOREIGN EXCHANGE**

### **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 authorisation of the People’s Bank of China (hereinafter referred to as “**PBOC**”), is empowered with the functions of administering all matters relating to foreign exchange, including the enforcement of foreign exchange control regulations. The Foreign Exchange Administration Regulations (《中華人民共和國外匯管理條例》), which was promulgated by the State Council on 29 January 1996 and most recently amended on 5 August 2008, classifies all international payments and transfers into current items and capital items. Current account items are subject to the reasonable examination of the veracity of transaction documents and the consistency of the transaction documents and the foreign exchange receipts and payments by financial institutions engaging in conversion and sale of foreign currencies and supervision and inspection by the foreign exchange control authorities. For capital account items, overseas organisations and overseas individuals making direct investments in China shall, upon approval by the relevant authorities in charge, process registration formalities with the foreign exchange control authorities. Foreign exchange income received overseas can be repatriated or deposited overseas, and foreign exchange and foreign exchange settlement funds under the capital account are required to be used only for purposes as approved by the competent authorities and foreign exchange administrative authorities. In the event that international revenues and expenditure occur or may occur a material imbalance, or the national economy encounters or may encounter a severe crisis, the State may adopt necessary safeguard and control measures on international revenues and expenditure.

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 promulgated by the PBOC on 20 June 1996 and implemented on 1 July 1996, removes other restrictions on convertibility of foreign exchange under current items, while imposing 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 21 July 2005, the PRC has started to implement a managed floating exchange rate system in which the exchange rate would be determined based on market supply and demand and adjusted with reference to a basket of currencies since 21 July 2005. Therefore, the Renminbi exchange rate was no longer pegged to the U.S. dollar. PBOC would publish the closing price of the exchange rate of the Renminbi against trading currencies such as the U.S. dollar in the interbank foreign exchange market after the closing of the market on each working day, as the central parity of the currency against Renminbi transactions on the following working day.

According to the relevant laws and regulations in the PRC, PRC enterprises (including foreign investment enterprises) which need foreign exchange for current item transactions may, without the approval of the foreign exchange administrative authorities, effect payment through foreign exchange accounts opened at the designated foreign exchange bank, on the strength of valid transaction receipts and proof. Foreign investment 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 our Company) may, on the strength of resolutions of the board of directors or the shareholders' meeting on the distribution of profits, effect payment from foreign exchange accounts at the designated foreign exchange bank, or effect exchange and payment at the designated foreign exchange bank.

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 23 October 2014, it decided to cancel the approval requirement of the SAFE and its branches for the remittance and settlement of the proceeds raised from the overseas listing of the foreign shares into RMB domestic accounts.

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》) issued by the SAFE and implemented on 26 December 2014, a domestic company shall, within 15 business days from the date of the end of its overseas listing issuance, register the overseas listing with the local branch office of state administration of foreign exchange at the place of its establishment; the proceeds from an overseas listing of a domestic company may be remitted to the domestic account or deposited in an overseas account, but the use of the proceeds shall be consistent with the content of the document and other disclosure documents. A domestic company (except for bank financial institutions) shall present its certificate of overseas listing to open a special account at a local bank for its initial public offering (or follow-on offering) and repurchase business to handle the exchange, remittance and transfer of funds for the business concerned.

According to the Notice of the SAFE 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 took effect on 1 June 2015 and was amended on 30 December 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 through banks.

According to 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》) which was promulgated by the SAFE and implemented on 9 June 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 adjustment of the SAFE in due time in accordance with international revenue and expenditure situations.

On 26 January 2017, Notice on Further Promoting the Reform of Foreign Exchange Administration and Improving the Examination of Authenticity and Compliance (《關於進一步推進外匯管理改革完善真實合規性審核的通知》) was issued by SAFE to further expand the scope of settlement for domestic foreign exchange loans, allow settlement for domestic foreign exchange loans with export background under goods trading, allow repatriation of funds under domestic guaranteed foreign loans for domestic utilisation, allow settlement for domestic foreign exchange accounts of foreign institutions operating in the Free Trade Pilot Zones, and adopt the model of full-coverage RMB and foreign currency overseas lending management, where a domestic institution engages in overseas lending, the sum of its outstanding overseas lending in RMB and outstanding overseas lending in foreign currencies shall not exceed 30% of its owner's equity in the audited financial statements of the preceding year.

On 23 October 2019, the SAFE issued the Notice on Further Facilitating Cross-Board Trade and Investment (《關於進一步促進跨境貿易投資便利化的通知》), which canceled restrictions on domestic equity investments made with capital funds by non-investing foreign-funded enterprises. In addition, restrictions on the use of funds for foreign exchange settlement of domestic accounts for the realisation of assets have been removed and restrictions on the use and foreign exchange settlement of foreign investors' security deposits have been relaxed. Eligible enterprises in the pilot area are also allowed to use revenues under capital accounts, such as capital funds, foreign debts and overseas listing revenues for domestic payments without providing materials to the bank in advance for authenticity verification on an item-by-item basis, while the use of funds should be true, in compliance with applicable rules and conforming to the current capital revenue management regulations.

**A. FURTHER INFORMATION ABOUT OUR GROUP****1. Incorporation of our Company**

Our Company was incorporated as a joint stock company with limited liability in the PRC on 23 July 2012. Our registered office is located at Kai Di Road, Li Shizhen Industrial Park, Qichun County, Hubei Province, the PRC.

Our Company has established a principal place of business in Hong Kong at Unit 2703B, 27/F, 148 Electric Road, North Point and was registered as a non-Hong Kong company in Hong Kong under Part 16 of the Companies Ordinance on 10 October 2024. Our Company has appointed Mr. Ng Chun Hoi as its authorised representative under the Companies Ordinance for the acceptance of service of process and notices in Hong Kong. The address for service of process on our Company in Hong Kong is the same as our principal place of business in Hong Kong as set out above.

As our Company is incorporated in the PRC, we are subject to relevant laws and regulations of the PRC. A summary of the relevant aspects of laws and regulations of the PRC and our Articles of Association is set out in Appendices IV and V to this prospectus.

**2. Changes in the share capital of our Company**

As at the date of our incorporation, our registered capital was RMB30,000,000 consisting of 30,000,000 issued Domestic Unlisted Shares with a nominal value of RMB1.00 each, which was fully paid up by our promoters. As at the Latest Practicable Date, our registered capital was RMB204,659,509 consisting of 204,659,509 issued Domestic Unlisted Shares with a nominal value of RMB1.00 each.

Immediately following the completion of the Global Offering, assuming that the Over-allotment Option is not exercised, our issued share capital will be increased to RMB272,879,509, divided into 204,659,509 Domestic Unlisted Shares and 68,220,000 H Shares, with a nominal value of RMB1.00 each fully paid up or credited as fully paid up, representing approximately 75.00% and 25.00% of our enlarged share capital, respectively.

As at the Latest Practicable Date, there had been no alteration in our share capital within two years immediately preceding the date of this prospectus.

**3. Shareholders' resolutions of our Company**

Pursuant to the general meeting held on 24 September 2024, the following resolutions, among others, were duly passed by our Shareholders:

- (a) the issue by our Company of H Shares of nominal value of RMB1.00 each and such H Shares be listed on the Stock Exchange;
- (b) the number of H Shares to be issued before the exercise of the Over-allotment Option shall be approximately 25% of the enlarged share capital of our Company upon completion of the Global Offering (in fulfillment of the lowest applicable public float requirement pursuant to the Listing Rules) and granting the Underwriters the Over-allotment Option of no more than 15% of the above number of H Shares to be issued;
- (c) subject to the completion of the Global Offering, the conditional adoption of the Articles of Association, which shall become effective on the Listing Date; and
- (d) authorisation of our Board and its authorised persons to handle all matters relating to, among other things, the Global Offering, the issue and listing of the H Shares on the Stock Exchange.

**4. Changes in the registered capital of our subsidiaries**

The list of our subsidiaries is set out in Note 40 to the Accountants' Report, the text of which is set out in Appendix I to this prospectus.

Save as disclosed in the section headed "History, Development and Corporate Structure – Corporate Development – Our Principal Subsidiaries" in this prospectus, there has been no alteration in the share capital of any of our subsidiaries within the two years immediately preceding the date of this prospectus.

**5. Restriction on share repurchases**

For details of the restrictions on share repurchases by our Company, please see "Summary of the Articles of Association" which is set out in Appendix V to this prospectus.

**B. FURTHER INFORMATION ABOUT OUR BUSINESS****1. Summary of material contracts**







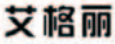




We have entered into the following contract (not being contracts entered into in the ordinary course of business) within the two years immediately preceding the date of this prospectus, which is or may be material:

- (a) the agreement to Purchase and Sell Land dated 31 August 2024 entered into between X.J. Electrics (Thailand) as purchaser and Amata City Rayong Company Limited as vendor, a company incorporated and existing under the laws of Thailand with its principal office at 2126 New Petchburi Road, Huay Kwang, Bangkok 10310, Thailand, pursuant to which X.J. Electrics (Thailand) agreed to acquire a parcel of land in Rayong, Thailand at the consideration of THB149,314,000;
- (b) the cornerstone investment agreement dated 5 June 2025 entered into among our Company, Hubei Shunjie Investment (Hong Kong) Co., Limited (湖北順捷投資(香港)有限公司) and the Sole Sponsor-Overall Coordinator with respect to a subscription for such number of H Shares of our Company (rounded down to the nearest whole board lot of 1,000 Offer Shares) at the Offer Price in the aggregate amount of RMB40,000,000 (inclusive of brokerage of 1.0%, SFC transaction levy of 0.0027%, Stock Exchange trading fee of 0.00565% and AFRC transaction levy of 0.00015%);
- (c) the cornerstone investment agreement dated 5 June 2025 entered into among our Company, Hong Kong Xinghuang Holdings Limited (香港興黃控股有限公司) and the Sole Sponsor-Overall Coordinator with respect to a subscription for such number of H Shares of our Company (rounded down to the nearest whole board lot of 1,000 Offer Shares) at the Offer Price in the aggregate amount of RMB30,000,000 (inclusive of brokerage of 1.0%, SFC transaction levy of 0.0027%, Stock Exchange trading fee of 0.00565% and AFRC transaction levy of 0.00015%);
- (d) the cornerstone investment agreement dated 5 June 2025 entered into among our Company, Hong Kong Yunxing Technology Trade Management Co., Limited (香港雲星科技貿易管理有限公司) and the Sole Sponsor-Overall Coordinator with respect to a subscription for such number of H Shares of our Company (rounded down to the nearest whole board lot of 1,000 Offer Shares) at the Offer Price in the aggregate amount of RMB10,000,000 (inclusive of brokerage of 1.0%, SFC transaction levy of 0.0027%, Stock Exchange trading fee of 0.00565% and AFRC transaction levy of 0.00015%); and
- (e) the Hong Kong Underwriting Agreement.

## 2. Our material intellectual property rights














### (a) Trademarks

As at the Latest Practicable Date, we have registered the following trademarks which we considered to be material to our business:

No.	Trademark	Registered Owner	Place of Registration	Classes	Registration Number	Validity Period
1.		Our Company	The PRC	7 9	33698020 33710019	From 21 May 2019 to 20 May 2029
2.		Our Company	The PRC	11 21	33696118 33717925	From 28 May 2019 to 27 May 2029
3.		Our Company	The PRC	21	23993170	From 21 April 2018 to 20 April 2028
4.		Our Company	The PRC	11	23993018	From 14 September 2018 to 13 September 2028
5.		Our Company	The PRC	7	23992873	From 7 July 2018 to 6 July 2028
6.		Our Company	The PRC	11	14779966	From 7 July 2016 to 6 July 2026
7.		Our Company	The PRC	21	11348529	From 14 January 2014 to 13 January 2034
8.		Our Company	The PRC	11	11100055	From 7 November 2013 to 6 November 2033
9.		Our Company	The PRC	11	14779910	From 7 July 2015 to 6 July 2025
10.		Our Company	The PRC	11 21	33716415 33703810	From 14 July 2020 to 13 July 2030
11.		Our Company	The PRC	7 11 21	24206832 24207015 24207391	From 14 May 2018 to 13 May 2028



No.	Trademark	Registered Owner	Place of Registration	Classes	Registration Number	Validity Period
12.		Our Company	The PRC	9 11	14208282 14208316	From 28 April 2015 to 27 April 2035
13.		Our Company	The PRC	7	14208255	From 28 May 2015 to 27 May 2035
14.	HOMEIMAGE	Our Company	The PRC	9 11	7714917 7714919	From 14 March 2021 to 13 March 2031
15.	HOMEIMAGE	Our Company	The PRC	7	7714918	From 7 December 2020 to 6 December 2030
16.		Our Company	The PRC	11	5058332	From 21 November 2018 to 20 November 2028
17.		Our Company	The PRC	9	5058331	From 21 March 2019 to 20 March 2029
18.		Our Company	The PRC	7	5058330	From 28 December 2018 to 27 December 2028
19.		Our Company	The PRC	11	21686955	From 14 December 2017 to 13 December 2027
20.		Our Company	The PRC	9	4905690	From 7 September 2018 to 6 September 2028
21.	香江	Our Company	The PRC	7	79315075	From 7 March 2025 to 6 March 2035
22.		X.J. Electronics	The PRC	7 11	4905688 4905691	From 7 September 2018 to 6 September 2028
23.		Innovative (Jiangyin)	The PRC	9	4362522	From 28 May 2017 to 27 May 2027
24.		Innovative (Jiangyin)	The PRC	20 21	4362521 4362520	From 14 January 2018 to 13 January 2028

No.	Trademark	Registered Owner	Place of Registration	Classes	Registration Number	Validity Period
25.		Our Company	The U.S.	7	5037356	From 6 September 2016 to 8 September 2026
26.		X.J. Electronics (Shenzhen)	Australia	7 11	1609457 1609455	From 6 March 2024 to 5 March 2034
27.		X.J. Electronics (Shenzhen)	Australia	7	1609452	From 5 March 2024 to 4 March 2034
28.		X.J. Electronics (Shenzhen)	Australia	7 11	1609458 1609460	From 6 March 2024 to 5 March 2034
29.		X.J. Electronics (Shenzhen)	Germany	11	302014001571	From 5 March 2014 to 31 March 2034
30.		X.J. Electronics (Shenzhen)	United Kingdom	11	UK00003045495	From 29 February 2016 to 5 March 2034
31.		Weighmax	The U.S.	9	3062395	From 28 February 2016 to 27 February 2026
32.		X.J. Electronics (Shenzhen)	Australia	7 11	1609454 1609453	From 5 March 2024 to 4 March 2034
33.		X.J. Electronics (Shenzhen)	Germany	7 11	302014001574 302014001575	From 5 March 2024 to 31 March 2034
34.		Our Company	Hong Kong	7, 11, 17, 21	306560316	From 23 May 2024 to 22 May 2034
35.		MeiNuoWei Electrics	EU	7, 9, 11	018320082	From 12 October 2020 to 12 October 2030
36.		MeiNuoWei Electrics	The U.S.	7 9 11	6558982 6558981 6558926	From 16 November 2021 to 16 November 2027
37.		Weighmax	The U.S.	9	5721527	From 9 April 2019 to 9 April 2029

No.	Trademark	Registered Owner	Place of Registration	Classes	Registration Number	Validity Period
38.		Nuocheng Electronic Commerce	The U.S.	11	7137217	From 15 August 2023 to 15 August 2033
39.		Our Company	EU	7, 11	018893751	From 27 June 2023 to 27 June 2033
40.		Nuocheng Electronic Commerce	The U.S.	7, 11	7493543 7493565	From 3 September 2024 to 3 September 2034
41.		Our Company	Japan	7,11	6772325	From 22 January 2024 to 22 January 2034
42.		Our Company	EU	7, 11	018893778	From 27 June 2023 to 27 June 2033
43.		Our Company	Japan	7, 11	6772324	From 22 January 2024 to 22 January 2034
44.	JARDIS	Weighmax	The U.S.	9	7149093	From 29 August 2023 to 29 August 2033

**(b) Patents**

- (i) As at the Latest Practicable Date, we have registered the following patents which we considered to be material to our business:

No.	Patent	Registered owner	Patent Number	Patent Type	Place of Registration	Date of Application
1	Pan	Our Company	US D751,334 S	Design	The U.S.	9 September 2014
2	Foldable Pan	Our Company	US 9,492,034 B2	Invention	The U.S.	12 September 2014
3	Water Tank Type Electric Steamer	Our Company	US 9,717,363 B2	Invention	The U.S.	17 September 2014
4	Scale with Detachable Protective Cover	Our Company	US 9,903,752 B2	Invention	The U.S.	21 November 2014
5	食物攪拌機	Our Company	ZL201520488146.5	Utility	The PRC	8 July 2015
6	臥式打蛋器 (XJ-15412)	Our Company	ZL201530435490.3	Design	The PRC	4 November 2015

No.	Patent	Registered owner	Patent Number	Patent Type	Place of Registration	Date of Application
7	旋轉鐳射燈	Our Company	ZL201530523206.8	Design	The PRC	11 December 2015
8	伸縮水管	Our Company	ZL201630022088.7	Design	The PRC	21 January 2016
9	風琴式伸縮管	Our Company	ZL201620079380.7	Utility	The PRC	27 January 2016
10	電子式乾果機 (XJ-14709)	Our Company	ZL201630079464.6	Design	The PRC	18 March 2016
11	上蓋結構以及 攪拌機	Our Company	ZL201620297566.X	Utility	The PRC	11 April 2016
12	不鏽鋼廚房秤	Our Company	ZL201630139507.5	Design	The PRC	22 April 2016
13	扁線燈結構、扁線 燈組件及裝飾燈	Our Company	ZL201620488865.1	Utility	The PRC	26 May 2016
14	漲拉式伸縮水管	Our Company	ZL201620755043.5	Utility	The PRC	18 July 2016
15	LED Light Bar	Our Company	US D801,568 S	Design	The U.S.	18 July 2016
16	Decorative Light	Our Company	US D810,987 S	Design	The U.S.	18 July 2016
17	Decorative Light	Our Company	US D810,988 S	Design	The U.S.	20 July 2016
18	一種白光光源裝置 及燈具	Our Company	ZL201610764158.5	Invention	The PRC	30 August 2016
19	家用攪拌機及其攪 拌杯的製冷結構	Our Company	ZL201621054924.0	Utility	The PRC	14 September 2016
20	水壺 (12828)	Our Company	ZL201630500464.9	Design	The PRC	12 October 2016
21	水壺 (12830)	Our Company	ZL201630500481.2	Design	The PRC	12 October 2016
22	郵政秤 (82809)	Our Company	ZL201630500485.0	Design	The PRC	12 October 2016
23	電熱水壺 (12831)	Our Company	ZL201630501567.7	Design	The PRC	13 October 2016
24	幻燈儀	Our Company	ZL201730023801.4	Design	The PRC	20 January 2017
25	鐳射燈	Our Company	ZL201730024057.X	Design	The PRC	20 January 2017

No.	Patent	Registered owner	Patent Number	Patent Type	Place of Registration	Date of Application
26	郵政秤 (82810)	Our Company	ZL201730068856.7	Design	The PRC	10 March 2017
27	泡茶組件及蒸茶養生壺	Our Company	ZL201710235880.4	Invention	The PRC	12 April 2017
28	泡茶組件及蒸茶養生壺	Our Company	ZL201720381941.3	Utility	The PRC	12 April 2017
29	Kettle with Filter Cup Lifting Arrangement	Our Company	US 10,251,508 B2	Invention	The U.S.	12 May 2017
30	伸縮水管 (漲拉式)	Our Company	ZL201730355987.3	Design	The PRC	7 August 2017
31	兩片多士爐 (22867)	Our Company	ZL201730516929.4	Design	The PRC	27 October 2017
32	多士爐 (22868四片)	Our Company	ZL201730517218.9	Design	The PRC	27 October 2017
33	電蒸鍋 (12842長方形)	Our Company	ZL201730517219.3	Design	The PRC	27 October 2017
34	電熱水壺 (12847 1.7L)	Our Company	ZL201730519593.7	Design	The PRC	27 October 2017
35	不鏽鋼電炸鍋 (32809A0/A1 & B0/B1)	Our Company	ZL201730519595.6	Design	The PRC	27 October 2017
36	玻璃杯攪拌機 (42866)	Our Company	ZL201730519596.0	Design	The PRC	27 October 2017
37	郵政秤 (82812)	Our Company	ZL201730519597.5	Design	The PRC	27 October 2017
38	一種激光健髮梳	Our Company	ZL201711042904.0	Invention	The PRC	30 October 2017
39	一種食物處理器	Our Company	ZL201711174339.3	Invention	The PRC	22 November 2017
40	一種可變換的刀架組件	Our Company	ZL201721580621.7	Utility	The PRC	22 November 2017

No.	Patent	Registered owner	Patent Number	Patent Type	Place of Registration	Date of Application
41	一種食物處理器	Our Company	ZL201721580622.1	Utility	The PRC	22 November 2017
42	一種離合器以及食物處理器	Our Company	ZL201721597490.3	Utility	The PRC	22 November 2017
43	一種刀架組件	Our Company	ZL201721597496.0	Utility	The PRC	22 November 2017
44	一種茶網可拆卸的水壺	Our Company	ZL201721648782.5	Utility	The PRC	29 November 2017
45	水管	Our Company	ZL201820232459.8	Utility	The PRC	8 February 2018
46	Water Pipe	Our Company	US 10,480,691 B2	Invention	The U.S.	8 February 2018
47	電烤爐	Our Company	ZL201820483155.9	Utility	The PRC	2 April 2018
48	電烤爐 (可拆卸把手款)	Our Company	ZL201830142667.4	Design	The PRC	10 April 2018
49	電熱水壺	Our Company	ZL201830191419.9	Design	The PRC	2 May 2018
50	多功能早餐機	Our Company	ZL201830191457.4	Design	The PRC	2 May 2018
51	電熱水壺 (帶觸摸按鍵液晶顯示窗)	Our Company	ZL201830191503.0	Design	The PRC	2 May 2018
52	電熱水壺 (帶觸摸按鍵)	Our Company	ZL201830191569.X	Design	The PRC	2 May 2018
53	攪拌機 (42871A1)	Our Company	ZL201830191622.6	Design	The PRC	2 May 2018
54	玻璃電熱水壺 (真空電鍍玻璃)	Our Company	ZL201830390622.9	Design	The PRC	19 July 2018
55	電熱水壺(七彩真空電鍍玻璃)	Our Company	ZL201830391029.6	Design	The PRC	19 July 2018
56	電熱水壺	Our Company	ZL201821295203.8	Utility	The PRC	10 August 2018
57	具有可升降茶網的水壺	Our Company	ZL201821359123.4	Utility	The PRC	22 August 2018

No.	Patent	Registered owner	Patent Number	Patent Type	Place of Registration	Date of Application
58	空氣炸鍋	Our Company	ZL201830608670.0	Design	The PRC	30 October 2018
59	牛扒烤爐 (22901)	Our Company	ZL201930053455.3	Design	The PRC	30 January 2019
60	臥式打蛋器 (42846)	Our Company	ZL201930080372.3	Design	The PRC	28 February 2019
61	空氣炸鍋 (32828A-B)	Our Company	ZL201930172368.X	Design	The PRC	16 April 2019
62	烤爐 (22901D0)	Our Company	ZL201930234326.4	Design	The PRC	15 May 2019
63	早餐機	Our Company	ZL201920785573.8	Utility	The PRC	28 May 2019
64	數碼管式空氣炸鍋 (32828D/C)	Our Company	ZL201930424099.1	Design	The PRC	6 August 2019
65	Ovens [cooking] (牛扒烤爐)	Our Company	007296298	Design	EU	26 November 2019
66	Can Opener	Our Company	US D929,831 S	Design	The U.S.	21 January 2020
67	一種激光焊接機	Our Company	ZL202010726592.0	Invention	The PRC	25 July 2020
68	一種整形裝配 一體化的裝配 設備	Our Company	ZL202011019206.0	Invention	The PRC	24 September 2020
69	Water Hose	Our Company	US D1,004,754 S	Design	The U.S.	2 March 2022
70	Nozzle	Our Company	US D1,010,770 S	Design	The U.S.	2 March 2022
71	Water Hose	Our Company	US D1,017,777 S	Design	The U.S.	3 March 2022
72	Three-way Connector	Our Company	US D1,017,776 S	Design	The U.S.	2 March 2022
73	Elbow Pipe Coupling	Our Company	US D1,019,909 S	Design	The U.S.	2 March 2022

No.	Patent	Registered owner	Patent Number	Patent Type	Place of Registration	Date of Application
74	保溫盤 (摺疊式 22953A)	Our Company	ZL202230587760.2	Design	The PRC	6 September 2022
75	脫髮治療儀 (BT76801A)	Our Company	ZL202230587662.9	Design	The PRC	6 September 2022
76	摺疊式保溫盤	Our Company	ZL202222372665.8	Utility	The PRC	6 September 2022
77	水管	Our Company	ZL202320516529.3	Utility	The PRC	16 March 2023
78	電蒸鍋 (12941A)	Our Company	ZL202330239654.X	Design	The PRC	26 April 2023
79	冰淇淋機傳動結構	Our Company	ZL202321236077.X	Utility	The PRC	18 May 2023
80	一種電熱水壺	Our Company	ZL202321373717.1	Utility	The PRC	29 May 2023
81	一種電熱水壺的觸摸按鍵	Our Company	ZL202321373711.4	Utility	The PRC	29 May 2023
82	一種加熱控制電路及加熱設備	Our Company	ZL202321431512.4	Utility	The PRC	6 June 2023
83	一種取暖器	Our Company	ZL202321448902.2	Utility	The PRC	7 June 2023
84	Automatic cookers (自動炒菜鍋)	Our Company	015029241	Design	EU	26 July 2023
85	自動調理鍋	Our Company	1761762	Design	Japan	26 July 2023
86	一種包裝盒	Our Company	ZL202322448859.6	Utility	The PRC	7 September 2023
87	自動炒菜鍋 (22978A)	Our Company	ZL202330620918.6	Design	The PRC	22 September 2023
88	自動調理鍋	Our Company	1773721	Design	Japan	11 October 2023
89	電炸鍋 (32860A1)	Our Company	ZL202330660460.7	Design	The PRC	12 October 2023
90	電蒸鍋 (觸摸式 12959ACH)	Our Company	ZL202330721217.1	Design	The PRC	6 November 2023



No.	Patent	Registered owner	Patent Number	Patent Type	Place of Registration	Date of Application
91	Air Fryers (空氣炸鍋)	Our Company	015040697	Design	EU	10 November 2023
92	電烤爐 (22808D1)	Our Company	ZL202330814911.8	Design	The PRC	11 December 2023
93	一種自動炒菜鍋	Our Company	ZL202323661020.7	Utility	The PRC	28 December 2023
94	一種自動炒菜鍋	Our Company	ZL202323620977.7	Utility	The PRC	28 December 2023
95	一種自動炒菜鍋	Our Company	ZL202323661046.1	Utility	The PRC	28 December 2023
96	一種自動炒菜 平底鍋	Our Company	ZL202323622643.3	Utility	The PRC	28 December 2023
97	水管 (帶閥門)	Our Company	ZL202430036876.6	Design	The PRC	19 January 2024
98	空氣炸鍋 (32852A0)	Our Company	ZL202430043243.8	Design	The PRC	23 January 2024
99	一種多功能烹飪器 具	Our Company	ZL202420252367.1	Utility	The PRC	1 February 2024
100	一種烹飪器具	Our Company	ZL202420252372.2	Utility	The PRC	1 February 2024
101	水管 (62930A)	Our Company	ZL202430234068.0	Design	The PRC	24 April 2024
102	香薰機 (52818A1)	Our Company	ZL202430383657.5	Design	The PRC	21 June 2024
103	一種水管	Our Company	ZL202421522563.2	Utility	The PRC	28 June 2024
104	香薰機 (52816A1)	Our Company	ZL202430401736.4	Design	The PRC	28 June 2024
105	Postal Scale	Innovative (Jiangyin)	US D742,264 S	Design	The U.S.	13 December 2013
106	秤 (卡片秤 82821A)	Innovative (Jiangyin)	ZL202030442316.2	Design	The PRC	6 August 2020
107	智能不鏽鋼秤 (82822A)	Innovative (Jiangyin)	ZL202030471657.2	Design	The PRC	18 August 2020
108	智能脂肪人體秤 (82823A)	Innovative (Jiangyin)	ZL202030759475.5	Design	The PRC	10 December 2020

No.	Patent	Registered owner	Patent Number	Patent Type	Place of Registration	Date of Application
109	Weighing Scale	Innovative (Jiangyin)	US D957,975 S	Design	The U.S.	11 January 2021
110	電子秤 (82835A)	Innovative (Jiangyin)	ZL202130213515.0	Design	The PRC	15 April 2021
111	郵政秤 (82837A)	Innovative (Jiangyin)	ZL202430116838.1	Design	The PRC	8 March 2024
112	郵政秤 (82838A)	Innovative (Jiangyin)	ZL202430480948.6	Design	The PRC	31 July 2024
113	廚房秤 (82840A)	Innovative (Jiangyin)	ZL202430485763.4	Design	The PRC	1 August 2024
114	電子秤 (82827A)	MeiNuoWei Electronics	ZL202030736262.0	Design	The PRC	1 December 2020
115	電子秤 (82830A)	MeiNuoWei Electronics	ZL202030736261.6	Design	The PRC	1 December 2020
116	電子秤 (82825A)	MeiNuoWei Electronics	ZL202030762862.4	Design	The PRC	11 December 2020
117	電子秤 (82824A)	MeiNuoWei Electronics	ZL202030762863.9	Design	The PRC	11 December 2020
118	電子秤 (82831A)	MeiNuoWei Electronics	ZL202030762873.2	Design	The PRC	11 December 2020
119	卡片秤 (82829A)	MeiNuoWei Electronics	ZL202030791404.3	Design	The PRC	22 December 2020
120	郵政秤 (82832A)	MeiNuoWei Electronics	ZL202030791403.9	Design	The PRC	22 December 2020
121	卡片秤 (82833A)	MeiNuoWei Electronics	ZL202130017768.0	Design	The PRC	12 January 2021
122	Waffle Makers (單層旋轉式華夫機)	MeiNuoWei Electronics	008429021	Design	EU	8 February 2021
123	廚房秤 (82826A 玻璃可懸掛)	MeiNuoWei Electronics	ZL202130123089.1	Design	The PRC	8 March 2021
124	煎鍋 (方形 22942A1)	MeiNuoWei Electronics	ZL202130756802.6	Design	The PRC	18 November 2021
125	電烤爐 (22956A-8人)	MeiNuoWei Electronics	ZL202230391907.0	Design	The PRC	24 June 2022
126	巧克力烹飪鍋 (22962A1)	MeiNuoWei Electronics	ZL202230590784.3	Design	The PRC	7 September 2022

No.	Patent	Registered owner	Patent Number	Patent Type	Place of Registration	Date of Application
127	電烤爐 (XJ-3K076Q0)	MeiNuoWei Electrics	ZL202430055135.2	Design	The PRC	26 January 2024
128	水管(不鏽鋼 62929A)	MeiNuoWei Electrics	ZL202430234058.7	Design	The PRC	24 April 2024
129	食物處理器的傳動 裝置以及食物 處理器	X.J. Electrics (Shenzhen)	ZL201620897023.1	Utility	The PRC	17 August 2016
130	光柵鏡片轉動結構 和鐳射燈	X.J. Electrics (Shenzhen)	ZL201621079902.X	Utility	The PRC	26 September 2016
131	光柵鏡片轉動結構 和鐳射燈	X.J. Electrics (Shenzhen)	ZL201610850682.4	Invention	The PRC	26 September 2016
132	機械式空氣炸鍋 (FW45393)	X.J. Electrics (Shenzhen)	ZL201930390125.3	Design	The PRC	22 July 2019
133	開罐器 (72840A1)	X.J. Electrics (Shenzhen)	ZL201930390244.9	Design	The PRC	22 July 2019
134	攪拌機 (42901A0A1)	X.J. Electrics (Shenzhen)	ZL201930560152.0	Design	The PRC	15 October 2019
135	空氣炸鍋 (32830A, B, C)	X.J. Electrics (Shenzhen)	ZL202030037905.2	Design	The PRC	19 January 2020
136	研磨器 (42915)	X.J. Electrics (Shenzhen)	ZL202030711571.2	Design	The PRC	23 November 2020
137	一種開罐器自動停 止開罐的 裝置	X.J. Electrics (Shenzhen)	ZL202023059534.1	Utility	The PRC	17 December 2020
138	一種開罐器自動停 止開罐的方法以 及裝置	X.J. Electrics (Shenzhen)	ZL202011497209.5	Invention	The PRC	17 December 2020

No.	Patent	Registered owner	Patent Number	Patent Type	Place of Registration	Date of Application
139	Automatic Stop Method and Device for Can Opener	X.J. Electronics (Shenzhen)	US 11,827,504 B2	Invention	The U.S.	4 January 2021
140	便攜式粉碎機 (42923A)	X.J. Electronics (Shenzhen)	ZL202130213514.6	Design	The PRC	15 April 2021
141	輔食機 (42919A, 42919B)	X.J. Electronics (Shenzhen)	ZL202130615207.0	Design	The PRC	16 September 2021
142	打蛋器 (便攜式 42964A)	X.J. Electronics (Shenzhen)	ZL202130615067.7	Design	The PRC	16 September 2021
143	便攜式粉碎機 (BT46802A)	X.J. Electronics (Shenzhen)	ZL202130737212.9	Design	The PRC	10 November 2021
144	便攜式電動刀	X.J. Electronics (Shenzhen)	ZL202130737260.8	Design	The PRC	10 November 2021
145	廚房刀具收納盒	X.J. Electronics (Shenzhen)	ZL202130737269.9	Design	The PRC	10 November 2021
146	便攜式攪拌機	X.J. Electronics (Shenzhen)	ZL202221439515.8	Utility	The PRC	9 June 2022
147	開罐器 (香蕉)	X.J. Electronics (Shenzhen)	ZL202230350083.2	Design	The PRC	9 June 2022
148	攪拌機 (便攜式 42978A)	X.J. Electronics (Shenzhen)	ZL202230551787.6	Design	The PRC	23 August 2022
149	便攜式榨汁機	X.J. Electronics (Shenzhen)	ZL20222253205.3	Utility	The PRC	25 August 2022
150	榨汁機	X.J. Electronics (Shenzhen)	ZL202320756992.5	Utility	The PRC	3 April 2023
151	便攜式攪拌機 (42984A)	X.J. Electronics (Shenzhen)	ZL202330176030.8	Design	The PRC	4 April 2023

No.	Patent	Registered owner	Patent Number	Patent Type	Place of Registration	Date of Application
152	小型電器組裝系統	X.J. Electronics (Shenzhen)	ZL202320825289.5	Utility	The PRC	4 April 2023
153	測試裝置及小型 電器生產線	X.J. Electronics (Shenzhen)	ZL202320755427.7	Utility	The PRC	4 April 2023
154	便攜式雙榨汁頭 榨汁機	X.J. Electronics (Shenzhen)	ZL202320971690.X	Utility	The PRC	20 April 2023
155	攪拌機 (42980A0)	X.J. Electronics (Shenzhen)	ZL202330239648.4	Design	The PRC	26 April 2023
156	便攜式攪拌機 (46813A)	X.J. Electronics (Shenzhen)	ZL202330239621.5	Design	The PRC	26 April 2023
157	冰淇淋機 (42993A1)	X.J. Electronics (Shenzhen)	ZL202330259716.3	Design	The PRC	6 May 2023
158	一種家用無線 榨汁機	X.J. Electronics (Shenzhen)	ZL202321126834.8	Utility	The PRC	11 May 2023
159	攪拌機 (48oz 玻璃電子式 43008C1)	X.J. Electronics (Shenzhen)	ZL202430036322.6	Design	The PRC	19 January 2024
160	攪拌機 (1.5升琴 鍵式43008A1, 43008B1)	X.J. Electronics (Shenzhen)	ZL202430036362.0	Design	The PRC	19 January 2024
161	便攜式電動刀 (46816A)	X.J. Electronics (Shenzhen)	ZL202430054983.1	Design	The PRC	26 January 2024
162	便攜式攪拌機 (43016A)	X.J. Electronics (Shenzhen)	ZL202430259706.4	Design	The PRC	6 May 2024
163	攪拌機 (43018A0/A1)	X.J. Electronics (Shenzhen)	ZL202430259723.8	Design	The PRC	6 May 2024
164	便攜式電動刀 (43011A)	X.J. Electronics (Shenzhen)	ZL202430383410.3	Design	The PRC	21 June 2024

No.	Patent	Registered owner	Patent Number	Patent Type	Place of Registration	Date of Application
165	冰淇淋機杯子升降結構	X.J. Electronics (Shenzhen)	ZL202421881400.3	Utility	The PRC	5 August 2024
166	一種冰淇淋機的刀頭檢測結構	X.J. Electronics (Shenzhen)	ZL202421519213.0	Utility	The PRC	28 June 2024
167	裝飾燈及裝飾燈組	X.J. Electronics (Shenzhen)	ZL201621034476.8	Utility	The PRC	31 August 2016
168	裝飾燈及裝飾燈組	X.J. Electronics (Shenzhen)	ZL201610799129.2	Invention	The PRC	31 August 2016
169	焊接系統和裝飾燈	X.J. Electronics (Shenzhen)	ZL201621147116.9	Utility	The PRC	21 October 2016
170	油桶以及具有該油桶的電炸鍋	X.J. Electronics (Shenzhen)	3323327	Invention	EU	29 December 2016
171	華夫餅機 (FW45394)	X.J. Electronics (Shenzhen)	ZL201930371250.X	Design	The PRC	12 July 2019
172	華夫餅機 (22906 雙層旋轉式)	X.J. Electronics (Shenzhen)	ZL201930417351.6	Design	The PRC	2 August 2019
173	烤爐 (22912牛扒烤爐)	X.J. Electronics (Shenzhen)	ZL201930536810.2	Design	The PRC	29 September 2019
174	水壺 (機械式不鏽鋼12893B款)	X.J. Electronics (Shenzhen)	ZL202030124261.0	Design	The PRC	16 October 2019
175	水壺 (機械式不鏽鋼12893A款)	X.J. Electronics (Shenzhen)	ZL201930562088.X	Design	The PRC	16 October 2019
176	電熱水壺 (不鏽鋼機械式12894A)	X.J. Electronics (Shenzhen)	ZL201930562098.3	Design	The PRC	16 October 2019
177	電烤爐 (22907系列)	X.J. Electronics (Shenzhen)	ZL201930562092.6	Design	The PRC	16 October 2019
178	電烤爐 (22913系列)	X.J. Electronics (Shenzhen)	ZL201930562089.4	Design	The PRC	16 October 2019
179	電熱水壺 (玻璃機械式12895)	X.J. Electronics (Shenzhen)	ZL201930562097.9	Design	The PRC	16 October 2019

No.	Patent	Registered owner	Patent Number	Patent Type	Place of Registration	Date of Application
180	牛扒烤爐 (22912B)	X.J. Electronics (Shenzhen)	ZL201930571871.2	Design	The PRC	21 October 2019
181	一種負離子空氣 淨化器	X.J. Electronics (Shenzhen)	ZL202020844298.5	Utility	The PRC	19 May 2020
182	乾果機 (22921)	X.J. Electronics (Shenzhen)	ZL202030330353.4	Design	The PRC	24 June 2020
183	乾果機 (22922)	X.J. Electronics (Shenzhen)	ZL202030330842.X	Design	The PRC	24 June 2020
184	一種耐磨程度檢測 裝置	X.J. Electronics (Shenzhen)	ZL202021522636.X	Utility	The PRC	25 July 2020
185	一種水壺蓋質量 檢測工裝	X.J. Electronics (Shenzhen)	ZL202021513654.1	Utility	The PRC	25 July 2020
185	養生壺 (12831D)	X.J. Electronics (Shenzhen)	ZL202030458470.9	Design	The PRC	12 August 2020
187	Air Purifiers (空氣淨化器)	X.J. Electronics (Shenzhen)	008272561	Design	EU	17 November 2020
188	Air Purifier	X.J. Electronics (Shenzhen)	US D953,505 S	Design	The U.S.	17 November 2020
189	多士爐 (兩片 22925A0)	X.J. Electronics (Shenzhen)	ZL202030706479.7	Design	The PRC	20 November 2020
190	煮蛋器 (12913A)	X.J. Electronics (Shenzhen)	ZL202030706478.2	Design	The PRC	20 November 2020
191	電蒸飯盒 (12910A)	X.J. Electronics (Shenzhen)	ZL202030706831.7	Design	The PRC	20 November 2020
192	電熱水壺(雙層 12918A1.7升)	X.J. Electronics (Shenzhen)	ZL202030759899.1	Design	The PRC	10 December 2020
193	華夫餅機 (22927)	X.J. Electronics (Shenzhen)	ZL202030762124.X	Design	The PRC	11 December 2020

No.	Patent	Registered owner	Patent Number	Patent Type	Place of Registration	Date of Application
194	蒸茶養生壺 (12846G)	X.J. Electronics (Shenzhen)	ZL202030789596.4	Design	The PRC	21 December 2020
195	蒸茶養生壺 (12846E)	X.J. Electronics (Shenzhen)	ZL202030789599.8	Design	The PRC	21 December 2020
196	Air Purifier	X.J. Electronics (Shenzhen)	US 11,781,765 B2	Invention	The U.S.	28 January 2021
197	郵政秤 (82828A)	X.J. Electronics (Shenzhen)	ZL202130073904.8	Design	The PRC	2 February 2021
198	Electric Ovens for cooking (電烤爐)	X.J. Electronics (Shenzhen)	008491906	Design	EU	9 April 2021
199	Electric Ovens for cooking (電烤爐)	X.J. Electronics (Shenzhen)	008490627	Design	EU	9 April 2021
200	烤爐 (平板 22926A0)	X.J. Electronics (Shenzhen)	ZL202130265992.1	Design	The PRC	6 May 2021
201	奶泡機 (12923A)	X.J. Electronics (Shenzhen)	ZL202130285894.4	Design	The PRC	13 May 2021
202	水管 (62916A)	X.J. Electronics (Shenzhen)	ZL202130588386.3	Design	The PRC	7 September 2021
203	彎接頭 (兩通接頭 -62917A)	X.J. Electronics (Shenzhen)	ZL202130588380.6	Design	The PRC	7 September 2021
204	三通接頭 (62918A)	X.J. Electronics (Shenzhen)	ZL202130588377.4	Design	The PRC	7 September 2021
205	多功能鍋 (12926A0A1)	X.J. Electronics (Shenzhen)	ZL202130756804.5	Design	The PRC	18 November 2021
206	一種電動刀具 套餐	X.J. Electronics (Shenzhen)	ZL202210026213.6	Invention	The PRC	11 January 2022



No.	Patent	Registered owner	Patent Number	Patent Type	Place of Registration	Date of Application
207	電烤爐 (22946A)	X.J. Electronics (Shenzhen)	ZL202230078957.3	Design	The PRC	18 February 2022
208	水管	X.J. Electronics (Shenzhen)	ZL202230078398.6	Design	The PRC	18 February 2022
209	烤爐鏟子 (22946A)	X.J. Electronics (Shenzhen)	ZL202230082630.3	Design	The PRC	21 February 2022
210	帶柄餐廚用具	X.J. Electronics (Shenzhen)	ZL202220442179.6	Utility	The PRC	2 March 2022
211	空氣炸鍋 (機械式 32838A1)	X.J. Electronics (Shenzhen)	ZL202230156079.2	Design	The PRC	24 March 2022
212	華夫餅機 (22952A)	X.J. Electronics (Shenzhen)	ZL202230391897.0	Design	The PRC	24 June 2022
213	電烤爐 (22957A-4人)	X.J. Electronics (Shenzhen)	ZL202230391890.9	Design	The PRC	24 June 2022
214	掛鉤 (02839)	X.J. Electronics (Shenzhen)	ZL202230396797.7	Design	The PRC	27 June 2022
215	一種華夫機	X.J. Electronics (Shenzhen)	ZL202221673897.0	Utility	The PRC	29 June 2022
216	一種可調華夫餅厚薄的華夫機	X.J. Electronics (Shenzhen)	ZL202221658180.9	Utility	The PRC	29 June 2022
217	華夫餅機 (22950A1)	X.J. Electronics (Shenzhen)	ZL202230519214.5	Design	The PRC	10 August 2022
218	一種聯排的華夫餅機	X.J. Electronics (Shenzhen)	ZL202222105029.9	Utility	The PRC	10 August 2022
219	機械式空氣炸鍋	X.J. Electronics (Shenzhen)	ZL202230591885.2	Design	The PRC	7 September 2022
220	空氣炸鍋生產線	X.J. Electronics (Shenzhen)	ZL202320777381.9	Utility	The PRC	6 April 2023
221	華夫餅機生產線	X.J. Electronics (Shenzhen)	ZL202320781300.2	Utility	The PRC	7 April 2023

No.	Patent	Registered owner	Patent Number	Patent Type	Place of Registration	Date of Application
222	一種多功能電烤爐	X.J. Electronics (Shenzhen)	ZL202320959183.4	Utility	The PRC	18 April 2023
223	Electric Grills (烤爐)	X.J. Electronics (Shenzhen)	015019191	Design	EU	21 April 2023
224	一種電熱水壺生產線	X.J. Electronics (Shenzhen)	ZL202320991545.8	Utility	The PRC	24 April 2023
225	空氣炸鍋	X.J. Electronics (Shenzhen)	ZL202330239008.3	Design	The PRC	26 April 2023
226	電熱水壺 (12942A)	X.J. Electronics (Shenzhen)	ZL202330239079.3	Design	The PRC	26 April 2023
227	雙炸網電子式空氣炸鍋 (32847A0)	X.J. Electronics (Shenzhen)	ZL202330447112.1	Design	The PRC	17 July 2023
228	冰淇淋機 (43007A0A1)	X.J. Electronics (Shenzhen)	ZL202330666447.2	Design	The PRC	16 October 2023
229	慢燉鍋 (機械式 22982A)	X.J. Electronics (Shenzhen)	ZL202330685238.2	Design	The PRC	23 October 2023
230	機械式慢燉鍋	X.J. Electronics (Shenzhen)	ZL202330700777.9	Design	The PRC	27 October 2023
231	機械式氣炸鍋	X.J. Electronics (Shenzhen)	ZL202330814909.0	Design	The PRC	11 December 2023
232	咖啡杯 (12968A)	X.J. Electronics (Shenzhen)	ZL202430293525.3	Design	The PRC	17 May 2024
233	咖啡機 (12968A, 12969A)	X.J. Electronics (Shenzhen)	ZL202430293496.0	Design	The PRC	17 May 2024
234	Personal Blender Assembly	Weighmax	US D801,108 S	Design	The U.S.	17 August 2015
235	Balance	Weighmax	US D850,958 S	Design	The U.S.	15 March 2017
236	Balance	Weighmax	US D830,211 S	Design	The U.S.	15 March 2017

- (ii) As at the Latest Practicable Date, we have applied for the registration of the following patents which we considered to be material to our business:

No.	Patent	Applicant	Application Number	Patent Type	Place of Application	Date of Application
1.	Electric Cutter Assembly	Our Company	17/669, 607	Invention	The U.S.	11 February 2022
2.	Packaging Box	Our Company	18/470, 597	Invention	The U.S.	11 May 2023
3.	Storage Box	Our Company	18/316,170	Utility	The U.S.	11 May 2023
4.	Electric Pot	Our Company	18/337, 630	Invention	The U.S.	20 June 2023
5.	Heating Control Circuit and Heating Equipment	Our Company	18/343, 403	Utility	The U.S.	28 June 2023
6.	Packing Box	Our Company	29/910, 652	Design	The U.S.	23 August 2023
7.	多功能空氣炸鍋 (32852A0)	Our Company	2023306405798	Design	The PRC	28 September 2023
8.	Automatic Cooking Appliances (22978A)	Our Company	30-2023-0039624	Design	Korea	11 October 2023
9.	一種烹飪器具	Our Company	2024101455879	Invention	The PRC	1 February 2024
10.	Air Fryer	Our Company	29, 927/686	Design	The U.S.	5 February 2024
11.	一種水管	Our Company	2024108664593	Invention	The PRC	28 June 2024
12.	一種燈光投影裝置及裝飾組件	Our Company	2024117502969	Invention	The PRC	29 November 2024
13.	Postal Scale	Innovative (Jiangyin)	29/943,633	Design	The U.S.	22 May 2024
14.	榨汁機 (可攜式 42988A)	X.J. Electrics (Shenzhen)	2023302120949	Design	The PRC	18 April 2023
15.	一種冰淇淋機的刀頭檢測結構	X.J. Electrics (Shenzhen)	2024108655132	Invention	The PRC	28 June 2024

No.	Patent	Applicant	Application Number	Patent Type	Place of Application	Date of Application
16.	一種電動刀具消毒裝置	X.J. Electronics (Shenzhen)	202220065414.2	Utility	The PRC	11 January 2022
17.	Electric Cutter Assembly	X.J. Electronics (Shenzhen)	22154598.1	Invention	EU	1 February 2022
18.	烤爐 (可烤披薩)	X.J. Electronics (Shenzhen)	2023302236822	Design	The PRC	21 April 2023
19.	Oven	X.J. Electronics (Shenzhen)	29/890, 205	Design	The U.S.	21 April 2023

**(c) Software copyrights**

As at the Latest Practicable Date, our Group was the registered owner of the following software copyrights in the PRC which we considered to be material to our business:

No.	Software Name	Registered Owner	Registration Number	Date of Registration
1.	X.J. Electrics (Shenzhen) LED Street Light Remote Network Control Management Software V1.0* (愛思傑LED路燈遠程網絡控制管理軟件V1.0)	X.J. Electrics (Shenzhen)	2017SR003121	4 January 2017
2.	X.J. Electrics (Shenzhen) LED Light Wireless WIFI Intelligent Control Software V1.0* (愛思傑LED燈無線WIFI智能控制軟件V1.0)	X.J. Electrics (Shenzhen)	2017SR010962	12 January 2017
3.	X.J. Electrics (Shenzhen) LED Lighting Multi-Angle Light Control Software V1.0* (愛思傑LED燈光多角度發光控制軟件V1.0)	X.J. Electrics (Shenzhen)	2017SR010970	12 January 2017

No.	Software Name	Registered Owner	Registration Number	Date of Registration
4.	X.J. Electronics (Shenzhen) LED Laser Light Digital Modeling Energy-Saving Intelligent Control Software V1.0* (愛思傑LED鐳射燈數字建模節能智能控制軟件V1.0)	X.J. Electronics (Shenzhen)	2017SR023055	23 January 2017
5.	X.J. Electronics (Shenzhen) Laser LED Lighting 3D Virtual Design Simulation Software V1.0* (愛思傑鐳射燈LED燈光三維虛擬設計仿真軟件V1.0)	X.J. Electronics (Shenzhen)	2017SR023061	23 January 2017
6.	X.J. Electronics (Shenzhen) LED Laser Light Dance Lighting Effect Intelligent Control Software V1.0* (愛思傑LED鐳射燈舞會燈光效果智能控制軟件V1.0)	X.J. Electronics (Shenzhen)	2017SR023647	23 January 2017
7.	X.J. Electronics (Shenzhen) LED Laser Light Real Effect Remote Monitoring APP Platform Software V1.0* (愛思傑LED鐳射燈實景效果遠程監控APP平台軟件V1.0)	X.J. Electronics (Shenzhen)	2017SR023658	23 January 2017
8.	X.J. Electronics (Shenzhen) LED Street Light Low Voltage DC Power Supply System Software V1.0* (愛思傑LED路燈低壓直流供電系統軟件V1.0)	X.J. Electronics (Shenzhen)	2017SR042261	14 February 2017

**(d) Domain names**

As at the Latest Practicable Date, our Group was the registered proprietor of the following domain names which we considered to be material to our business:

No.	Domain name	Registered Owner	Validity Period
1.	xjgroup.com	Shenzhen Branch	From 18 December 2001 to 19 December 2027
2.	xjgroupltd.com	X.J. Electronics (Shenzhen)	From 11 October 2010 to 13 November 2027
3.	xjgroup.cn	Our Company	From 3 December 2010 to 3 December 2030
4.	xjappliance.com	MeiNuoWei Electronics	From 5 December 2010 to 5 December 2027

No.	Domain name	Registered Owner	Validity Period
5.	xjhousewares.com	Shenzhen Branch	From 28 December 2010 to 28 December 2027
6.	xjappliances.com	X.J. Electronics (Shenzhen)	From 20 January 2017 to 20 January 2028
7.	meinuowei.cn	MeiNuoWei Electrics	From 26 November 2019 to 26 November 2027
8.	aigoli.cn	Aigrentrading	From 26 November 2019 to 26 November 2026
9.	xjscale.com	X.J. Electronics (Shenzhen)	From 29 November 2020 to 29 November 2027
10.	thsgroupltd.com	MeiNuoWei Electrics	From 6 April 2021 to 6 April 2026
11.	tumidy.com	Nuocheng Electronic Commerce	From 27 June 2023 to 27 June 2026
12.	aigoli.com	Our Company	From 20 September 2023 to 20 September 2026

## C. FURTHER INFORMATION ABOUT OUR DIRECTORS AND SUPERVISORS

### 1. Particulars of Directors' and Supervisors' contracts

Each of our Directors and Supervisors has entered into a service contract with our Company. The service contracts may be renewed in accordance with the Articles of Association and the applicable laws, rules and regulations.

Save as disclosed above, none of the Directors or Supervisors has or is proposed to enter into a service contract with any member of our Group, other than contracts expiring or determinable by the relevant employer within one year without the payment of compensation (other than statutory compensation).

### 2. Remuneration of Directors and Supervisors

For details of the remuneration or benefits in kind paid to our Directors and Supervisors during the Track Record Period, please see "Directors, Supervisors and Senior Management" and Note 13 to the Accountants' Report in Appendix I to this prospectus.

During the Track Record Period, no fees were paid by our Group to any of our Directors, Supervisors or the five highest paid individuals as an inducement to join us or as compensation for loss of office, and there has been no arrangement under which a Director or Supervisor has waived or agreed to waive any emoluments.

#### D. DISCLOSURE OF INTERESTS

##### 1. Disclosure of interests of Directors, Supervisors and chief executive of our Company

Immediately following the completion of the Global Offering, the interest and/or short position (as applicable) of our Directors, Supervisors and chief executives of our Company in the shares, underlying shares and debentures of our Company or its associated corporations (within the meaning of Part XV of the SFO) which will be required to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interest or short positions which they were 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, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 to the Listing Rules, to be notified to our Company and the Stock Exchange, once the H Shares are listed, will be as follows:

Name of Director, Supervisor or chief executive of our Company	Nature of interest	Class of Shares	Shares held as at the Latest Practicable Date and immediately prior to the Global Offering <sup>(1)</sup>		Shares held immediately following the completion of the Global Offering (assuming the Over-allotment Option is not exercised) <sup>(1)</sup>	
			Number	Approximate percentage in the total share capital of our Company	Number	Approximate percentage in the total share capital of our Company
Mr. Pan Yun	Beneficial Interest	Domestic Unlisted Shares	110,659,509 (L)	54.07%	110,659,509 (L)	40.55%
	Interest in controlled corporation <sup>(2)</sup>	Domestic Unlisted Shares	94,000,000 (L)	45.93%	94,000,000 (L)	34.55%

Notes:

1. The letter “L” denotes the entity/person’s long position (as defined under Part XV of the SFO) in such Shares.

2. As at the Latest Practicable Date, X.J. Management (Qichun) and Qichun Hengxing were owned by Mr. Pan Yun as to 70.37% and 47.50%, respectively. Mr. Pan Yun was the sole general partner of X.J. Management (Qichun) and Qichun Hengxing. X.J. Management (Qichun) and Qichun Hengxing were interested in 54,000,000 Domestic Unlisted Shares and 40,000,000 Domestic Unlisted Shares, respectively. Accordingly, Mr. Pan Yun is deemed to be interested in the Domestic Unlisted Shares held by X.J. Management (Qichun) and Qichun Hengxing under the SFO.

## **2. Disclosure of interests of substantial shareholders**

Save as disclosed in the section headed “Substantial Shareholders” in this prospectus, our Directors are not aware of any person (other than our Director, Supervisor or chief executive of our Company) who will, immediately following completion of the Global Offering (assuming that the Over-allotment Option is not exercised), have interests or short positions in our Shares or underlying Shares which would be required to be disclosed to us and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who is, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of our Group.

## **3. Disclaimers**

Save as disclosed in the sections headed “Business” and “Substantial Shareholders” in this prospectus and the paragraphs headed “C. Further Information about our Directors and Supervisors” and “D. Disclosure of Interests” in this section:

- (a) none of our Directors or chief executive has any direct or indirect interest in the promotion of our Company, or in any assets which have within the two years immediately preceding the date of this prospectus been acquired or disposed of by or leased to any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group;
- (b) none of our Directors or Supervisors is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to the business of our Group taken as a whole;
- (c) none of our Directors is interested in any business (other than the business of our Group) which competes or is likely to compete, directly or indirectly, with our business; and
- (d) without taking into account any Shares which may be taken up under the Global Offering, none of our Directors knows of any person (not being a Director or chief executive of our Company) who will, immediately following completion of the Global Offering, be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at shareholders’ meetings of any member of our Group in the Shares or underlying Shares of our Company.



**E. OTHER INFORMATION****1. Estate duty**

Our Directors have been advised that no material liability for estate duty is likely to fall on our Company or any member of our Group.

**2. Litigation**

As at the Latest Practicable Date, no member of our Group was engaged in any litigation or arbitration of material importance and, so far as our Directors are aware, no litigation or claim of material importance is pending or threatened by or against any member of our Group.

**3. Sole Sponsor**

The Sole Sponsor satisfies the independence criteria applicable to sponsors set out in Rule 3A.07 of the Listing Rules.

The Sole Sponsor has made an application on behalf of our Company to the Stock Exchange for listing of, and permission to deal in the H Shares to be issued by us pursuant to the Global Offering (including any H Shares which may be issued pursuant to the exercise of the Over-allotment Option).

Pursuant to the engagement letter entered into between our Company and the Sole Sponsor, we have agreed to pay the Sole Sponsors a fee of HK\$5.5 million to act as the sponsor of our Company in connection with the proposed listing on the Stock Exchange.

**4. Preliminary expenses**

Our Company did not incur any material preliminary expenses.

**5. Promoters**

The promoters of our Company are Mr. Pan Yun, Ms. Ji Ying, Ms. Li Youxiang, Mr. Xu Xiping, Mr. Yi Jie, Mr. Hu Qingfeng, Mr. Ye Huanchun, Ms. Hu Yan, Mr. Zou Chenghou, Mr. Geng Congen, Ms. Yan Li and Ms. Yi Hongliang.

Within the two years immediately preceding the date of this prospectus, no cash, securities or other benefit has been paid, allotted or given nor is any proposed to be paid, allotted or given to any promoters in connection with the Global Offering and the related transactions described in this prospectus.

**6. Qualifications of experts**

The qualifications of the experts, as defined under the Listing Rules, who have given opinions in this prospectus, are as follows:

<b>Name</b>	<b>Qualification</b>
Sinolink Securities (Hong Kong) Company Limited	A licensed corporation to conduct type 1 (dealing in securities), type 2 (dealing in futures contracts), type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) of the regulated activities under the SFO
Zhong Lun Law Firm	Legal advisers to our Company as to the PRC law
Law Offices of Bin Li & Associates	Legal advisers to our Company as to the U.S. law
SEA Law Firm	Legal advisers to our Company as to Indonesian law
DTL Law Office	Legal advisers to our Company as to Thailand law
Stephen Peepels	Legal advisers to our Company as to international sanctions law
Yan Kwok Wing	Barrister-at-law in Hong Kong
Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.	Independent industry consultant
Deloitte Touche Tohmatsu	Certified Public Accountants and Registered Public Interest Entity Auditor
AVISTA Valuation Advisory Limited	Independent property valuer
Beijing Tian Zhi Tax Agent Co., Ltd Shenzhen Branch	Independent transfer pricing consultant

**7. Consents of experts**

Each of the parties named above has given and has not withdrawn its written consent to the issue of this prospectus with the inclusion of its report and/or letter and/or opinion and/or references to its name included herein in the form and context in which it is respectively included.

As at the Latest Practicable Date, none of the experts named above has any shareholding interests in any member of our Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group.

**8. Taxation of holders of H Shares*****(a) Hong Kong***

The sale, purchase and transfer of H Shares are subject to Hong Kong stamp duty if such sale, purchase and transfer are effected on the H Share register of members of our Company, including in circumstances where such transactions are effected on the Stock Exchange. The current rate of Hong Kong stamp duty for such sale, purchase and transfer is 0.1% of the consideration or, if higher, the fair value of the H Shares being sold or transferred.

***(b) Consultation with professional advisers***

Intending holders of the H Shares are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding or disposing of or dealing in the H Shares. It is emphasised that none of our Company, our Directors, Supervisors or the other parties involved in the Global Offering will accept responsibility for any tax effect on, or liabilities of, holders of H Shares resulting from their subscription for, purchase, holding or disposal of or dealing in the H Shares or exercise of any rights attaching to them.

**9. Binding effect**

This prospectus shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of Sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance so far as applicable.

**10. Related party transactions**

Our Group entered into the related party transactions within the two years immediately preceding the date of this prospectus as mentioned in Note 37 to the Accountants' Report in Appendix I to this prospectus.

**11. No material adverse change**

Our Directors believe that there has been no material adverse change in the financial or trading position since 31 December 2024 (being the date to which the latest audited consolidated financial statements of the Group were prepared).

**12. Miscellaneous**

Save as disclosed in the sections headed “History, Development and Corporate Structure”, “Business”, “Financial Information” and “Underwriting” in this prospectus and the paragraph headed “A. Further Information about our Group” in this section:

- (a) within the two years immediately preceding the date of this prospectus:
  - (i) no share or loan capital of our Company or any of its subsidiaries has been issued or agreed to be issued or is proposed to be issued fully or partly paid either for cash or a consideration other than cash;
  - (ii) no share or loan capital of our Company or any of our subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;
  - (iii) no commissions, discounts, brokerages or other special terms have been granted or agreed to be granted in connection with the issue or sale of any share of our Company or any of our subsidiaries; and
  - (iv) no commission has been paid or is payable for subscription, agreeing to subscribe, procuring subscription or agreeing to procure subscription for any share in or debentures of our Company;
- (b) there are no founder, management or deferred shares or any debentures in our Company or any of our subsidiaries;
- (c) there has not been any interruption in the business of our Group which may have or has had a significant effect on the financial position of our Group in the 12 months preceding the date of this prospectus;
- (d) our Company has no outstanding convertible debt securities or debentures;
- (e) there is no arrangement under which future dividends are waived or agreed to be waived;
- (f) save for our H Shares to be issued in connection with the Global Offering, none of our equity and debt securities is listed or dealt with in any other stock exchange nor is any listing or permission to deal being or proposed to be sought;

- (g) 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; and
- (h) all necessary arrangements have been made to enable the H Shares to be admitted into CCASS for clearing and settlement.

### **13. Bilingual prospectus**

The English Language and Chinese language versions of this prospectus are being published separately in reliance upon the exemption provided by section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong). In case of any discrepancies between the English language version and Chinese language version of this prospectus, the English language version shall prevail.

**DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES**

The documents attached to a copy of this prospectus and delivered to the Registrar of Companies in Hong Kong for registration were, amongst other documents, a copy of each of the written consents referred to in “E. Other Information – 7. Consents of Experts” in Appendix VII to this prospectus, and a certified copy of each of the material contracts referred to in “B. Further Information about our Business – 1. Summary of Material Contracts” in Appendix VII to this prospectus.

**DOCUMENTS ON DISPLAY**

The following documents will be published on the websites of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and our Company ([www.xjgroup.com](http://www.xjgroup.com)) up to and including the date which is 14 days from the date of this prospectus:

- (a) the Articles of Association;
- (b) the Accountants’ Report from Deloitte Touche Tohmatsu, the text of which is set out in Appendix I to this prospectus;
- (c) the report from Deloitte Touche Tohmatsu in relation to unaudited pro forma financial information of our Group, the text of which is set out in Appendix II to this prospectus;
- (d) the valuation report from AVISTA Valuation Advisory Limited, the text of which is set out in Appendix III to this prospectus;
- (e) the audited consolidated financial statements of our Group for the years ended 31 December 2022, 2023 and 2024;
- (f) the industry report prepared by Frost & Sullivan;
- (g) the material contracts referred to in the paragraph headed “B. Further Information about Our Business – 1. Summary of Material Contracts” in Appendix VII to this prospectus;
- (h) the written consents referred to in the paragraph headed “E. Other Information – 7. Consents of Experts” in Appendix VII to this prospectus;
- (i) the PRC legal opinion issued by Zhong Lun Law Firm in respect of certain aspects of our Group and the property interests of our Group in the PRC;
- (j) the Indonesian legal due diligence report issued by SEA Law Firm in respect of certain aspects of our subsidiary in Indonesia;

- (k) the Thai legal opinion issued by DTL Law Office in respect of certain aspects of our subsidiary in Thailand;
- (l) the U.S. legal opinions issued by Law Offices of Bin Li & Associates in respect of certain aspects of our subsidiaries in the U.S.;
- (m) the legal opinion issued by Yan Kwok Wing as to Hong Kong laws in respect of the third party payments of our Group;
- (n) the memorandum of advice issued by Stephen Peepels in respect of international laws and regulations relating to trade sanctions and export controls of our Group;
- (o) the service contracts referred to in the paragraph headed “C. Further Information about Our Directors and Supervisors – 1. Particulars of Directors’ and Supervisors’ Contracts” in Appendix VII to this prospectus; and
- (p) the PRC Company Law, the Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies, together with their unofficial English translations.

**湖北香江電器股份有限公司**  
**X.J. ELECTRICS (HU BEI) CO., LTD**