OVERVIEW

We are a leading regional eyewear retail chain operator in Zhejiang Province and Gansu Province. We provide comprehensive and professional optometric and vision-care services and focus on the sales of prescription spectacles. According to the Euromonitor Report, **Mao Yuan Chang** (including both self-operated and franchised stores) ranked first in the offline eyewear retail industry in Zhejiang Province in 2024, with a market share of 8.8% in terms of sales amount, while our **Lan Keda** (previously **Keda**, before rebranding in March 2026) ranked first in the offline eyewear retail industry in Gansu Province in 2024, with a market share of 10.2% in terms of sales amount.

Our flagship brand, "毛源昌眼鏡" ("**Mao Yuan Chang**") is a centuries-old heritage brand with over 160 years of history in China's eyewear industry. **Mao Yuan Chang** has been officially recognised as a "China Time-honoured Brand" (中華老字號) by the MOFCOM in 2006 and a "Well-Known Trademark in China" (中國馳名商標) by the former State Administration for Industry and Commerce of the PRC (now reorganised under the SAMR) in 2015. We also own the "蘭科達眼鏡" ("**Lan Keda**") brand.

The distribution channels of products we sell comprise self-operated stores under **Mao Yuan Chang** and **Lan Keda**, franchised stores under **Mao Yuan Chang**, as well as e-commerce channels and our Associate Store. We drive the expansion of **Mao Yuan Chang** network primary through self-operated stores and supplement coverage gaps with franchised stores. During the Track Record Period, our revenue was generated from four business: (i) self-operated model, comprising mainly the sales of prescription spectacles, as well as other eyewear products; (ii) franchise model, comprising wholesales of eyewear products to franchised stores, franchise fees and franchise management fees; (iii) online retail sales; and (iv) others, consisting of revenue from wholesale to our Associate Store, and sales of non-eyewear related consumables to franchised stores. As at the Latest Practicable Date, our retail network comprised 78 self-operated stores and 194 franchised stores across 18 cities in the PRC, the majority of which are located in Zhejiang Province and Gansu Province.

Our revenue was driven primarily by the sales of prescription spectacles, which accounted for approximately 79.7%, 80.1% and 79.6% of our revenue for the years ended 31 December 2023, 2024 and 2025, respectively. Our optometric services, which is essential to sales of prescription spectacles, provide personalised vision assessments, custom fittings, and after-sales care. We adopt standardised procedures for our optometric examination to ensure the quality of our services, please refer to "– Our Products and Services – Sales Procedure for Prescription Spectacles and Prescription Services" under this section for details. We address a wide spectrum of requirements, from everyday vision correction to specialised care for children and seniors.

We offer a diverse product portfolio that includes our proprietary brands, which are designed and manufactured by our selected third-party OEM suppliers in accordance with our specifications and quality assurance protocols, alongside renowned third-party domestic brands and international brands. We place emphasis on our customer service, including after-sales support and membership programmes with personalised offers and vision health tracking, to drive repeat business and long-term retention. We achieved repeat customer rate (calculated based on our registered members under our membership programme) of approximately 41.2%, 46.6% and 46.4% for our self-operated stores for the years ended 31 December 2023, 2024 and 2025, respectively.

In 2024, we implemented various measures to build long-term brand value and to ensure sustainable growth. Key initiatives included standardising retail pricing and eliminating the provision of discount, and strengthening franchise management and support, enhanced implementation of franchise management fees, and reducing volume-based promotion sales and sales of lower-value products to focus more on mid-to-high-end products. The product and pricing measures in effect made our products more expensive and had a significant impact on our customer conversion rate upon their introduction, resulting in an 8.0% decline in revenue to RMB250.4 million, and a decrease in profit for the year to RMB18.1 million with a net profit margin of 7.2%, in 2024. As the impact of the product and pricing measures became less pronounced in 2025, our revenue recovered to RMB265.4 million, representing a 6.0% increase, while profit for the year rebounded to RMB41.2 million with a net profit margin of 15.5%.

COMPETITIVE STRENGTHS

Our competitive strengths, which we believe form the foundation of our success and position us for future growth, include the following:

A recognised heritage brand with over 160 years of history

We possess a long-established brand heritage. Our flagship brand **Mao Yuan Chang** traces its origin back in 1862. Since we acquired this brand, we have built a prominent presence in the eyewear industry in Zhejiang Province. **Mao Yuan Chang** has been officially recognised as a "China Time-honoured Brand" (中華老字號) by the MOFCOM in 2006 and a "Well-Known Trademark in China" (中國馳名商標) by the former State Administration for Industry and Commerce of the PRC (now recognised under the SAMR) in 2015. We were also named as the official supplier of eyewear and optical services for the 19th Asian Games and the 4th Asian Para Games in Hangzhou in 2022. These distinctions are further supported by national, provincial, and municipal honours, reflecting recognition from both governmental institutions and consumers. According to the Euromonitor Report, China's eyewear retail market is highly fragmented and characterised by numerous small-scale operators with limited brand history and market visibility. In such a market environment, **Mao Yuan Chang's** longstanding operating history has helped establish our brand recognition among consumers.

Our long-established brand reputation supports consumer confidence. The strength and recognition of our brand are a significant factor in our franchise expansion, attracting partners and contributing to the network's growth and stability.

Professional optometry service capabilities

We distinguish ourselves as a trusted provider of comprehensive and professional optometric and vision-care services which supports customer confidence and aligns with our mid-to-high-end positioning. Our services focus on vision correction, the primary purpose of most eyewear products, and include personalised vision assessments, accurate prescription determination, and appropriate lens and frame fitting. As at the Latest Practicable Date, we had over 190 staff holding national vocational qualification in optometry and related fields. Please refer "– Our Products and Services – Our Optometrists and Professional Vision-Care Expertise" in this section for details. Our products return rate remained low at approximately 0.12%, 0.24% and 0.11%, calculated based on the total refund amount divided by the total transaction amount during the Track Record Period.

Across our entire network, every optometric examination follows a prescribed, comprehensive and standardised procedure. This systematic approach encompasses preliminary visual acuity assessments, detailed refraction procedures, binocular vision analysis, and foundational ocular health screenings. Such standardisation is critical for ensuring consistent, reliable, and high-quality outcomes for every customer, irrespective of store location. We believe this transforms a subjective service into a replicable and trusted process, supporting our brand reputation for operational consistency that supports geographical expansion. Please refer to "– Our Products and Services – Our Optometrists and Professional Vision-Care Expertise" in this section.

Leading and diversified retail network in Zhejiang Province and Gansu Province

We have strategically developed and integrated an extensive retail network, particularly in Hangzhou and Lanzhou. Our network spans 10 cities in Zhejiang Province and Lanzhou in Gansu Province. According to the Euromonitor Report, **Mao Yuan Chang** ranked first in the offline eyewear retail industry in Zhejiang Province in 2024, with a market share of approximately 8.8% in terms of the offline retail sales amount including both self-operated and franchised stores, while **Lan Keda** (previously Keda, before rebranding in March 2026) ranked first in Gansu Province with a market share of approximately 10.2% based on the offline retail sales under our self-operated stores in 2024.

Pursuant to our leadership position, we believe we hold an advantage in securing prime locations in Zhejiang Province and Gansu Province through longstanding prestige, enabling us (i) to access high-traffic urban sites and commercial hubs; (ii) to negotiate favourable lease terms; (iii) to obtain priority placements in flagship malls, such as those in Hangzhou's bustling districts; and (iv) to minimise relocation risks in a competitive landscape.

Our differentiated store formats, comprising (i) flagship stores, (ii) shopping mall stores, (iii) standard stores, and (iv) community stores, are designed to serve distinct customer segments with tailored product mixes that address their needs. For further details, please refer to "– Our Sales Network" in this section.

The scale of our network also generates operation advantages. We leverage economies of scale in centralised procurement to ensure the quality and stability of supply and achieve favourable procurement terms. Our scale also enables us to source from premium lens and frame suppliers, including certain renowned international branded suppliers that typically do not engage with small or independent retailers, enabling us to offer high-end eyewear products. We believe our centralised supply chain and inventory management system helps us to optimise our inventory management and enhance operational efficiency.

Wide product range comprising proprietary and third-party brands

Our comprehensive product portfolio is designed to cater to diverse consumer needs, taking into account individual habits (e.g., prolonged exposure to electronic devices) and preferences (e.g., international branded eyewear or lightweight frames for enhanced comfort). We offer a wide selection of prescription lenses, frames, and other eyewear products like sunglasses, AI glasses and sports eyewear. As at the Latest Practicable Date, our product collection comprised nine proprietary brands alongside 85 domestic third-party brands and 102 international third-party brands.

Our proprietary brands offer customers an affordable alternative to third-party brands, while providing us with significant control over the supply chain, cost structure, and promotional cadence, supporting healthier and more stable gross margins. Concurrently, the presence of domestic and international renowned third-party brands enhances our overall brand prestige and attracts customers seeking established fashion or lifestyle labels. This hybrid approach enables us to respond effectively to changing consumer preferences and market trends. Please refer to "– Our Products and Services – Our Brands" in this section for further details.

During the Track Record Period, our revenue generated from our proprietary brands amounted to RMB85.3 million, RMB71.1 million and RMB74.3 million, respectively, representing approximately 31.4%, 28.4% and 28.1% of the revenue for the corresponding year, respectively.

Experienced and stable management team with deep industry expertise

Our Group's strategic direction and operational execution are guided by a deeply experienced senior management team led by Mr. Jin and Ms. Peng, each with many years of experience in the optometric and eyewear industry in the PRC. Our key executives collectively bring extensive expertise across the full value chain, including retail operations, optometry service management, brand development, supply chain and logistics, and multi-region expansion.

This accumulated institutional knowledge has supported our Group's development, including expansion of our brand portfolio and consistent implementation of standardised optometric service protocols across the network.

The stability and long-term commitment of the core management team ensure strategic continuity and effective risk management. We believe their leadership supports and ensures a strong corporate culture centred on professional service, operational consistency, and local market responsiveness, which is essential for sustaining growth as we scale. The Board considers this management capability has been one of the key factors in our historical performance and is expected to continue supporting the execution of our future growth strategy, including geographic expansion and the ongoing digital transformation of customer engagement.

DEVELOPMENT STRATEGIES

The Board has formulated a set of strategies to capitalise on the significant opportunities within the eyewear market in Zhejiang Province and Gausu Province. The following detailed plans are designed to leverage our core strengths, address evolving consumer trends, and deliver sustainable, profitable growth, thereby enhancing long-term shareholder value.

Strategic initiative: optical operation centre and advanced processing centre

We plan to establish an optical operation centre in Hangzhou as our core operations hub to enhance reliability, quality and service consistency across our network. By securing a dedicated facility in Shangcheng District, Hangzhou, we will centralise warehousing, processing, training and headquarters functions, enabling tighter operational control and scalable support for our current and planned stores.

Within the facility, we will build an advanced processing centre to upgrade precision and throughput through automation, including cutting and edging equipment, warehouse robotics and automated inspection systems. With the addition of these automated systems, we expect to raise processing throughput compared with the current setup.

As at the Latest Practicable Date, the existing processing centre has a maximum daily capacity to process approximately 400 pairs of lenses (including polishing, cutting and edging frames assembly). Following the upgrade, we expect the advanced processing centre to achieve an increased daily capacity of approximately 2,800 pairs of lenses, representing an estimated 600% increase in overall throughput due to greater automation, reduced manual intervention, and more efficient workflow management. The integration of robotic systems will further enhance processing precision and minimise variability arising from the current partially manual operations.

These capacity figures are based on internal estimates and assume normal operating conditions, standard product mix, and no significant disruptions in supply or demand. The upgrade is not intended for large-scale capacity expansion beyond the needs of our current and planned store network, but rather to strengthen operational reliability, improve consistency in product finishing, and better support the needs of the existing and expanding store network, including demand for customised vision-correction products.

We will also create a purpose built training centre within the optical operation centre to standardise curricula and skills for optometrists, technicians and store staff, replacing training at rented venues. This is expected to improve service outcomes and reduce remake and error rates. Relocating our headquarters to the centre will further strengthen cross functional coordination, data driven decision making and the dissemination of best practices across procurement, quality, IT and store operations.

Strategic network expansion: network expansion through organic growth and franchise partnership

We are committed to augmenting the coverage of our sales network by pursuing steady expansion of our self-operating stores in cities with existing presence and penetrating surrounding cities. We aim to elevate our brands' visibility and influence through strategically placements in mature commercial districts and high-potential community-oriented commercial complexes under **Mao Yuan Chang** across key locations. The expansion will primarily include shopping mall stores, which offers premium shopping experience with enhanced display and service facilities; and standard stores, which provides convenient access and closer proximity to local residents.

We plan to add additional self-operated stores in Hangzhou to extend our reach to more consumers, capture a greater share of the mid-to-high-end market, improve service accessibility in underserved districts, and increase overall market penetration within the city. Concurrently, in Lanzhou we have 8 self-operated stores under **Mao Yuan Chang**, we plan to add additional self-operated stores under **Mao Yuan Chang** in Lanzhou to enhance coverage within the city and surrounding areas, leverage our extensive operational experience and market familiarity gained through **Lan Keda**, and increase service capacity in a key regional hub to support our Group's broader penetration in Northwest China.

While Hangzhou and Lanzhou remain our core operational bases, we plan to selectively expand into surrounding and high-potential city, such as Shaoxing, in order to (i) increase penetration in adjacent markets to capture more target customers; (ii) reduce geographic concentration risk by diversifying our self-operated footprint beyond the two core operational bases; (iii) leverage our existing brand recognition and service reputation to enter nearby high-potential market; (iv) achieve greater economies of scale in procurement, and brand marketing by establishing a wider regional presence; and (v) support long-term revenue growth by accessing new customer bases in cities with favourable demographic and economic indicators.

We will apply our dedicated market analytics function to evaluate potential locations based on key demographic and economic indicators such as population density, disposable income growth, competitive landscape, and optical retail penetration rates, and replicable store rollout mechanism to increase store density and improve per-store operational efficiency.

In parallel, we will continue to develop franchise partnerships that supplement our network coverage. The fragmented nature of the PRC eyewear retail sector presents a compelling opportunity for building a scaled, brand-aligned network through disciplined collaboration. Our criteria for selecting franchise partners will focus on identifying reputable regional operators with a strong local presence, a loyal customer base, a portfolio of stores in high-traffic locations, and a commitment to professional service standards that align with our own.

This expansion strategy is intended to further strengthen our Group's market position in core regions, increase the coverage and service capacity of our stores network, and provide sustained support for the steady growth of our Group's overall operation.

Deepened customer segmentation: brand building and precision marketing

We aim to enhance our overall brand awareness and recognition among our target customers, improve customer acquisition efficiency through more focused marketing, and enhance customer loyalty.

We will continue investing in the promotion of **Mao Yuan Chang** to reinforce our positioning as a provider of comprehensive and professional optometric and vision-care services and mid-to-high-end eyewear products. The approach integrates online and offline marketing efforts.

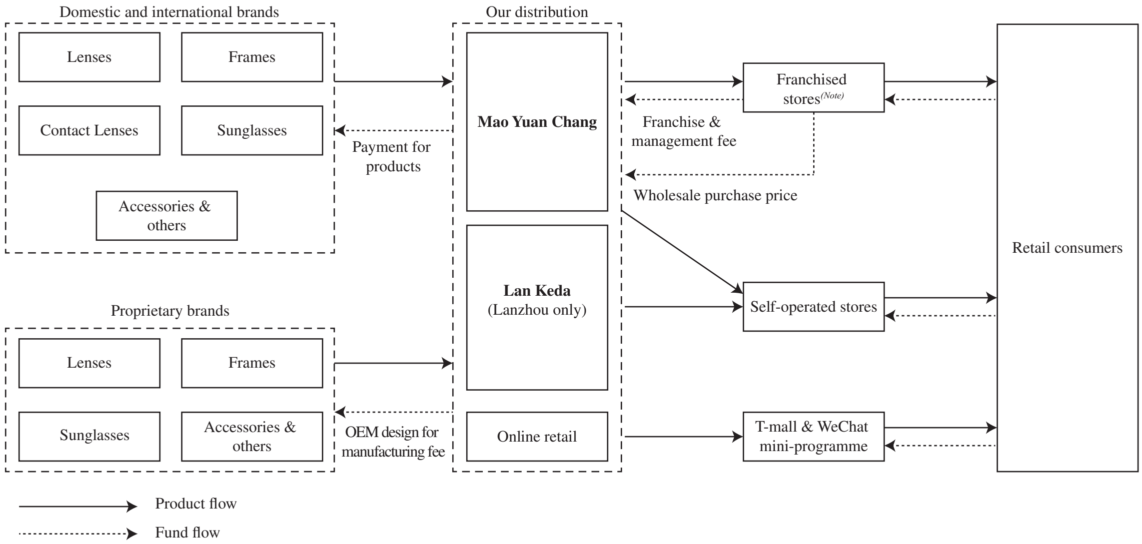
We intend to produce and distribute high-quality brand content online, which includes short videos, customer testimonials, educational materials on vision health (such as myopia prevention and lens technology explanations), and lifestyle imagery that highlights the role of prescription spectacles in daily life. Such content aims to educate customers, build connection, and position **Mao Yuan Chang** as a trusted partner in eyesight correction and vision care. We will distribute through owned channels, such as our official website, our WeChat mini-programme, and third-party platforms, such as WeChat Channels, Xiaohongshu and Douyin.

We will also organise physical brand events and community activities in selected key cities. These include product launch experiences, vision health screening days, educational seminars on eye care, and community outreach programmes (such as free eye checks for schoolchildren or elderly groups). The purpose of these activities is to increase local brand engagement, demonstrate our commitment to professional vision care, and create opportunities for direct interaction and feedback with our target customers.

OUR BUSINESS MODEL

We are an eyewear retail chain operator with a primary focus in Zhejiang Province and Gansu Province. We provide professional optometric and vision-care services, and a large proportion of the products we sell are prescription spectacles for myopia, hyperopia, and presbyopia, as well as youth myopia control products and progressive lenses. We sell products under our own proprietary brands as well as third-party brands. Our stores are operated under **Mao Yuan Chang** and **Lan Keda**. Our network comprises self-operated stores under **Mao Yuan Chang** and **Lan Keda**, and franchised stores under **Mao Yuan Chang**. We also sell our eyewear products through one online store on T-mall.com and our WeChat mini-programme as at the Latest Practicable Date. In addition, during the Track Record Period and as at the Latest Practicable Date, our Company indirectly holds a 45% equity interest in one store engaged in the eyewear retail, where we wholesale our eyewear products (including proprietary brands and selected third-party brands) to such store on commercial terms consistent with those applied to other franchised stores. Please refer to "Financial Information – Share of profits of an associate" for details.

The following diagram illustrates our integrated business model and revenue streams:



Note: During the Track Record Period, all our franchised stores were operated under **Mao Yuan Chang**. For details, see "– Franchise Model" in this section.

OUR PRODUCTS AND SERVICES

Products

Our products include prescription spectacles for myopia, hyperopia, and presbyopia, as well as youth myopia control products and progressive lenses, which are offered in conjunction with our optometric and vision-care services, along with other eyewear products such as sunglasses, contact lenses, sports eyewear, and AI/smart glasses. We offer a wide range of mid-to-high-end eyewear products under third-party brands and our own proprietary brands, of which third-party brands currently account for a majority of our revenue during the Track Record Period. As at the Latest Practicable Date, we offered a comprehensive range of products, from everyday vision correction to specialised care for children and senior, featuring a combined 196 proprietary and third-party brands.

The following table sets forth a breakdown of sales by product and service category and brand orientation for the years indicated:

	For the year ended 31 December					
	2023		2024		2025	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Prescription spectacles	**216,853**	**79.7**	**200,579**	**80.1**	**211,338**	**79.6**
Proprietary brands	80,799	29.7	66,701	26.6	70,624	26.6
Third-party brands	136,054	50.0	133,878	53.5	140,714	53.0
Prescription services	**276**	**0.1**	**473**	**0.2**	**629**	**0.2**
Readymade spectacles	**19,188**	**7.1**	**17,518**	**7.0**	**16,928**	**6.5**
Proprietary brands	4,511	1.7	4,378	1.8	3,660	1.5
Third-party brands	14,677	5.4	13,140	5.2	13,268	5.0
Contact lenses and vision care products *(Note 1)*	**24,438**	**9.0**	**20,104**	**8.0**	**17,518**	**6.6**
Ancillary products *(Note 1)*	**2,433**	**0.8**	**2,257**	**0.9**	**1,952**	**0.8**
Franchise fees	**4,876**	**1.8**	**5,430**	**2.2**	**5,436**	**2.0**
Franchise management fees	**2,351**	**0.9**	**2,358**	**0.9**	**10,215**	**3.8**
Others *(Note 2)*	**1,678**	**0.6**	**1,643**	**0.7**	**1,342**	**0.5**
Total	**272,093**	**100.0**	**250,363**	**100.0**	**265,358**	**100.0**

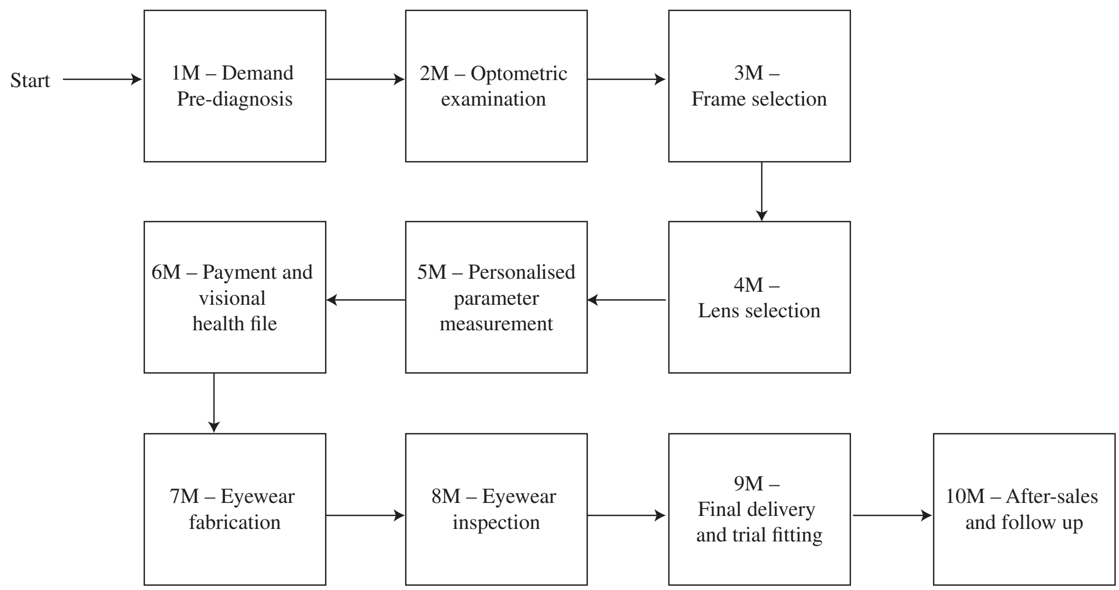
Notes:

1. All products are third-party brands

2. Others include revenue from wholesale to our Associate Store, and sales of non-eyewear related consumables to franchised stores.

Sales procedure for prescription spectacles and prescription services

Our self-operated and franchised stores under **Mao Yuan Chang** adopt a 10M full-process service standard (the "**10M Service Standard**"), which outlines ten key steps of our services provided to customer from initial consultation through to after-sales support. The 10M Service Standard address the complete journey of acquiring and maintaining a pair of suitable glasses. Self-operated stores under **Lan Keda**, follow essentially the same procedure, which is distilled into seven key steps. The diagram below sets forth our 10M Service Standard:



1M: Demand Pre-diagnosis (Status, usage scenarios and needs discussion)

The process begins with a structured welcome and consultation. Customers are warmly welcomed upon arrival. Staff will clean and realign customers' eyewear, then conduct personalised consultations following a standardised questioning framework. The consultation helps identify potential issues and prepares the customer for optometric examination, ensuring the subsequent steps are tailored to their actual needs.

2M: Optometric examination

This step gathers information on the customer's current vision status, daily visual habits (e.g., exposure to screen time, driving, reading), occupation (i.e. working environment which may require prolonged exposure to electronic devices), age and specific requirements.

Every examination follows a strict protocol:

- basic measurements: objective optometry (computerised), subjective refraction, and visual acuity testing;

- additional visual function assessments (if required) (e.g., binocular vision, stereopsis, accommodation, or presbyopia addition as appropriate for age);

- trial frame verification (at least 5 minutes of dynamic testing, including walking, far/near viewing, and real-world simulation).

The process is conducted by qualified optometrists. The final prescription is refined based on factors such as the customer's age, ocular history, and daily visual needs, in addition to achieving best-corrected visual acuity and comfort.

3M: Frame selection (professional personal image guidance)

Optometrists and staff provide personalised frame recommendations based on prescription strength, usage habits, and style preferences. Material suggestions (e.g., lightweight titanium for high prescriptions, durable material for active users) are explained to our customers.

4M: Lens selection (fit-for-purpose lens matching)

Lens recommendations are matched to the prescription, usage scenario, budget, and daily visual needs. Trained staff explain refractive index options (to control thickness), lens coatings (anti-reflective, anti-scratch, anti-smudge, blue-light protection, UV protection), and functional types (e.g., digital/anti-fatigue, progressive, photochromic). Multiple options are presented with comparisons of performance, price, and benefits, ensuring the chosen lens is optimal for the customer's visual demands.

5M: Personalised parameter measurement (precise fitting for comfort)

Measurements are taken to ensure accurate lens placement and frame fit, including monocular pupillary distance (far and near), pupil height, vertex distance, face form angle, pantoscopic tilt, and frame wrap angle. These parameters are verified against the prescription and frame specifications to minimise optical distortion and maximise comfort.

6M: Payment and vision health file

Upon the completion of 5M, payment will be collected from our customers. A vision health file is created and maintained for every registered customer, containing all examination records, prescription history, lens and frame details, and any relevant eye health notes. The file is updated with every visit and supports long-term monitoring (e.g., myopia progression in children, presbyopia changes in adults). Registered customers can access basic information via our WeChat mini-programmes, and regular reminders are sent via text messages and phones for follow-up checks.

7M: Eyewear fabrication (master-level processing)

Lenses and frames are processed according to the recorded parameters at our processing centre or processing centre recognised by us. The process includes strict material verification, precise edging, slotting, polishing, and assembly, with final adjustments to ensure accurate optical centering and structural integrity.

8M: Eyewear inspection (strict national standard testing)

Every pair undergoes inspection against national standards, covering optical accuracy, surface quality, frame alignment, and overall assembly. Non-conforming items are reworked until they meet all requirements.

9M: Final delivery and trial fitting (360° Personalised adjustment)

Upon collection, a full 360° adjustment is performed (checking levelness, nose pad fit, temple angle, etc.). Optical accuracy is re-verified, care instructions are demonstrated, and spectacles are carefully packaged. Customers are encouraged to wear the new pair immediately and report any immediate adaptation concerns (e.g., visual discomfort) while still in the store. In the event any issue is identified during this trial period, we will promptly re-adjust the frame, re-verify the fit and vision, or if necessary, arrange immediate rework or replacement to resolve the concern through our after-sales services.

10M: After-sales follow-up (ongoing health monitoring)

After-sales support includes follow-up contacts (e.g., 1 week, 3 weeks and 1 month post-collection), reminders for periodic re-examination (e.g., every 6 months for adults, monthly for children), and prompt handling of any questions or concerns. Long-term care includes regular vision health tips and proactive reminders for maintenance or replacement, helping to protect customers' vision over time.

Through this 10M Service Standard, we aim to deliver consistent, reliable, and customer-focused vision-care services. During the Track Record Period, our repeat customer rates (calculated based on customers who are registered under our membership programmes) of our self-operated stores were 41.2%, 46.6% and 46.4%, of which contributed revenue accounted for 57.2%, 62.4% and 64.2% of our revenue generated from our self-operated stores for the years ended 31 December 2023, 2024 and 2025, respectively.

Our optometrists and professional vision-care expertise

Our optometrists play a leading role in the execution of our 10M Service Standard. To ensure customers receive proper and professional service, we place at least two qualified optometrists in each of our self-operated stores and require the same from our franchised stores.

We employ qualified optometrists and optical technicians with national professional credentials. As at the Latest Practicable Date, we had over 190 staff holding national vocational qualifications in optometry and related fields. This team is led by a National Chief Optometrist.

We have developed in-house talent cultivation capabilities, with our National Class I optometrists having been nurtured and advanced through our own stepped training programmes and continuous professional development initiatives. We are supported by four government-recognised "Master Studios" focused on talent incubation, skill elevation, and innovation in vision care. We invest in the continuous professional development of this team, integrating internal and external resources, covering professional techniques, vocational skills, workplace etiquette, ensuring our expertise remains at the forefront of optometric best practices, emerging lens technologies, and evolving consumer vision-care demands. As a result of these capabilities, we qualified to provide external training and issue official certificates to optometrists in the PRC.

Our brands

We sell eyewear products under our proprietary brands and third-party brands.

Our proprietary brands

As at the Latest Practicable Date, we sell eyewear products under nine proprietary brands, which are designed and manufactured by our selected third-party OEM suppliers in accordance with our specifications and quality assurance protocols. For details, please refer to "– Procurement–Proprietary Brands and OEM Arrangements" in this section for details. Our proprietary brand eyewear products contributed to 31.4%, 28.4% and 28.1% of our revenue for the years ended 31 December 2023, 2024 and 2025, respectively. Our sales of the largest proprietary brand products, Maoyuanchang (frames and lenses), contributed 15.2%, 15.1% and 14.8% of our revenue for the years ended 31 December 2023, 2024 and 2025, respectively. The bulk of our proprietary brand eyewear products are prescription spectacles for myopia, hyperopia, and presbyopia, as well as youth myopia control products and progressive lenses.

The following table sets forth brief aspects of our proprietary brands as at the Latest Practicable Date:

Brand name	**Target customer**	**Product category**	**Retail price range** *RMB*
Maoyuanchang * (毛源昌)	Business	Frames	300-500
	Business	Frames	500-1,000
	Business	Frames	1,000-2,000
	Middle-aged & Young	Lenses	100-1,000
	Middle-aged & Young	Lenses	1,000-2,000
	Middle-aged & Elderly	Reading Glasses	30-400
MYC	Middle-aged & Young	Frames	600-700
JINYI*(睛宜)	Business	Lenses	>1,500
EZOTEN	Middle-aged & Young	Lenses	100-900
	Middle-aged & Young	Frames	400-1,500
FIDO	E-commerce brands, Middle-aged & Young	Frames	200-300

Brand name	Target customer	Product category	Retail price range *RMB*
ANZI* (安姿)	Middle-aged & Young	Frames	400-500
	Middle-aged & Young	Sunglasses	300-600
JIANJIE* (簡傑)	Middle-aged & Young	Frames	400
	Middle-aged & Young	Lenses	140-400
WEIAS* (巍雅斯)	Middle-aged & Elderly	Frames	200-400
Xingxiaoyuan* (星小圓)	Children & Young	Youth myopia prevention and control lenses	2,200-3,000

Third-party brands

As at the Latest Practicable Date, we carry a selection of 14 domestic and seven international third-party brands of prescription lenses; 37 domestic and 65 international third-party brands of frames; and 34 domestic and 30 international third-party brands of other eyewear products. Our third-party brands address a wide spectrum of requirements, from everyday vision correction to specialised care for children and seniors. We ensure that all third-party brands eyewear products are sourced through authorised distributors or official channels, in compliance with licencing and distribution agreements. Third-party brands eyewear products accounted for 65.2%, 67.6% and 65.4% of our revenue for the years ended 31 December 2023, 2024 and 2025, respectively. Our sales of the single largest third-party brand eyewear products contributed 11.7%, 13.4% and 13.1% of revenue for the years ended 31 December 2023, 2024 and 2025 respectively.

The range of eyewear products under third-party brands are diverse and the unit price ranges are set forth below as at the Latest Practicable Date:

	Ultra luxury *RMB*	Luxury *RMB*	Premium *RMB*	Mid-range *RMB*	Value *RMB*
Frames	>2,500	1,500-2,500	800-1,500	500-800	<500
Prescription lenses	>2,500	1,500-2,500	800-1,500	500-800	<500
Sunglasses	>2,500	2,000-2,500	1,500-2,000	500-1,500	<500
Contact lenses	–	–	>400	201-400	<200

Pricing, promotion and margin management for our retail business

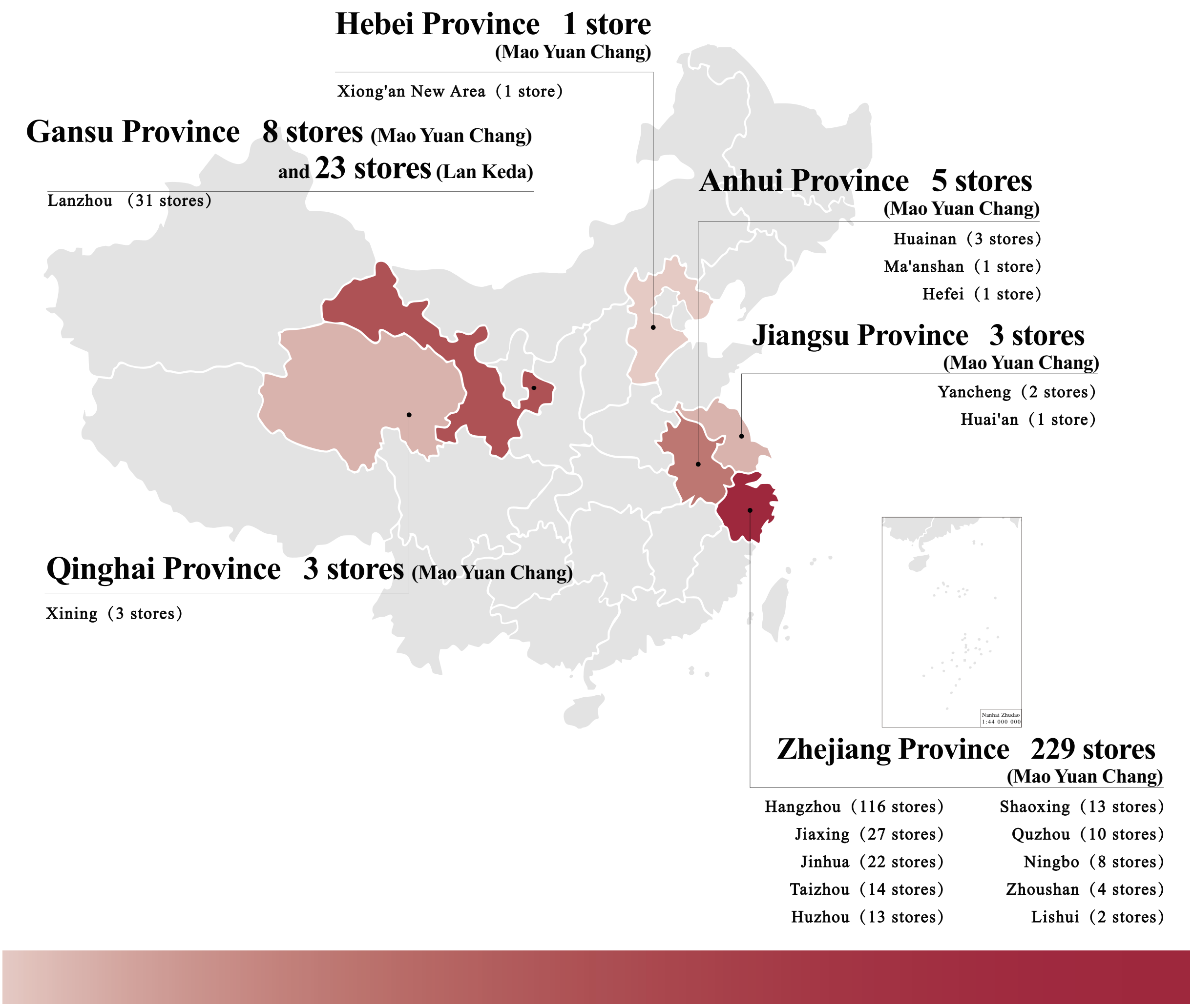
The retail prices of our proprietary brand eyewear products are determined based on various factors, including our OEM and operation costs of eyewear products, the price of comparable products in the market and market conditions. For third-party brands eyewear products, we align with recommended market price by our suppliers to maintain brand partner relationships and market consistency.

In 2024, we implemented various measures to adjust our product structure and pricing to build long-term brand value, including: (i) a retail pricing policy requiring all self-operated stores under **Mao Yuan Chang** and franchised stores to sell products at the same non-negotiable retail price established by us (i.e. our One-price Policy) eliminating the provision of discount. Subsequently, in July 2024, we implemented the same for our self-operated stores under Keda (subsequently rebranded to **Lan Keda** in March 2026) stores. Under these policies, actual retail selling prices within each respective brand are standardised across all stores and channels; and (ii) reduced volume-based promotion sales and sales of lower-value products to focus more on mid-to-high end products.

OUR SALES NETWORK

We primarily drive **Mao Yuan Chang** network expansion with self-operated stores. Franchised stores supplement geographic coverage gaps, particularly in lower-tier cities and regions where our franchise network benefits from the franchised stores operation experience. To optimise our expansion strategy, we will continue to onboard new franchised stores to extend our brand coverage into areas where we currently lack the operational capacity to establish self-operated stores. As at the Latest Practicable Date, our retail network consisted of 78 self-operated stores and 194 franchised stores across 18 cities in the PRC, the majority of which are located in Zhejiang Province and Gansu Province. We also sold our eyewear products through one online store on T-mall.com and our WeChat mini-programme as at the Latest Practicable Date. In addition, during the Track Record Period and as at the Latest Practicable Date, we have our Associate Store, where we wholesale our eyewear products to it on commercial terms consistent with those applied to other franchised stores. For details, including its financial contribution, see "Financial Information – Share of profits of an associate" for details.

The following map illustrates the presence of our self-operated stores and franchised stores within our store network across China as at the Latest Practicable Date:



Revenue breakdown by operating model and region

The following table sets forth information of our revenue by our operating model and our region during the Track Record Period:

	For the year ended 31 December					
	2023		2024		2025	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Self-operated stores	**206,905**	**76.0**	**185,031**	**73.9**	**196,431**	**74.0**
East-Mao Yuan Chang	107,475	39.5	98,393	39.3	108,904	41.0
Northwest-Lan Keda	87,578	32.1	75,450	30.1	76,123	28.7
Northwest-Mao Yuan Chang	11,852	4.4	11,188	4.5	11,404	4.3
Franchised stores	**59,408**	**21.9**	**60,459**	**24.1**	**65,840**	**24.8**
Wholesales to franchised stores	52,181	19.2	52,671	21.0	50,189	19.0
Franchise fees	4,876	1.8	5,430	2.2	5,436	2.0
Franchise management fees	2,351	0.9	2,358	0.9	10,215	3.8
Online retail	**4,102**	**1.5**	**3,230**	**1.3**	**1,745**	**0.7**
Others *(Note)*	**1,678**	**0.6**	**1,643**	**0.7**	**1,342**	**0.5**
Total	**272,093**	**100.0**	**250,363**	**100.0**	**265,358**	**100.0**

Note: Others include revenue from wholesale to our Associate Store, and sales of non-eyewear related consumables to franchised stores.

We categorise our self-operated stores and franchised stores into four types based on location and strategic positioning below:

Flagship stores: Located in prime urban commercial districts, these are our premium, high-profile outlets with the largest floor space, most advanced optometric equipment, dedicated private consultation rooms, and master-level optometry teams. They serve as brand showcases and offer the most comprehensive vision-care experience for customers seeking a high-end, full-service environment.

Shopping Mall Stores: Situated in large-scale shopping centres, these stores benefit from high footfall and provide a premium yet convenient shopping experience. They feature well-lit product displays, comfortable trial areas, and full professional optometric services, targeting urban customers who combine eyewear purchases with other retail activities.

Standard Stores: Positioned in established commercial or mixed-use areas with good accessibility, these stores focus on efficient delivery of core optometric examinations, prescription services, and professional fitting in a dedicated setting. They cater to customers who prioritise accurate vision correction and quality service in convenient, non-luxury locations.

Community Stores: Located in residential neighbourhoods or street-side settings, these stores emphasise convenience and proximity to local residents. They provide efficient, full-service optometry and eyewear retail in a compact, welcoming environment, ideal for routine vision needs (e.g., quick checks, replacements, or reading glasses) for families, seniors, and neighbourhood customers.

Self-operated model

We have 55 self-operated stores under **Mao Yuan Chang** and 23 self-operated stores under **Lan Keda** as at the Latest Practicable Date. The following table sets forth movement in the number of self-operated stores under **Mao Yuan Chang** and **Lan Keda** for the years indicated:

	For the year ended/As at 31 December								
	2023			2024			2025		
	Mao Yuan Chang	Lan Keda	Total	Mao Yuan Chang	Lan Keda	Total	Mao Yuan Chang	Lan Keda	Total
Self-operated stores									
At the beginning of the period	**44**	**22**	**66**	**54**	**22**	**76**	**57**	**23**	**80**
a. Flagship stores	1	1	2	1	1	2	1	1	2
b. Shopping mall stores	13	2	15	20	3	23	24	4	28
c. Standard stores	22	11	33	25	10	35	24	10	34
d. Community stores	8	8	16	8	8	16	8	8	16
Newly opened during the period	**11**	**1**	**12**	**6**	**1**	**7**	**2**	**–**	**2**
a. Flagship stores	–	–	–	–	–	–	–	–	–
b. Shopping mall stores	8	1	9	6	1	7	2	–	2
c. Standard stores	3	–	3	–	–	–	–	–	–
d. Community stores	–	–	–	–	–	–	–	–	–
Closed during the period	**(1)**	**(1)**	**(2)**	**(3)**	**–**	**(3)**	**(5)**	**–**	**(5)**
a. Flagship stores	–	–	–	–	–	–	–	–	–
b. Shopping mall stores	(1)	–	(1)	(2)	–	(2)	(3)	–	(3)
c. Standard stores	–	(1)	(1)	(1)	–	(1)	(2)	–	(2)
d. Community stores	–	–	–	–	–	–	–	–	–
At the end of the period	**54**	**22**	**76**	**57**	**23**	**80**	**54**	**23**	**77**
a. Flagship stores	1	1	2	1	1	2	1	1	2
b. Shopping mall stores	20	3	23	24	4	28	23	4	27
c. Standard stores	25	10	35	24	10	34	22	10	32
d. Community stores	8	8	16	8	8	16	8	8	16

During the Track Record Period, the primary reasons for the closure of our self-operated stores included: (i) sustained underperformance against our projections, largely attributable to a decline in the popularity and overall traffic of the surrounding commercial areas or shopping precincts; (ii) significant increases in rental costs for the leased premises, affecting store-level profitability; or (iii) lease termination by the landlord.

The following table sets forth a breakdown of our self-operated stores by cities as at the date indicated:

	As at 31 December		
	2023	2024	2025
Hangzhou	37	40	37
Lanzhou	29	30	30
Shaoxing	5	4	4
Ningbo	3	3	3
Xining	2	3	3
Total	**76**	**80**	**77**

The following table sets forth a breakdown of the number of years of operation of our self-operated stores as at the Latest Practicable Date:

	Number of stores
Less than one year	2
One to two years	6
Two to five years	18
More than five years	52
Total	78

Standardised Store Expansion and Management Process for Self-operated Stores

We manage and standardise our self-operated stores expansion through a centralised, step by step process overseen by our headquarters' Expansion and Operations departments.

Market Research and Network Planning

Prior to setting up new self-operated stores, our project team conducts market analysis, assessing demographic data (age distribution, population density, income levels), commercial real estate dynamics, competitor mapping, and pedestrian traffic patterns.

For expansion within existing cities, we analyse detailed sales data from our existing stores to identify underserved catchments and optimal locations for new stores to maximise overall network coverage without cannibalisation.

For entry into entirely new geographic regions, we typically adopt a phased approach, opening a limited number of stores initially. This allows us to calibrate our product mix, marketing message, and service offerings, including staffing levels and customer engagement approaches to local preferences before committing to a full-scale roll-out.

Site Selection

Our site selection process involves a scoring model. Relevant factors include:

- *Demographic & Economic Profile*: Average disposable income, population density, age distribution, and white-collar concentration in the catchment area.

- *Traffic & Accessibility*: Estimated pedestrian and vehicular traffic, visibility, proximity to public transport hubs, and parking availability.

- *Competitive Landscape*: Number, quality, and positioning of other eyewear retailers and complementary retail brands in the vicinity.

- *Commercial Terms*: Rental costs, lease terms, maintenance fees, and the projected return on investment (ROI).

Lease Negotiation and Finalisation

Following site approval, we negotiate and execute lease agreements for our self-operated stores, which are subject to approval by our senior management team. As at the Latest Practicable Date, the lease terms for our self-operated stores generally ranged from two to five years. Contracts typically include a rent-free period of two to four months for store renovation, fitting-out, initial setup and pre-opening preparations. For details regarding lease agreements entered into with our connected persons of our Company which will continue after **[REDACTED]**, see "Connected Transactions" in this Document.

Store Design, Construction, and Fit-Out

We provide standardised store layout and design kits to ensure brand uniformity across our self-operated and franchised network. These kits include detailed guidelines for store layout, lighting, colour schemes, signage, furniture placement, product display standards, and consultation area configurations, all aligned with our brand image and standardised service requirements.

All self-operated stores are equipped with our standardised retail technology stack, which includes integrated point-of-sale (POS) systems, inventory management system (ERP), and customer appointment booking systems. This technology infrastructure supports consistent service delivery, real-time data tracking, and operational efficiency across our self-operated network.

Staff Recruitment and Training

We deploy experienced store managers and key optician staff from our existing self-operated stores to lead new self-operated store openings. Our HR and Training Department oversees the recruitment of frontline staff. All new employees undergo a mandatory, comprehensive training programme at our regional training centres or via online platform, covering product knowledge, customer service standards, sales techniques, optometric assisting skills, and the use of our operational systems.

Operational Breakeven Period and Investment Payback Period

During the Track Record Period, we opened 21 self-operated stores and 19 of these stores remained in operation as at the Latest Practicable Date, with 15 of these stores had reached operational breakeven in an average of eight months from the month we incurred expenses for the preparation of the respective store. A store is considered to have reached its operational breakeven point in the month when its store-level operating margin first turns positive on a monthly basis. Store-level operating margin is calculated as the store's sales revenue minus its directly attributable costs of sales and store-level operating expenses (including staff costs, rental and utilities, depreciation, and local marketing expenses).

During the Track Record Period, 11 self-operated stores as aforementioned had recovered their initial capital investment. The average payback period for these stores was approximately 15 months from the month we incurred expenses for the preparation of the respective store. The investment payback period for a specific self-operated store is calculated as the number of months from its opening date until the cumulative store-level operating profit equals the total initial capital investment in that store. The initial capital investment includes all upfront, non-recurring costs such as store design, fitting-out and renovation, and the purchase of optical and point-of-sale systems, and other fixtures, and pre-opening marketing and related expenses (if any).

Loss-Making Stores

As at 31 December 2023, 2024 and 2025, the number of our loss-making self-operated stores which remained in operation as at the Latest Practicable Date, was eight, 11 and 6 respectively, and all of the loss-making stores were opened during the Track Record Period. The losses in these self-operated stores were primarily due to one or a combination of the following factors: (i) self-operated stores that were still in the ramp-up phase and had not yet been operational long enough to reach breakeven; (ii) certain self-operated stores failed to achieve expected GMV due to unfavourable changes in the local retail environment, intensified competition, or lower-than-projected catchment area spending. We closed one, one and three underperforming, loss-making stores in 2023, 2024 and 2025 to optimise our store portfolio, respectively.

Our Lan Keda Brand

1. Business Profile

As at 31 December 2023, 2024 and 2025, we operated 22, 23 and 23 self-operated stores in Lanzhou, Gansu Province under **Lan Keda**, following a rebranding from Keda in March 2026. The **Lan Keda** network is an integral component of our Northwest China operations and contributed approximately 32.1%, 30.1% and 28.7% of our revenue for the year ended 31 December 2023, 2024 and 2025, respectively.

The following table sets out the financial contribution of the self-operated stores under **Lan Keda** to our Group's performance for the years indicated:

	For the year ended/As at 31 December		
	2023	**2024**	**2025**
Number of self-operated stores under **Lan Keda**	22	23	23
Revenue *(RMB'000)*	87,578	75,451	76,123
Contribution to our revenue	32.1%	30.1%	28.7%
Gross profit *(RMB'000)*	58,234	49,355	52,217
Contribution to our total gross profit	36.7%	34.5%	32.2%

The "Keda" trademark (the "**Trademark**") was registered by an independent third party (the "**Trademark Owner**") in 2001 in relevant classes (the "**Registrations**"). The Keda brand had been operated by a store under Mr. Jin in Lanzhou, Gansu Province since 1986, prior to the Registrations. Lanzhou Keda continued to operate self-operated stores under brand Keda in Lanzhou, Gansu Province after its establishment in 1996, prior to the Registrations. To mitigate potential legal and financial uncertainties associated with continued use of the Trademark, we implemented a rebranding programme and completed the transition to **Lan Keda** in March 2026.

2. Prior Use and Good-Faith Efforts

Prior to the acquisition of 100% equity interest of Lanzhou Keda by our Company in December 2021, Lanzhou Keda had a long-standing history of using the Trademark in Gansu Province since 1996, predating the Registrations by the Trademark Owner and establishing local market recognition. While we have engaged in good-faith efforts to secure the legal rights to the Keda trademark through assignment or licencing, as at the Latest Practicable Date, no definitive agreement has been concluded.

3. *Legal assessment and potential exposure*

- *Counsel opinion*: Our PRC intellectual property counsel advises that, under the PRC Trademark Law, a prior user with established reputation before the registration date may continue to use the mark within its original scope. Based on (i) our long-term, continuous and public use and local reputation of the Trademark in Gansu Province predating the Registrations by the Trademark Owner; (ii) lack of evidence of consumer confusion or harm to the Trademark Owner in our core market (Lanzhou); (iii) geographic separation between our operations (Lanzhou, Gansu Province) and the Trademark Owner's activities (Guangdong Province); and (iv) our historical use within its original scope, such use does not constitute infringement, and the registered proprietor is not entitled to prohibit such historical use.

- *Residual risk*: Notwithstanding the above, the Trademark Owner could initiate infringement or related proceedings. An adverse outcome could negatively affect our business, financial condition and results of operations. See "Risk Factors – Risks Relating to Our Business and Industry – We may be exposed to risks arising from trademark squatting relating to our 'Keda' brand used in Gansu Province."

4. *Proactive risk mitigation and contingency planning for the "Keda" trademark matter*

In response to the potential legal impact, we have implemented the following measures:

i. Successful implementation of brand transition

We have fully rebranded all relevant stores and customer touchpoints from "Keda" to "**Lan Keda**," including exterior signage, interior branding, marketing collateral and [digital platforms], with minimal disruption to customers.

ii. Financial impact and current status

Rebranding expenditures were funded by internal resources. The transition removes forward-looking legal uncertainty associated with ongoing use of "Keda" and provides a stable foundation for continued growth and brand building in Northwest China.

iii. Trademark protection

As at the Latest Practicable Date, we own the "**Lan Keda**" trademarks in the relevant classes and jurisdictions.

iv. Indemnity from Mr. Jin

Regarding any potential claims or disputes arising from our historical use of the Trademark, Mr. Jin has acknowledged this risk and have provided an irrevocable undertaking to indemnify our Company against any and all potential legal claims, liabilities, losses, or damages that may arise. As a result of this personal indemnity from Mr. Jin, we do not expect any residual financial exposure at the Company level in respect of this matter and, accordingly, no litigation provision has been recorded in our consolidated financial statements. This indemnity does not preclude the possibility of claims being asserted; however, any such claims, if successful, would be borne by Mr. Jin pursuant to the terms of his undertaking.

Franchise model

Under our franchise model, we grant the right to establish and operate franchised stores under **Mao Yuan Chang** and sell our products. In return, we charge franchise fees, which are fixed charges imposed for the opening franchised stores under **Mao Yuan Chang** and for product supply, and franchise management fees, being ongoing and recurring fees for our provision of operational management support and technical service support to franchised stores. We charge all our franchised stores franchise fees and currently charge franchised stores in Zhejiang Province (except for certain stores which we have exempted) franchise management fees. Franchised stores outside Zhejiang Province are not currently charged franchise management fees because the level of operational management support and technical service support provided to them is less extensive. Please refer to – Evolution and Pricing of Franchisee Fees and Franchise Management Fees" under this sector for details. We also supply and wholesale products to our franchised stores. While franchised stores assume responsibility for the day-to-day management of their stores, including staffing and financial performance, we have established a set of operational procedures to guide selection of franchised stores and outline store operations, ensuring consistency, upholding consumer experience and service quality, and protecting our brand reputation.

As at 31 December 2023, 2024 and 2025, we had 205, 202 and 194 franchised stores under **Mao Yuan Chang**, respectively.

The following table sets forth movement in the number of franchised stores by types of stores for the years indicated:

	For the year ended/As at 31 December		
	2023	**2024**	**2025**
Franchised stores			
At the beginning of the period	**196**	**205**	**202**
a. Flagship stores	–	–	–
b. Shopping mall stores	43	47	50
c. Standard stores	110	111	103
d. Community stores	43	47	49
Newly opened during the period	**16**	**15**	**10**
a. Flagship stores	–	–	–
b. Shopping mall stores	4	7	7
c. Standard stores	8	4	2
d. Community stores	4	4	1
Closed during the period	**(7)**	**(18)**	**(18)**
a. Flagship stores	–	–	–
b. Shopping mall stores	–	(4)	(4)
c. Standard stores	(7)	(12)	(11)
d. Community stores	–	(2)	(3)
At the end of the period	**205**	**202**	**194**
a. Flagship stores	–	–	–
b. Shopping mall stores	47	50	53
c. Standard stores	111	103	94
d. Community stores	47	49	47

For the years ended 31 December 2023, 2024 and 2025, we had 16, 15 and 10 newly opened franchised stores, respectively. We exercised tighter control of the opening of new franchised stores to consolidate our management of franchised stores. During the years ended 31 December 2023, 2024 and 2025, there were seven, 18 and 18 franchised stores closed, respectively, primarily due to (i) failure to meet our store management requirements; (ii) the failure to renew lease agreements of the premises where the franchised stores were located; and (iii) their voluntary termination.

The table below sets forth a breakdown of our franchised stores by location as at the dates indicated:

	As at 31 December		
	2023	**2024**	**2025**
Zhejiang Province			
Hangzhou	87	85	80
Jinhua	21	21	22
Jiaxing	28	27	27
Taizhou	14	14	14
Huzhou	11	12	12
Quzhou	9	11	10
Shaoxing	10	12	9
Ningbo	7	5	5
Zhoushan	3	4	4
Lishui	1	1	2
Wenzhou	1	1	–
Subtotal	192	193	185
Other Provinces			
Anhui Province*Note 1*	10	5	5
Jiangsu Province*Note 2*	3	3	3
Hebei Province*Note 3*	–	1	1
Total	**205**	**202**	**194**

Notes:

(1) During the Track Record Period, our franchised stores in Anhui Province were located in the cities of Huainan, Ma'anshan, Hefei, Lu'an, and Huangshan.

(2) During the Track Record Period, our franchised stores in Jiangsu Province were located in the cities of Yancheng and Huaian.

(3) During the Track Record Period, we only had one franchised stores in Hebei Province and was located in Xiong'an city.

The following table sets forth a breakdown of the number of years in cooperation with our franchised stores as at the Latest Practicable Date:

The number of years in cooperation	**Number of franchised stores**
Less than one year	9
One to two years	11
Two to five years	47
More than five years	127
Total	**194**

Salient terms of the franchising agreement

Term / Clause	**Key provisions**
Franchise type and location	The franchised store is authorised to open and operate a single franchised store at the specified address per franchising agreement. The franchised store is strictly prohibited from operating outside this approved location.
Term, renewal & termination the franchised store	Initial term of one to three years. Renewal may be requested by the franchised store's request, provided a written notice is given at least 30 days prior to expiry. Renewal is subject to our approval.
Guarantee deposit	Ranged from RMB5,000 to RMB30,000; typically remains unchanged for renewals; collected once upon signing and retained until termination, serving as security for product payment and brand protection. In cases of payment defaults or long outstanding receivables, we reserve the right to deduct amounts due directly from the deposit. Such deductions will settle overdue payments, and the franchised store must replenish the deposit to its full amount within three days of formal notice.
Franchise fee	Currently range from RMB20,000 to RMB50,000. The franchised fee is due on the date as agreed in the franchising agreement.
Franchise management fees	– Currently 6% on retail sales of the franchised stores, comprising 2% for operational management and 4% for technical support.

Term / Clause	Key provisions
ERP System maintenance fee	– RMB1,000 per franchised store, charged annually, applicable to the Franchised stores with access to our ERP system.
Payment and settlement	– Franchised stores with access to our POS system: We settle with these franchised stores weekly, deducting operational management fees, promotion fees, product procurement costs, technical support fees and third-party system handling fees, based on the sales recorded in the system.
	– Franchised stores with no access to our POS system: 30-day credit term is offered. Outstanding amounts must be paid by the 25th of each month, based on statements provided by us.
Supply and sourcing	– We provide the franchised store with a "New Store Opening Materials List" specifying required equipment, products, and daily supplies.
	– All eyewear products sold in the franchised stores must be procured exclusively from us.
	– Equipment must be procured from us or our designated third party. For equipment self-procured by the franchised store before signing of the franchise agreement, the franchised store must submit supporting documents (e.g., purchase contract, certificate of conformity, test reports or qualified labels, and invoices) for our on-site inspection and obtain our written approval before it can be used.

Term / Clause	Key provisions
Default and termination	– During the term of the franchise agreement, the agreement may be terminated upon mutual consent. – Our right to terminate: We may terminate the franchise agreement and deduct the deposit in various circumstances, including but not limited to: • Failure to open by the specified date. • Unauthorised change of business premises. • Unauthorised online sales. • Unauthorised processing (assembly) of glasses. • Material breach of IP or non-compete clauses. • Failure of key personnel to maintain required professional certifications.

Pricing for our wholesaling business

We and our franchised stores have a buyer-seller relationship as they source products exclusively from us.

The prices of products sold to our franchised stores are based on key factors including (i) the prevailing market prices for products of comparable quality, style and functionality offered by reputable wholesalers or manufacturers; (ii) our actual procurement costs for third party brands or production costs for our proprietary brands; and (iii) all associated costs incurred in providing these goods, including logistics, warehousing, handling, and order processing expenses.

Franchised store ordering and procurement process

Our franchised stores primarily procure products from us through two channels: (i) the annual ordering conferences organised by us; and (ii) ad-hoc orders placed directly with our franchise department.

1. Ordering conferences

We organise ordering conferences three to four times per year, during which we invite our suppliers to showcase their latest product offerings. Franchised stores attend these events to review and select products according to their needs. Orders are then placed with us on site. Upon confirmation of the order by us, franchised stores are required to settle the balance payment within the standard credit period of 30 days. Once the order is confirmed with the suppliers, the suppliers will then ship the ordered goods to our central warehouse. We will then arrange onward delivery of the products to the respective franchised stores thereafter.

2. Ad-hoc Orders

In addition to the ordering conferences, franchised stores may place ad-hoc orders by contacting our franchise department. Our franchise department then forwards the request to our product department for review. Our product department assesses the necessity of the order based on the franchised store's existing inventory levels, sales performance, and actual demand. If the order is approved, our product department places the order with the relevant supplier. Settlement and delivery follow the same process as orders placed through the ordering conferences.

Evolution and Pricing of Franchise Fees and Franchise Management Fees

We determine the level of franchise fees, based on the scale, size, and location of the operations of the franchised stores. Franchise management fees are now charged at a fixed on the gross revenue generated by the franchised stores and recorded in our ERP system.

Hangzhou Maoyuanchang already had franchised stores and was charging franchise fees of RMB5,000 to RMB20,000 when, *inter alia*, Mr. Jin acquired it in 2012. Please refer to "History, Development and Corporate Structure – Acquisition of Maoyuanchang Holdings by Mr. Jin" for details. We increased the franchise fees to RMB15,000 to RMB50,000 in 2013, and further revised to RMB20,000 to RMB50,000 in 2020.

We first introduced franchise management fees in 2019. The policy at that time was to charge new franchised stores in Hangzhou franchise management fees of 6% and charge new franchised stores in other cities in Zhejiang Province franchise management fees of 2% or 4% on an individually negotiated basis. However, the policy was not implemented universally. As at 31 December 2022, we had 30 franchised stores in Hangzhou paying franchise management fees of 2% or 6%, and two franchised stores in other cities of Zhejiang Province paying franchise management fees of 2% or 4%.

In 2023, we began to prepare for the strengthening of the management of our franchised stores to build long-term brand value . We began to provide more operational management support and technical service support to our franchised stores in Zhejiang Province to enhance their abilities to perform. We also began to rollout our enterprise resource planning system, which manages inventory level, sales and procurement and also enable us to calculate revenue generated, to our franchised stores in 2023. These later founded the foundation for us to implement our franchise management fees policy to stores in Zhejiang Province universally. As at 31 December 2023, we had 42 franchised stores in Hangzhou paying franchise management fee of 2% or 6%, and two franchised stores in other cities of Zhejiang Province paying franchise management fees of 2% or 4%.

Building on (i) our announcement in late 2023 of the implementation of Five Uniformities Policy; (ii) One-price Policy in the first half of 2024; (iii) and all of our franchised stores in Zhejiang Province connected to our ERP system by early 2024, we embarked on universal implementation of franchise management fee of 6% for franchised stores in Zhejiang Province (excluding small franchised stores with gross revenue per annum of less than RMB400,000, towards the end of 2024; (iv) strengthened operational management support and technical service support; (v) strengthened brand value upon shifting away from lower-value products and the brand image campaign in mid 2024.

As at 31 December 2024, we had 44 franchised stores in Hangzhou paying franchise management fees of 2% or 6% and two franchised stores in other cities of Zhejiang Province paying franchise management fees of 2% or 4%.

By 31 December 2025, all of our franchised stores in Zhejiang Province (except (i) the excluded ones in Hangzhou as mentioned above, (ii) one franchised store in Hangzhou, which has over 20 years of relationship with us and paying 2% franchise management fee, which we have exempted, and (iii) one franchised store in other cities in Zhejiang Province, which has been paying 4% franchise management fee before the Track Record Period, which we have also exempted, have been paying franchise management fees.

The following table sets forth the breakdown of the number of franchised stores by franchise management fees as at the dates indicated:

		As at 31 December		
Location of franchised stores	**Franchise management fee rate**	**2023**	**2024**	**2025**
Hangzhou	0%	45	41	2
	2%	8	9	1
	4%	–	–	–
	6%	34	35	77
	Subtotal	87	85	80
Other cities in Zhejiang Province	0%	103	106	16
	2%	1	1	–
	4%	1	1	1
	6%	–	–	88
	Subtotal	105	108	105
Outside Zhejiang Province	0%	13	9	9
	Total	**205**	**202**	**194**

The status as at the Latest Practicable Date remained unchanged.

The following table sets forth the summary of the current fee structure charged to our franchised stores in general:

Location		**Fee Type**	**Support Provided**
All locations	Franchise fee	RMB20,000 – RMB50,000	– Right to use **Mao Yuan Chang**
	Franchise management fee	6% of gross revenue generated by franchised stores	– 2% for ongoing operational management training and support – 4% for ongoing technical service training and support – Advertising and commercial initiatives are offered to franchised stores

Management and ongoing support to our franchised stores

Our partnership with franchised stores is established as a long-term and integrated collaboration. We believe we have built a comprehensive and standardised support ecosystem to ensure stringent brand integrity across the entire network, which is achieved through our commitment to five core areas of unification.

In first half of 2024, we began strengthening our management over franchised store with the implementation of the ”Five Uniformities” policy. This policy was introduced to improve the standard of our franchised stores to a level compatible to our self-operated stores. The Five Uniformities are defined as follows:

1. Product Uniformity – franchised stores are required to source 100% of their products from the Company's approved product library, ensuring consistent quality and brand alignment. Non-library products were phased out within a transition period.

2. Price Uniformity – A unified pricing structure applies to products and services across all locations. Stores are not allowed to offer discounts in general.

3. Image Uniformity – All franchised stores must adopt a standardised visual identity, including unified storefront signage, employee uniforms, and a consistent store design based on the company's standardised image system.

4. Delivery Uniformity – Delivery packaging, product quality inspection, and after-sales services are standardised. Stores must also undergo capability assessments for services such as eye examination and lens processing to ensure consistent service delivery.

5. System Uniformity – All franchised stores are required to use the company's ERP system, ensuring real-time, accurate, and complete data entry to support operational transparency and customer service excellence.

The Five Uniformities policy was rolled out in a phased manner. Full enforcement took effect starting in 2025. Franchised stores that fail to comply with the Five Uniformities requirements will be gradually phased out.

We established a franchise department to assist our franchised stores to improve operational management and sales ability in order to enhance their store performances, including the provision of training and support in, *inter alia*, sales strategy and planning, qualifying sales target, resolving operational matters, and conduct market development and competitive analysis. We also provide technical service and training support to our franchised stores to keep them abreast of latest optometric techniques and development and to improve their optometric, prescription fitting, lens fabrication, adjustment, and processing abilities. As we are headquartered in Hangzhou, the level of operational management support and technical service support provided to franchised stores outside of Zhejiang Province is less extensive.

Please refer to "– Our Products and Services – Operations Management" in this section for further support provided to franchised stores.

Selection of franchised stores and approval of franchised store openings

We conduct evaluation on the selection of potential franchised stores and/or approval of the opening of new franchised stores. Key considerations during the evaluation process include the following:

- *Qualifications:* We conduct interviews with potential franchised stores and perform on-site visits to assess and evaluate their retail business, including their capability to operate as owners by overseeing day-to-day operations; and

- *Store location:* Each of the store locations will be carefully evaluated with a focus on high-traffic, premium commercial areas to ensure broad consumer reach and enhanced sales efficiency.

Franchisee Group

Some of our franchised stores operate multiple franchised stores, being under common control of the same ultimate beneficial owners (the "**Actual Controller**"). We refer to this structure as a "Franchisee Group". In the course of business collaboration with Franchisee Groups, we examine and form our understanding of the composition and structure of Franchisee Groups, as well as keep track of any changes to any Franchisee Group. As at the Latest Practicable Date, some of our franchised stores are affiliated through relationships such as family ties.

To the best of our knowledge, as at 31 December 2023, 2024 and 2025, we had 52, 49, 46 Franchisee Groups operating 160, 155, 146 franchised stores were under common control of Franchisee Groups, accounted for approximately 89.9%, 84.3% and 81.7% of our revenue generated from wholesales to our franchised stores, respectively.

Our franchised stores are the legal entities or individuals that operate franchised stores. The Actual Controller of a Franchisee Group may not be the legal representative of all the franchised stores in the same Franchisee Group, and we separately enter into franchise agreements and transact individually with each franchised store under the same Franchisee Group. Each franchised store would provide separate business address and bank account for settlement with regard to its transactions with us, and the purchase and settlement would be made on individual basis by each franchised store. The franchised stores under the same Franchisee Group are not jointly liable with regard to other franchised stores' transactions with us.

We confirm that, to the best of our knowledge, no franchised stores nor Franchisee Group during the Track Record Period and as at the Latest Practicable Date are related parties of the Group. Furthermore, as no individual franchised store nor Franchisee Group accounted for more than 10% of our revenue generated from our franchised stores, which included revenue from wholesales to our franchised stores and franchise fee and franchise management fee for the years ended 31 December 2023, 2024 and 2025, we conclude there was no significant concentration within the franchise network.

Our Directors confirm that, to the best of our knowledge, none of our Franchisee Groups during the Track Record Period was affiliated with us or any of our subsidiaries, Substantial Shareholders, Directors, Supervisors or senior management, or any of their respective associates through familial relationship or other relationship during the Track Record Period.

The following table sets forth the details of our five largest Franchisee Groups in each period during the Track Record Period:

For the year ended 31 December 2025

	Year of commencement of relationship with us	**No. of franchised stores**	**Revenue** *(Note 1)*	**Percentage of revenue from our franchised stores***(Note 1)*
			RMB'000	*%*
Franchisee Group A *(Note 2)*	2000	10	3,491	5.3
Franchisee Group C *(Note 2)*	2000	8	3,490	5.3
Franchisee Group B	2019	10	3,293	5.0
Franchisee Group E	2018	4	2,375	3.6
Franchisee Group D	2018	5	1,798	2.7
Revenue from our top five franchised stores Groups			14,447	21.9

For the year ended 31 December 2024

	Year of commencement of relationship with us	**No. of franchised stores**	**Revenue** *(Note 1)*	**Percentage of revenue from our franchised stores***(Note 1)*
			RMB'000	*%*
Franchisee Group B	2019	10	3,024	5.0
Franchisee Group A *(Note 2)*	2000	10	2,984	4.9
Franchisee Group C *(Note 2)*	2000	8	2,619	4.3
Franchisee Group E	2018	4	2,071	3.4
Franchisee Group D	2018	5	1,819	3.0
Revenue from our top five franchised stores			12,517	20.7

For the year ended 31 December 2023

	Year of commencement of relationship with us	No. of franchised stores	Revenue (Note 1)	Percentage of revenue from our franchised stores(Note 1)
			RMB'000	%
Franchisee Group A (Note 2)	2000	10	4,696	7.9
Franchisee Group B	2019	9	3,034	5.1
Franchisee Group C (Note 2)	2000	8	2,304	3.9
Franchisee Group D	2018	5	1,875	3.2
Franchisee Group E	2018	4	1,791	3.0
Revenue from our top five franchised stores			13,700	23.1

Notes:

(1) The revenue from our franchised stores includes (i) revenue from wholesales to our franchised stores; (ii) franchise fee; and (iii) franchise management fee.

(2) Franchisee Group A and C had already established franchise relationship with us prior to our acquisition of Mao Yuan Chang in 2012.

Franchisee Groups B and E used third-party payment arrangements during the Track Record Period and such amount settled under third-party payment arrangement by each of Franchisee Group B and Franchisee Group E contributed less than 1% of our revenue from franchised stores for the years ended 31 December 2023, 2024 and 2025, respectively.

Channel stuffing risk management

For the years ended 31 December 2023, 2024 and 2025, revenue generated from wholesales to our franchised stores accounted for 19.2%, 21.0% and 18.9% of our revenue, respectively. We strive to minimise the channel stuffing risks with our franchised stores through the following measures:

1. *Payment terms.* We require an initial deposit from our franchised stores under our franchise agreements. For product purchases, we generally offer a 30-day credit term from the date of invoice. In the event a franchisee fails to settle an outstanding balance on time, we deduct the payable amount from their deposit and require them to replenish it within three days upon our formal notice. We believe this mechanism enhances franchised stores' payment discipline. Our trade receivables from our franchised stores' turnover days were 26 days, 25 days and 23 days for the years ended 31 December 2023, 2024 and 2025, respectively. The turnover days indicate that our trade receivables are in line with our credit terms. To date, we have not experienced any material delays in payment from our franchised stores for product purchases.

2. *Return and exchange policy:* We maintain a stringent return and exchange policy for our franchised stores, reflecting the buyout nature of our franchise distribution model. Generally, all sales to franchised stores are final; product returns for refunds are not permitted. However, franchised stores may be allowed to exchange products, subject to our approval and alignment with the return rights as stipulated in our suppliers. This policy ensures supply chain alignment, discourages over-purchasing, and reinforces disciplined inventory management among franchised stores.

3. *Minimum purchase requirement.* We do not currently enforce minimum purchase requirements on our franchised stores, although such requirements existed before we terminated it on 31 December 2024. By not imposing minimum purchase requirements on franchised stores, we allow them to order stock based on realistic sales expectations. This approach reduces the pressure on franchised stores to buy more products than they can sell, thereby mitigating the risk of channel stuffing.

4. *Inventory control and management.* Our inventory control and management policy for franchised stores is designed to ensure efficient and timely replenishment of stock. We require our franchised stores to maintain sufficient stock levels to meet market demand, generally not falling below a three-month turnover. This inventory policy applies to all franchised stores. For those integrated into our centralised system, inventory levels are monitored in real-time. For the small number of non-system-connected franchised stores, we estimate stock requirements and manage replenishment based on historical sales data and past ordering patterns. We believe such an inventory control and management policy over franchised stores motivates them to maintain an optimal level of inventory for sales and reduce the risks of channel stuffing.

Based on the above, our Directors are of the view that the Group's sales had corresponded to actual end-customer demand during the Track Record Period in all material respects. Based on the due diligence performed by the Sole Sponsor, nothing has come to the Sole Sponsor's attention that would reasonably cause it to cast doubt on the foregoing Directors' view in any material respect.

Third-Party Payment Arrangements

During the Track Record Period, certain of our franchised stores (individually or collectively, the "**Relevant Franchisee(s)**") settled their outstanding payments with us through accounts of third-party payors designated by these Relevant Franchised Stores (such arrangements, the "**Third-Party Payment Arrangements**"). These arrangements were provided for in the relevant supplemental franchising agreements. Before agreeing to any such arrangement, we verified the relationship between each Relevant Franchisee and its designated payors, which typically was an owner of the Relevant Franchisee or his/her affiliates. For the years ended 31 December 2023, 2024 and 2025, 92, 74, 62 Relevant Franchisees, including 7, 5, 6 Franchisee Groups, managing 93, 76, 63 franchised stores, used the Third-Party Payment Arrangements, respectively, and the aggregate amount of payment from their designated third-party payors to us amounted to RMB25.7 million, RMB25.1 million and RMB23.9 million, respectively, representing approximately 9.1%, 9.9% and 8.9% of our revenue for the years ended 31 December 2023, 2024 and 2025, respectively. Among these franchised stores, the payment from the Franchisee Groups accounted for 6.1%, 7.1% and 13.6% of our revenue in 2023, 2024 and 2025, respectively. During the Track Record Period, no individual Relevant Franchisee made a material contribution to our revenue.

During the Track Record Period, third-party payors designated by the Relevant Franchisees included:

1. The business operators of Relevant Franchisees that were in the form of sole proprietorships. Payments made by such third-party payors accounted for 1.5%, 1.7% and 1.5% of total payments under the Third-Party Payment Arrangements in 2023, 2024 and 2025, respectively. As advised by our PRC Legal Advisor, under the form of sole proprietorship, the individual investor bears unlimited liability for the debt obligations of the sole proprietorship.

2. Other types of third-party payors, including legal representatives of corporate Relevant Franchisees, or other affiliates of Relevant Franchisees accounted for 98.5%, 98.3% and 98.5%. We communicated with major Relevant Franchisees (apart from those in the form of sole proprietorships with their third-party payors being their business operators) and as at the Latest Practicable Date, and written confirmations had been obtained from a total payments under the Third-Party Payment Arrangements in 2023, 2024 and 2025 of those Relevant Franchisees and their designated third-party payors (the "**Confirmations**"), affirming that, among other things:

   a. There was no dispute or potential dispute regarding the Third-Party Payment Arrangements, and the Relevant Franchisees and their designated third-party payors had not and would not ask us to return the payments;

   b. All settlements with us were backed by genuine transactions, and payments made by the third-party payors were accurate and legitimate. The Third-Party Payment Arrangements did not involve money laundering, commercial bribery or any other activities in violation of applicable laws and regulations;

   c. Settlement amounts were consistent with the relevant transaction amounts, and we were not obligated to return the funds received under these Third-Party Payment Arrangements. Furthermore, we were not bound by any agreement of rights and obligations relating to the Third-Party Payment Arrangements between the Relevant Franchisees and their designated third-party payors; and

   d. From the date of the Confirmations, the Relevant Franchisees committed to settling their outstanding payments directly to us without using the Third-Party Payment Arrangements.

Our Directors confirm that, to the best of our knowledge, none of the Relevant Franchisees or the third-party payors designated by the Relevant Franchisees during the Track Record Period was a connected person of our Group and the designated third-party payors were independent from any of our Directors, senior management and Shareholders.

Our Directors confirm that, during the Track Record Period, (i) we did not proactively initiate any Third-Party Payment Arrangement; (ii) we did not provide any discount, commission, rebate or other benefits to any of the Relevant Franchisees to facilitate or encourage the Third-Party Payment Arrangements; (iii) the pricing and payment terms of the agreements we entered into with the Relevant Franchisees were in line with other franchised stores who did not use the Third-party Payments; (iv) we did not incur any bad debts or make any provision for doubtful debts specifically in relation to transactions settled through Third-Party Payment Arrangements; and (v) we did not encounter any disputes or litigations with the Relevant Franchisees regarding the Third-Party Payment Arrangements.

All amounts due from the Relevant Franchisees under Third-Party Payment Arrangements were duly settled and recorded in our financial records without any material delay or default during the Track Record Period and as at the Latest Practicable Date.

Based on the foregoing, our PRC Legal Advisor is of the view that, given (i) all transactions settled through the Third-Party Payment Arrangements were supported by genuine business dealings and we have maintained records regarding the origin and nature of the funds received, with no intention to conceal any details; (ii) we were able to verify the identities of third-party payors and, in certain cases, obtained written confirmations from Relevant Customers regarding such arrangements; (iii) financial institutions facilitating these payments have implemented anti-money laundering prevention and monitoring measures in compliance with the Anti-Money Laundering Law of the PRC, thereby substantially mitigating associated risks; and (iv) we have not been subject to any criminal liabilities, administrative sanctions or pending investigations relating to the Third-Party Payment Arrangements during the Track Record Period and up to the Latest Practicable Date, the risk that the Third-Party Payment Arrangements would be deemed as constituting money laundering under Article 191 of the Criminal Law of the PRC is remote.

Reasons for using Third-Party Payment Arrangements

To the best of our knowledge, the Relevant Franchisees' use of the Third-Party Payment Arrangements during the Track Record Period was primarily attributable to practical operational considerations. These franchised stores operate as sole proprietorships or small corporate entities, they either did not maintain a readily available business bank account for settlement purposes or, in certain instances, the Relevant Franchisees had limited immediate assess to business bank accounts or at the time of settlement. According to Euromonitor Report, sole proprietorships and small corporate entities may fail to open business bank accounts as banks generally assess their creditworthiness and business operation through complex procedures, as they are not as competitive as large corporate entities. According to Euromonitor Report, it is a common practice for franchised stores to settle payments through third-party payors in the eyewear retail industry in China. Third-Party Payment Arrangements allow the Relevant Franchisees to settle payments with us in a timely manner, which is conducive to the transaction efficiency. Consequently, the use of third-party or affiliate accounts presented a practical means to facilitate timely transaction settlement. For each relevant franchised store, the relationship with any third-party payor is contractually stipulated, and we undertake verification to confirm the underlying affiliation between the franchised store and the third-party payor.

Rectifications of the Third-Party Payment Arrangements

We have begun to rectify the Third-Party Payment Arrangements in March 2026, we have begun to require our franchised stores (other than sole proprietorships) to enter into supplemental agreements to our franchise agreements. Under the supplemental agreements, we only allow payments directly from the accounts of the franchised stores. Our supplemental agreements specify the detailed information and payment obligation of the respective contractual parties.

Enhanced internal control measures for Third-Party Payment Arrangements

We have enhanced our internal control to manage the risks associated with the Third-Party Payment Arrangements, including that:

– we have initiated the implementation of Third-Party Payment Arrangements rectification measures and informed our employees regarding the enhanced internal control;

– we have requested all franchised stores to settle payments with us directly through their own bank accounts, except that, in the case of franchised stores that are sole proprietorships, payments may be settled by their business operators only if they also enter into the supplemental agreements and become contractual parties thereunder;

– we have required franchised stores (or, in the case of franchised stores that are sole proprietorships, the business operators of such sole proprietorships) to submit their account information to us before any payment is made, and we would closely monitor any change of account information to identify any Third-Party Payment Arrangement;

– we have required our employees to reject and/or return all payments made by third-party payors; and

– in addition, our sales team will hold regular meetings with franchised stores to gain insights into their business operations, thereby reducing the risk of involvement in fraudulent or money laundering activities.

Based on the review of the implementation of the abovementioned measures, our Directors are of the view that such measures are effective and adequate in preventing risks associated with Third-party Payment Arrangements in the future.

OPERATIONS MANAGEMENT

Our operational guidelines apply to both our self-operated stores and franchised stores.

We implement standardised operational models to ensure consistency in product quality, customer service, and retail experience across all stores. Our comprehensive standards govern visual merchandising, customer service protocols, procurement and inventory management, staff conduct, digital management systems, and employee training programmes. This rigorous standardisation foundation supports replicability and scalability while safeguarding brand integrity.

Systematic, periodic evaluations drive continuous optimisation across our network through a unified, data-driven performance management system. This mechanism assesses each store against key metrics including sales, customer service satisfaction scores, inventory turnover and accuracy, visual merchandising compliance, staff productivity, and operational cost control. Store teams achieving performance targets are eligible for monetary bonuses, fostering healthy competition.

Our performance evaluation framework integrates with our digital infrastructure, with the majority of performance data captured automatically by our centralised Retail Management System. Interpretation and application are driven by a tripartite management structure involving our Operations, Training, and HR teams, who validate raw data, investigate anomalies, and translate insights into tangible actions through regular cross-functional reviews.

For underperforming stores, we initiate structured diagnostic reviews to investigate root causes, which may relate to location-specific factors, merchandising mix, pricing perception, or operational execution. Our response involves targeted action plans including enhanced staff training, localised marketing support, or merchandising adjustments, with leadership changes considered if performance does not improve.

Standardised guidelines empower store staff to handle customer inquiries, complaints, and service recovery situations, with managers authorised to offer remedial actions such as free adjustments, repairs, or product exchanges within defined parameters. Complaints received through central channels are managed by our dedicated customer service team.

We accept various payment methods including cash, cards, and mobile platforms, with approximately 95.7% of in-store retail sales settled via electronic payments during the Track Record Period. Our cash management procedures require managers to record inflows, conduct shift-end counts, and deposit receipts via designated bank channels, with regular reconciliations by our finance department and unannounced cash counts at stores.

Centralised inventory management with barcode tracking at SKU level enables real-time visibility of stock across all stores and warehouses. Standardised procedures govern stock receiving, tagging, display, cycle counting, and damage reporting, with discrepancies investigated promptly. During the Track Record Period, we have not experienced any incidents of cash misappropriation, embezzlement, or material inventory loss that significantly impacted our business.

ANTI-CANNIBALISATION RISK MANAGEMENT

To prevent internal cannibalisation and ensure network health, we have implemented a disciplined governance framework:

- Protected Radius Policy: We generally avoid opening another self-operated or franchised store under **Mao Yuan Chang** within an approximately 1.5 kilometre radius of an existing store. Exceptions may be made only with headquarter approval, typically in areas with proven hyper-dense demand where our profitability model confirms sufficient demand to support multiple store locations.

- Data-Driven Site Validation Process: All new store proposals, whether self-operated or franchised, must be evaluated through our profitability model. This model analyses key location data—such as commercial district foot traffic and surrounding demographics – to assess the site's financial viability. By integrating these indicators into our structured forecasting model, we ensure that each new store meets our performance benchmarks before approval. This data-driven approach minimises risk and protects the long-term profitability of our network. It also enables us to pinpoint exactly which indicators failed to meet expectations should a store underperform, allowing us to apply these insights to future site selection and network planning.

- Unified Pricing and Promotion Strategy: We mandate consistent pricing for our collection of products across all stores within the two brands. Promotional campaigns are designed and scheduled centrally to prevent inter-store price competition.

- Post-opening performance review: We conduct intensive performance reviews for all new stores during their first two months of operation. If a new store's performance falls below projections and analysis indicates that a nearby existing store or commercial area is materially affecting its performance, we will cease further expansion in that vicinity and review our network strategy.

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

INVENTORY MANAGEMENT

Effective inventory management is essential for maintaining product availability and minimising costs. We utilise a centralised inventory system integrated with our enterprise resource planning (ERP) software to monitor stock levels in real time across self-operated and majority of our franchised stores. This system facilitates demand forecasting based on, including but not limited to historical sales data, seasonal trends (e.g., higher demand for sunglasses in summer) and regional preferences, allowing us to optimise procurement and reduce overstocking risks. Given that we also wholesale products to our franchised stores, we maintain stock at certain levels, determined based on, including but not limited to (i) our franchised store sales patterns; (ii) yearly sales budgets; and (iii) minimum stock thresholds (e.g. three months of supply for high turnover items like prescription lenses), to support timely fulfilment of their orders, ensuring supply chain efficiency and service reliability. During the Track Record Period, our average inventory turnover days was 116 days, 123 days and 127 days for the years ended 31 December 2023, 2024 and 2025, respectively.

Slow-moving inventory refers to SKUs (including products under both proprietary and third-party brands) that have recorded no sales within a rolling twelve-month period. For fashion-sensitive items such as frames or products incorporating outdated lens technologies, we conduct quarterly inventory reviews to assess stock based on sales velocity and market relevance. For any SKU that has recorded no sales for more than twelve months, we engage with the relevant suppliers to arrange potential returns or exchanges, thereby minimising inventory obsolescence and optimising stock turnover. Our total write-down of inventories amounted to RMB0.3 million, RMB0.7 million and RMB0.6 million for the years ended 31 December 2023, 2024 and 2025, respectively, primarily attributable to seasonal style changes and product lifecycle updates.

PROCUREMENT

For third-party brands, we are committed to securing high-quality, fashionable, and functionally advanced eyewear products, optical equipment, and retail supplies from reliable and reputable sources at competitive prices. Our procurement activities are centralised to leverage economies of scale and ensure stringent quality control. We have established a dedicated central procurement department at our headquarter which implements and manages our ERP system (unified, centralised procurement system) for all our self-operated stores, the majority of our ERP system-connected franchised stores, and our online stores. As at the Latest Practicable Date, we have 8 franchised stores that have not yet been integrated into our ERP system. As a result, these stores continue to procure products directly from us via offline means. We are continuously evaluating opportunities to bring these stores into the ERP system as their operations grow and align with our integration standards.

Our suppliers

Our suppliers primarily comprise suppliers of optical lenses, frames, sunglasses and OEM providers. Purchase from our five largest suppliers in each year during the Track Record Period without taking into consideration of purchase rebate we received or expected to receive in respect of the corresponding year amounted to RMB56.0 million, RMB53.2 million and RMB50.7 million for the years ended 31 December 2023, 2024 and 2025, respectively, representing approximately 43.9%, 46.0% and 45.5% of our total purchases without taking into consideration of purchase rebate we received or expected to receive in respect of the corresponding year for the same year, respectively, with our largest single supplier representing 12.5%, 14.2% and 13.7% for the same years. For risks relating to our major suppliers, see "Risk Factors – Risks Relating to our Business and Industry – We rely on suppliers and outsourcing partners for critical materials and services, and supply chain disruptions could have an adverse effect on our business operations and financial performance."

Supplier selection and evaluation

We maintain a proactive process for identifying, onboarding, and evaluating suppliers to continuously optimise our supply chain for quality, cost, and innovation. We employ a comprehensive set of criteria to assess prospective suppliers, including but not limited to: product quality, design capability, and compliance with national safety standards; pricing and payment terms; financial stability and production capacity; market reputation and brand portfolio; and capability for sustainable and ethical manufacturing.

Our procurement team conducts ongoing market research, attends international trade fairs, and invites qualified candidates to participate in a formal selection process. This process involves detailed product sampling, laboratory testing (for lenses and coatings), and thorough facility audits before any engagement. For frame manufacturers and lens laboratories, we conduct on-site inspections of their production facilities to assess manufacturing processes, quality control systems, and working conditions. We also systematically collect and analyse feedback from our stores regarding product durability, customer reception, and ease of fitting.

Supply agreements and management

Our procurement strategy and supplier relationships have demonstrated stability and managed concentration throughout the Track Record Period. We prioritise the development of long-term partnerships with our core suppliers. We have maintained long-term, continuous business relationships with our top five key suppliers during the Track Record Period, on average we have worked with our top five suppliers for over ten years, which underscores mutual reliability and our supply stability.

To ensure supply chain resilience and competitive pricing, we deliberately engage multiple qualified suppliers for each major product category, such as metal frames and standard lens types. This multi-sourcing strategy is designed to mitigate over-reliance risk on any single provider and to maintain operational stability. During the Track Record Period and up to the Latest Practicable Date, we have not experienced any significant interruption in the supply of products or a failure to secure sufficient inventory that had a material adverse impact on our operations.

Our suppliers generally extend credit terms ranging from 30 to 180 days. We settle these trade payables primarily through bank transfers.

Key terms of supply agreements

Our standard supply agreements with product suppliers (excluding OEM suppliers) contain the following salient terms:

Term	Summary of Key Provisions
Quality & specifications	Suppliers must comply with all relevant PRC national standards (GB standards) and industry standards.
Pricing	Product prices are fixed in the agreement , subject to adjustment by the suppliers upon written notice and/or other rebate and discount policies of the suppliers to be further agreed by supplemental agreements.
Delivery & logistics	Suppliers deliver goods pursuant to the agreed locations and agreed schedules.
Inspection & acceptance	All goods undergo quality inspection upon delivery. We may reject non-conforming products and seek replacement or refund.
Payment terms	Payments are generally made within the agreed credit period following our acceptance of goods and receipt of a valid invoice.
Sales rebate	Sales rebate (deductible against purchase) are provided when purchases reach certain benchmarks and when specified in promotional events.

The table below sets forth the details of our top five largest suppliers in each year during the Track Record Period:

For the year ended 31 December 2025

	Background	Products provided to us	Year of commencement of the relationship with us	Credit terms	Purchase *(Note 3)*	Percentage of total purchase *(Note 3)*
					RMB'000	*%*
Shanghai Essilor Optical Co., Ltd. (上海依視路光學有限公司)	A leading manufacturer of optical lenses and vision care products.	Optical lenses	2015	30-90 days	15,238	13.7
Carl Zeiss Optics (Guangzhou) Co., Ltd.(卡爾蔡司光學（廣州）有限公司)	A premium provider of high-precision lenses and optical instruments.	Optical lenses	2016	30 days	12,984	11.7
Kaiyunyiwei (Shanghai) Glasses Trading Co., Ltd. (開雲瑷維（上海）眼鏡貿易有限公司)	Distributor of luxury eyewear brands, part of the Kering group.	Frames and sunglasses	2017	90 days	9,988	9.0
Xin Tianhong Optical Company Limited (新天鴻光學有限公司) *(Note1)*	Supplier of optical lenses and related products, often in partnership with major brands.	Optical lenses under OEM	2015	30 days *(Note 1)*	8,059	7.1
Hangzhou Hangkang Glasses Co., Ltd. (杭州杭康眼鏡有限公司)	A regional distributor or retailer of eyewear products and accessories.	Optical lenses	2014	30 days	4,400	4.0
Our total purchase from the top five suppliers					50,669	45.5

For the year ended 31 December 2024

	Background	Products provided to us	Year of commencement of the relationship with us	Credit terms	Purchase (Note 3)	Percentage of total purchase (Note 3)
					RMB'000	*%*
Shanghai Essilor Optical Co., Ltd. (上海依視路光學有限公司)	A leading manufacturer of optical lenses and vision care products.	Optical lenses	2015	30-90 days	16,440	14.2
Carl Zeiss Optics (Guangzhou) Co., Ltd. (卡爾蔡司光學（廣州）有限公司)	A premium provider of high-precision lenses and optical instruments.	Optical lenses	2016	30 days	14,265	12.3
Xin Tianhong Optical Company Limited (新天鴻光學有限公司) *(Note1)*	Supplier of optical lenses and related products, often in partnership with major brands.	Optical lenses under OEM	2015	30 days *(Note 1)*	9,668	8.4
Kaiyunyiwei (Shanghai) Glasses Trading Co., Ltd.(開雲瑷維（上海）眼鏡貿易有限公司)	Distributor of luxury eyewear brands, part of the Kering group.	Frames and sunglasses	2017	90 days	9,653	8.3
Hangzhou Jingdu Technology Co., Ltd. (杭州鏡度科技有限公司)	A technology-focused company in Hangzhou, specialising in optical instruments, lens processing, or eyewear-related tech solutions.	Frames and sunglasses under consignment	2023	30 days	3,164	2.8
Our total purchase from the top five suppliers					53,190	46.0

For the year ended 31 December 2023

	Background	Products provided to us	Year of commencement of the relationship with us	Credit terms	Purchase (Note 3)	Percentage of total purchase (Note 3)
					RMB'000	%
Carl Zeiss Optics (Guangzhou) Co., Ltd. (卡爾蔡司光學（廣州）有限公司)	A premium provider of high-precision lenses and optical instruments.	Optical lenses	2016	30 days	15,973	12.5
Shanghai Essilor Optical Co., Ltd. (上海依視路光學有限公司)	A leading manufacturer of optical lenses and vision care products.	Optical lenses	2015	30-90 days	14,132	11.1
Xin Tianhong Optical Company Limited (新天鴻光學有限公司) (Note1)	Supplier of optical lenses and related products, often in partnership with major brands.	Optical lenses under OEM	2015	30 days (Note 1)	12,019	9.4
Kaiyunyiwei (Shanghai) Glasses Trading Co., Ltd.(開雲瑷維（上海）眼鏡貿易有限公司)	Distributor of luxury eyewear brands, part of the Kering group.	Frames and sunglasses	2017	90 days	9,679	7.6
Supplier A (Note 2)	An eyewear trading and distribution company based in Hangzhou.	Frames	2015	30 days	4,206	3.3
Our total purchase from the top five suppliers					56,009	43.9

Note:

1. Xin Tianhong Optical Company Limited (新天鴻光學有限公司) is one of our OEM suppliers. The supplier provides a credit amount, any amount exceeding this threshold is settled on a monthly basis.

2. Supplier A had ceased operation and de-registered its business, as at the Latest Practicable Date.

3. The purchase amount does not include the purchase rebates we received or expected to receive from the respective eyewear product suppliers in respect of the purchase for the years ended 31 December 2023, 2024 and 2025.

For the years ended 31 December 2023, 2024 and 2025, our top five suppliers accounted for approximately 43.9%, 46.0% and 45.5% of total procurement, respectively, with our largest single supplier representing 12.5%, 14.2% and 13.7% for the respective years.

To the best of our knowledge, all of our top five suppliers during the Track Record Period were Independent Third Parties. Furthermore, to the best of our Directors' knowledge, none of our Directors, their respective associates, or any shareholder holding more than 5% of our Company's issued share capital had any material interest in any of these top five suppliers in each year during the Track Record Period.

Proprietary Brands and OEM Arrangements

We engage selected manufacturers under OEM arrangements to design in accordance to our specifications and requirements and produce products under our proprietary brands.

Under our OEM model, for each proprietary brand product, we develop and collaborate with our OEM partners to design detailed technical specifications, including frame dimensions, materials, colorways, and, where applicable, lens parameters. These specifications are provided to selected OEM manufacturers who produce finished goods bearing our proprietary brand names exclusively for our Group.

OEM Partner Selection and Management

Our selection of OEM partners follows the same supplier evaluation process applied to our third-party suppliers, with additional emphasis on manufacturing precision, confidentiality protection, and production flexibility. We conduct on-site audits of potential OEM facilities to assess their production capabilities, quality control systems, and compliance with our ethical manufacturing standards. Approved OEM suppliers are subject to ongoing monitoring for at least once a year.

The largest OEM supplier accounted for approximately 9.4%, 8.3% and 7.2% of our total procurement costs incurred for the years ended 31 December 2023, 2024 and 2025, respectively. No single OEM supplier accounted for more than 10% of our total procurement costs in any of these years, reflecting a diversified OEM supplier base with no material concentration risk.

Salient terms of our supply agreements with our OEM suppliers

Our supply agreements with our OEM suppliers contain the following salient terms:

Category	**Key Terms**
Nature of Relationship	Manufacturing (work-for-hire) relationship. OEM Supplier manufactures eyewear products under our proprietary brands.
Products & IP	Products bear our trademarks (Maoyuanchang * (毛源昌), MYC, FIDO, EZOTEN, etc.). We guarantee we own or have the rights to these trademarks.
Term	One or two years.
Ordering & Delivery	Each order is a contract appendix. Delivery must meet the timeline in each order. Quantity tolerance is set per contract; beyond that, Party A may reject. Delivery locations: Hangzhou or Lanzhou.

Category	Key Terms
Pricing & Payment	Price is set per purchase order. Payment terms: 30% deposit upon order placement; payment increased to 90% upon receipt of goods; remaining 10% paid within 3 business days after inspection and acceptance. OEM Supplier must issue a VAT special invoice before we pay the remaining 70% (otherwise we may withhold payment).
Inspection & Acceptance	Inspection period: 30 days after receipt. Standard: National eyewear quality standards or our internal manufacturing quality standards. Detailed inspection criteria include plating, surface finish, dimensional tolerances, lens quality, hinge function, etc. Defective or non-conforming products must be repaired or replaced within 30 days (shipping borne by Party B).
Warranty & After-Sales	12-month warranty from receipt of goods. Quality issues (e.g., plating peeling, weld failure) during this period require repair or replacement at OEM Supplier's cost. If defects cause consumer harm, OEM Supplier bears full liability. Post-warranty repairs are available at cost.
Restrictions on Manufacturer	OEM Supplier may not: (1) display our products in its showroom; (2) sell our products (including defective units) to any third party; (3) use our materials or IP for any purpose other than manufacturing for us. Violation: RMB 100,000 penalty plus damages.
Default & Penalties	Late delivery: 1% of order value per day; if >10 days late, Party A may cancel the order and claim an additional 30% penalty. Late payment: 1% of order value per day; if >10 days late, Party B may cancel and claim an additional 30% penalty. Liquidated damages do not preclude claims for actual losses (including legal fees).
Termination	Either party may terminate for cause (e.g., material breach). Upon termination, OEM Supplier must return all materials and IP, and both parties retain post-termination obligations (confidentiality, warranty, etc.).

Design and development process

The design and development of our proprietary brand products is led by our in-house merchandising and product development team, working in collaboration with our OEM suppliers. We monitor emerging lens technologies, frame materials and market trends, analyse sales data and customer feedback from our stores to identify gaps in our current product assortment and inform new product requirements and provide our design directions.

Once the product concept and requirements are finalised internally, we invite our OEM suppliers to propose design options that align with our brief (including style direction, target price band, material preferences and brand positioning). We review the proposals, select and confirm the final design(s), and provide detailed specifications for manufacturing. The selected OEM suppliers then produce for fit, durability and quality testing. After refinement and approval, bulk manufacturing commences under our quality protocols.

Intellectual property protection

All OEM agreements for our proprietary brands contain intellectual property provisions. The OEM manufacturers are expressly prohibited from distributing or selling any products incorporating our designs or branding to any third party. We also require our OEM partners to maintain strict confidentiality regarding our product information and trade secret.

Quality assurance

Products manufactured under OEM arrangements are subject to the same quality inspection protocols applied to all other products. Upon delivery to our distribution centres, proprietary brand items undergo full inspection against our technical specifications, including dimensional checks, material verification, and, where applicable, optical performance testing. Any non-conforming products are rejected, and we maintain the right to conduct unannounced audits of our OEM partners' facilities to verify ongoing compliance with our quality and ethical standards.

Benefits of the OEM model

Our use of third-party OEM suppliers for manufacturing proprietary brand products offers several benefits, including (i) avoidance of significant capital expenditure on manufacturing facilities, equipment, or production lines, allowing us to allocate resources more efficiently; and (ii) flexibility in production volume, product variation and response to market changes.

During the Track Record Period, total purchases related to our proprietary brand production from our OEM partners accounted for approximately 18.8%, 16.6% and 16.3% of our total procurement spend for the years ended 31 December 2023, 2024 and 2025, respectively.

Consignment arrangements

In addition to direct procurement from suppliers, we operate under consignment arrangements with certain suppliers, whereby we receive eyewear products, primarily frames and sunglasses under third-party brands, on consignment for sale in our self-operated stores or wholesale to our franchised stores. Under these arrangements, we do not take title to the consigned inventory until it is sold to our retail customers through our self-operated stores or wholesale to our franchised stores. As we have the ability to direct the use of the inventories and those suppliers do not have a right to recall the inventories once they are delivered to us, we recognise the related revenue and cost of sales when these inventories are sold to our retail customers through our self-operated stores or wholesale to our franchised stores in accordance with our accounting policies. This model allows us to offer a broader product selection while minimising inventory holding risks and associated carrying costs, with the sales of consigned products representing approximately 11.8%, 14.6% and 15.4% of our revenue for the years ended 31 December 2023, 2024 and 2025, respectively.

As at 31 December 2023, 2024 and 2025, we had consignment agreements with 30, 33 and 33 suppliers, primarily for mid-end frames and sunglasses, and all such arrangements were entered into on normal commercial terms. Our Directors confirm that these consignment arrangements comply with applicable laws and regulations.

Our standard supply agreements with our suppliers under consignment contain the following salient terms:

Category	**Key terms**
Products	Branded optical products
Sales territory & channels	we may sell products exclusively in our physical retail stores located in China. Internet sales are prohibited without Consignor's prior written consent.
Payment terms	Settlement: Monthly payment for products sold; payment due by the date of each month based on prior month's sales. Replenishment orders of each following month require full payment of previous months' purchase before shipment.
Discount/Rebate	If annual sales (by settlement price) reach or exceed sales target, our Consignor grants an agreed discount on total future sales, to be settled yearly.
Delivery & Risk	Consignor arranges shipment. Delivery is completed upon our acceptance.
Inspection	We must inspect goods within 14 days of delivery. Any claims regarding quantity, appearance, quality, or packaging must be raised in writing within this period; otherwise, the goods are deemed accepted.

Category	Key terms
Warranty & Repairs	12-month warranty for quality-related defects (free repair or replacement). Non-quality damage repairs are fee-based. Shipping costs for repairs: we pay one-way to Consignor and Consignor pays return shipping.
Return & Exchange	A percentage of exchange rate on total annual purchases (for non-defective products) is mutually agreed. Exchanges must be completed by the set day in the contract, with all outstanding payments settled within the set day.
Termination & Stock Return	If the contract expires or is terminated early, we may return all remaining inventory to Consignor, provided the products are in resalable condition.
Intellectual Property	We may not use Consignor's trademarks or patents without written authorisation, nor register similar trademarks or use Consignor's brand names in store signage or trade names. Strict confidentiality obligations apply.
Key Restrictions	No internet sales. No sales of counterfeit or mixed products. No unfair competition (e.g., price dumping).
Default & Penalties	Late payment or early termination without 30 days' prior written notice may trigger penalties set as in the contract. Dumping or selling counterfeits: Consignor may terminate and claim damages.

Cost Management and Price Sensitivity Analysis

We implement a proactive and multifaceted strategy to manage and stabilise our procurement costs. Key measures include (i) negotiating fixed-price agreements with key suppliers for core product categories (e.g., basic lens blanks, standard frame materials) to lock in favourable costs over defined periods; (ii) cultivating long-term, strategic partnerships with our major suppliers to secure pricing stability and priority access to new products; and (iii) utilising predictive analytics based on sales trends and seasonality to guide bulk purchasing decisions, thereby optimising inventory levels and capitalising on volume discounts. Furthermore, our position as a large-scale, centralised buyer provides us with significant purchasing power, enabling us to negotiate competitive terms.

The table below sets forth a sensitivity analysis illustrating the hypothetical impact on our profit during the Track Record Period from fluctuations in the average procurement cost of our core eyewear products and optical materials. This analysis assumes a uniform percentage change in the cost of goods sold, with all other variables (including selling prices, sales volume, and operating expenses) held constant. Our actual results may differ materially from this hypothetical illustration depending on the magnitude, timing, and product-specific nature of any actual cost fluctuations, as well as our ability to implement corresponding mitigating actions.

	-10%	-5%	5%	10%
		RMB'000		
Hypothetical change in profit for the year				
Year ended 31 December 2023	11,358	5,679	(5,679)	(11,358)
Year ended 31 December 2024	10,746	5,373	(5,373)	(10,746)
Year ended 31 December 2025	10,325	5,162	(5,162)	(10,325)

Anti-bribery and Anti-corruption Measures

We have internal policies and guidelines strictly prohibiting bribery, corruption, and conflicts of interest. All our employees are required to acknowledge and comply with our code of conduct, which explicitly forbids the solicitation or acceptance of any improper benefits. We extend this ethical framework to our business partners. All signing parties are required to commit to our anti-bribery provisions as part of the onboarding process, committing to lawful and ethical practices. Any violation of this agreement or relevant laws may result in immediate termination of the business relationship.

Our centralised procurement and supplier management system is a key internal control mechanism. It strictly limits the number of personnel authorised to approve new suppliers and finalise major procurement contracts. As at the Latest Practicable Date, only three designated senior managers in our procurement and merchandising departments hold such authority, ensuring clear accountability and reducing the risk of improper influence. During the Track Record Period and up to the Latest Practicable Date, we have not been involved in any material legal proceedings related to bribery or corruption, and we are not aware of any kickback arrangements between our employees and suppliers.

LOGISTICS

Our supply chain and logistics infrastructure combines outsourced expertise with owned manufacturing hubs to ensure efficiency, quality control, and reliable support for our store network.

We operate two central warehouses in Hangzhou and Lanzhou. Both maintain controlled environments for optical products, with a dedicated climate-controlled chamber for contact lenses preserving constant temperature (10°C to 30°C) and humidity (45% to 75%) to ensure product efficacy. The defining function of these warehouses is centralised lens processing. When a store places an order, it is transmitted electronically to the nearest warehouse, where technicians cut, edge, bevel, and polish lenses to precisely fit the designated frame. Centralising this complex process enables uniform quality standards across all locations. Within each warehouse, a dual-check structure ensures accuracy. Certified technicians operate processing machinery following standardised procedures, while an independent team performs inspection on every lens pair. Using digital lensometers, they verify prescription accuracy, physical conformity, and cosmetic integrity before approving shipment. Every order is barcoded and tracked, providing full traceability from technicians and verifying officers to materials and machinery used. Quality deviations are logged and investigated to refine procedures and inform targeted retraining.

Through our owned hubs, we have embedded quality assurance at the heart of our supply chain, guaranteeing that every pair of lenses meets our standards and directly supporting our brand positioning as a trusted provider of high-quality eyewear and professional optical services.

PRODUCT SAFETY, PRODUCT QUALITY AND COMPLIANCE CONTROL

Our quality assurance system is led by our product director (one of our executive Directors), supported by a dedicated team of four quality control professionals at our headquarters, and integrated throughout our value chain.

Quality control begins at source with mandatory supplier factory audits to assess production standards, quality management systems, and regulatory compliance. We require valid product qualification certificates and third-party lab test reports, and enforce First Article Inspection for each production batch with random sampling for critical dimensions, material durability, and coating adherence before shipment authorisation.

Upon arrival at our distribution centres, all goods undergo secondary inbound quality checks verifying quantity, checking for shipping damage, and conducting spot tests against specifications. Approved inventory is stored in designated clean, dry areas, with products having specific environmental sensitivities maintained under controlled conditions as per manufacturer guidelines.

A multi-layered system of controls and audits across our store network ensures consistent product quality and regulatory compliance. Store staff perform final visual and functional inspections when receiving inventory, rejecting any damaged items. Certified opticians and fitters follow strict protocols for prescription verification, lens fitting, and frame adjustment to ensure optical accuracy, safety, and comfort standards. We maintain detailed customer records and provide comprehensive product warranties with clear processes for handling post-sale quality concerns.

In the event of any quality or compliance issue, we implement structured responses including providing customer redress through repair, replacement, or refund, and conducting root cause analysis to determine whether issues stem from one-off errors, training gaps, or systemic supplier problems. Corrective actions may include updating operational checklists or working with suppliers to rectify manufacturing defects. Depending on severity, employee accountability measures range from re-training to formal warnings.

We place emphasis on continuous education, with all customer-facing staff undergoing mandatory periodic training on product knowledge, customer service standards, compliance updates, and technical skills. Opticians and technical staff are required to hold valid professional certifications and participate in advanced technical training.

During the Track Record Period and up to the Latest Practicable Date, there have been no material product safety incidents, product recalls, or widespread consumer complaints related to the quality or safety of Mao Yuan Chang products that have significantly impacted our operations or reputation.

CUSTOMER BASE AND MARKETING

Scale and Engagement and our Loyalty Programme

Our loyalty programme features a structured, three-tier membership system designed to reward ongoing patronage and deepen customer engagement. Members progress through Gold, Platinum, and Black Diamond tiers based on their cumulative consumption within a rolling 24-month period. Each tier unlocks an expanding suite of exclusive privileges, incentivizing higher engagement and fostering long-term loyalty.

The programme is centrally managed with parameters tailored per brand, including tier thresholds, points accrual, and redemption rates. This flexible yet controlled approach allows us to maintain brand-specific strategies while operating under a unified loyalty framework. All points expire after a standard validity period, and tier status is periodically reviewed based on rolling consumption.

During the Track Record Period, our self-operated stores served approximately 212,000, 184,000, and 188,000 active customers registered under our loyalty programme (defined as those making at least one purchase in the year). Among these, the number of customers who made repeat purchases within a rolling 24-month period was approximately 88,000, 86,000, and 87,000, corresponding to repeat customer rates of 41.2%, 46.6%, and 46.4% for the years ended 31 December 2023, 2024 and 2025, respectively. Revenue contributed by these repeat customers accounted for 57.2%, 62.4%, and 64.2% of our revenue generated from our self-operated stores for the years ended 31 December 2023, 2024 and 2025, respectively.

Broad Demographic Appeal

Our value proposition resonates across generations. As at the Latest Practicable Date, in accordance with the record of our membership programme, our customer orders consistently derived from a balanced demographic mix:

Young & Middle-Aged Adults (Ages 19-45): Approximately 35% of customers, with demand driven by fashion, blue-light protection, and primary vision correction.

Children & Teenagers (Ages 18 and under): Approximately 10% of customers, with focus on myopia management and functional eyewear.

Seniors (Ages 45+): Approximately 10% of customers, centred on presbyopia, cataracts, and other age-related vision care services.

Marketing and Brand Building

Our core marketing initiatives include:

Offline marketing: Our offline marketing efforts serve as our primary marketing channel. We maintain a consistent and dominant presence in high-traffic environments, including comprehensive public transportation advertising across bus exteriors and train stations, as well as prominent outdoor billboards in prime commercial districts.

Omni-channel Digital Marketing: We utilise key social media, lifestyle, and short-video platforms (e.g., Xiaohongshu, Douyin, WeChat). Our content strategy focuses on eyewear fashion trends, styling advice, eye health awareness, and behind-the-scenes brand stories. We utilise targeted advertising, Key Opinion Leader (KOL) and Key Opinion Consumer (KOC) collaborations, and livestream commerce to drive traffic, particularly during new collection launches.

Strategic Brand Collaborations and IP Partnerships: To enhance brand freshness and attract new customer segments, we actively pursue collaborations. This includes co-branded eyewear collections with popular fashion designers, lifestyle brands, or cultural IPs, and cross-promotions with complementary retailers in shopping malls. These partnerships extend our reach and reinforce our position as a fashionable lifestyle brand.

Member Relationship Management (CRM): Leveraging our unified membership data, we execute precision marketing campaigns. This includes personalised push notifications for, replenishment reminders for contact lens customers, and targeted promotions based on past purchase history (e.g., inviting a frame purchaser to consider new lens technology). Our goal is to increase member engagement, repeat purchase rate, and premium membership uptake.

Local Store Marketing and Community Engagement: Stores engage in community events, corporate partnerships for employee eyecare programmes, and collaborations with nearby businesses. We also leverage the physical store network for click-and-collect services and in-store events to drive foot traffic.

OUR TECHNOLOGIES AND INTELLECTUAL PROPERTY

We have built a proprietary digital ecosystem that connects front-end customer interactions, mid-end store operations, and back-end corporate management. This end-to-end platform is the foundation of our highly standardised and replicable business model.

Core proprietary systems and digital infrastructure

We maintain a small in-house development team for our core systems, while using third-party platforms for certain functions where they offer greater reliability. This approach allows us to customise solutions for our key business areas–including supply chain, retail operations, membership, and financial management–to better suit the optical industry. Some systems are built internally, while others are configured on external platforms that we control. The table below lists our registered software assets.

No.	Software Asset	Description
1	Mao Yuan Chang In-store Retail POS System V1.0	In-store point-of-sale and operations hub.
2	Mao Yuan Chang Online Micro-Shop System V1.0	WeChat mini-programme for online sales.
3	Mao Yuan Chang Chain Membership Service Platform System V1.0	Centralised CRM and membership management.
4	Unified Store Operations and Management System V1.0	Standardised operations across all locations.
5	Mao Yuan Chang Optical Retail Business Central Operation System V1.0	Real-time business intelligence and store dashboard.
6	Mao Yuan Chang Optical Online Order Management System V1.0	Digital platform for store and franchised store ordering.
7	Mao Yuan Chang Optical Supply Chain Collaboration Platform System V1.0	End-to-end supply chain coordination.

No.	Software Asset	Description
8	Mao Yuan Chang Optical SME Franchisee Management and Service Platform System V1.0	Tools and support for small franchised stores.
9	Mao Yuan Chang Optical Branded Chain Franchise Service Platform System V1.0	Centralised brand and franchise compliance.

Patented hardware innovations

To complement our software ecosystem and enhance the in-store experience, we have developed and patented proprietary retail hardware:

No.	Patent asset	Description
1	A Movable Eyewear Display Cabinet (ZL202221914497.4)	Flexible, space-optimised store fixture for reconfigurable layouts.
2	Anti-Slip Glasses (ZL202221888297.6)	Ergonomic frame design with non-slip features for better comfort and fit.
3	Portable Eyeglass Case (ZL202221887213.7)	Compact, protective case design used as a value-added brand accessory.

These patented hardware items support our daily retail operations by improving store displays, product comfort, and customer convenience. They represent practical enhancements to the in-store experience.

USER PRIVACY AND DATA SAFETY

We are committed to complying with all applicable data protection, privacy and cybersecurity laws and regulations in our operating jurisdictions. Protecting personal information collected from our customers, members, franchised stores and employees is a fundamental priority.

Scope and method of personal information collection

In the ordinary course of business, we collect, store, and use personal information necessary for providing our products and services, operating our membership system, and managing franchise relationships. We adhere to the principles of legality, legitimacy, necessity, and good faith, and we collect such information only after obtaining the necessary explicit consents from individuals.

We transparently inform users of the purposes, methods and scope of data collection through our Privacy Policy, when we collect such information from our customers online or offline. Personal information is collected with explicit consent in scenarios including:

Customer retail transactions: When customers place orders through our mini-programmes, we collect necessary data such as user identifiers, contact information, prescription details (if applicable), delivery addresses (for e-commerce), and payment information. For optical services, we collect optometric data and prescription records to fulfil orders.

Membership registration: we collect information such as nickname, mobile number, birthday, gender or delivery address to provide personalised services, membership benefits, and targeted communications.

Franchised store onboarding and management: During the franchised store application and management process, we collect franchised store's and their key personnel's basic information, identification documents, contact details, and bank account information for due diligence, agreement execution, and settlement purposes.

Employee information: We collect employee data for human resources management, payroll, and performance evaluation in accordance with the PRC Labour Law, the PRC Personal Information Protection Law, and other applicable laws and regulations.

Customers of self-operated and majority of franchised stores use our centralised mini-programmes and membership system. We collect customer data directly through these owned channels. Franchised stores, that have connected to our centralised system, do not independently collect or store customer personal information, and they access only the data necessary to fulfil orders for their specific store through our secured platform.

Data storage, retention, and the principle of minimum necessity

We strictly follow the data minimisation principle. Personal information is retained only as long as necessary to fulfil the stated purposes or as required by law.

Upon members' request to delete their information or cancel their account, we will promptly delete or anonymised their personal data, unless otherwise required by law.

In compliance with PRC regulations, transaction records are retained for no less than three years from the transaction date, and network security logs for no less than six months.

All data collected within China is stored on servers located within China. We do not engage in cross-border data transfers.

We have established a multi-layered framework of policies, technical measures, and organisational controls to ensure data security and privacy protection:

(i) Governance and policies: We have implemented a suite of internal regulations covering Personal Information Protection Management, Information Security Management, Data Classification and Grading, and Cybersecurity Incident Response. These provide the institutional foundation for our compliance efforts.

(ii) Technical security measures: We employ industry-standard technical safeguards, including:

- *Encryption*: Data is encrypted both during transmission and at rest.

- *Access control*: A strict role-based access control (RBAC) system ensures employees and franchised stores can only access data pertinent to their specific job functions. All access attempts are authenticated and logged.

- *Network security*: Our systems are protected by firewalls, intrusion detection/prevention systems, and regular vulnerability assessments.

- *Data backup and disaster recovery*: We maintain secure, regular backups and have a disaster recovery plan to ensure business continuity and data integrity.

Organisational and Process Controls

An information security team oversees our data protection strategy. The IT department is responsible for day-to-day security management, with designated Data Protection Officers. We conduct privacy impact assessments regularly for data processing activities. Mandatory training on data privacy and security is provided to all employees to foster a culture of compliance.

Compliance Record and Legal Advisories

During the Track Record Period and up to the Latest Practicable Date, we have not received any material third-party claims alleging infringement of data privacy rights, been subject to any material administrative penalties or investigations by cybersecurity or data protection authorities in China or Hong Kong SAR, or experienced any material data breaches or personal information leakage incidents.

As advised by our PRC Legal Advisor , during the Track Record Period, the Group has complied in all material respects with the applicable data protection, privacy, and cybersecurity laws and regulations in China, including the Personal Information Protection Law (PIPL), the Cybersecurity Law, and the Data Security Law.

Cybersecurity Review Considerations

As at the Latest Practicable Date, we had not been notified by any authorities of being classified as a critical information infrastructure operator under the Cybersecurity Review Measures (《網絡安全審查辦法》) or being involved in any investigations on cybersecurity review made by cybersecurity authorities. According to the opinion of our PRC Legal Advisor, a **[REDACTED]** in Hong Kong does not fall within the definition of "Foreign **[REDACTED]**," and therefore the obligation to proactively apply for cybersecurity review by an entity seeking **[REDACTED]** in a foreign country shall not be applicable to the **[REDACTED]**. However, we cannot rule out the possibility that we will trigger the cybersecurity review in the future. If we are subject to cybersecurity review, we may incur significant costs and face challenges, both in the review process and in making enhancements to our cybersecurity measures that may be required.

Going Forward

We are committed to continuously enhancing our data protection posture. This includes regularly updating our policies and technical measures in response to evolving regulations, conducting more frequent internal audits and employee training, and strengthening our oversight of all third-party data processors to ensure ongoing and future compliance across our expanding network.

COMPETITION

According to the Euromonitor Report, Zhejiang Province's offline eyewear retail market and Gansu Province's offline eyewear retail market are both in a stage of continued development, with market size expanding and the competitive landscape remaining fragmented. According to Euromonitor, the total retail sales value of the offline eyewear retail market in Zhejiang Province reached approximately RMB5,492.3 million in 2024, with a CAGR of approximately 2.1% from 2019 to 2024, while the total retail sales value of the offline eyewear retail market in Gansu Province reached approximately RMB795.5 million in 2024, with a CAGR of approximately 2.9% from 2019 to 2024. The markets are projected to continue growing at a CAGR of approximately 4.2% in Zhejiang Province and 5.9% in Gansu Province from 2025 to 2029, driven by the continued advancement of youth myopia prevention and control, increasing demand for professional and standardised optometry and dispensing services, and the growing penetration of functional products.

According to the Euromonitor Report, the Group has established strong positions in its key regional markets. In Zhejiang Province, the **Mao Yuan Chang** brand was the largest eyewear retailer brand in terms of offline retail sales value in 2024, with an approximate market share of 8.8%. In Gansu Province, the **Lan Keda** brand was the largest eyewear retailer brand in terms of offline retail sales value in 2024, with an approximate market share of 10.2%. Given the fragmented nature of both provincial markets, these leading positions reflect the Group's strong local brand recognition, store network coverage and professional service capabilities, and provide a solid foundation for its continued regional expansion and competitive positioning.

Despite these challenges, we believe that we maintain a competitive position. Please refer to "– Competitive Strengths" under this section.

If we fail to effectively compete with, or are out-competed by, the other leading players, we may experience a material and adverse impact on our results of operations, financial conditions and business prospects. For further details on the competitive environment and related risks, please refer to the sections entitled "Industry Overview" and "Risk Factors – Intense competition in China's eyewear retail industry could prevent us from increasing or sustaining our revenue and profitability."

EMPLOYEES

As at 31 December 2025, we had a total of 501 full-time employees. All of our employees are based in China. The following table sets forth the number of our employees categorised by function as at 31 December 2025:

Function	Number of employees	Number of optometrists who perform optometric examinations in our self-operated stores
Sales and Optometrists	369	172
Product	66	2
Marketing	35	3
Administrative and Finance	31	–
Total	**501**	**177**

We recruit our employees primarily from the open market through recruitment advertisements, online platforms, agencies, and referrals.

We have established a systematic training programme that includes orientation for new hires covering our corporate culture, heritage, and service standards, as well as continuous on-the-job training.

We enter into standard labour contracts with all employees, which specify terms of employment, compensation, benefits, and grounds for termination. We also require senior management and key personnel to enter into confidentiality and non-compete agreements. We have established a labour union to protect employees' rights and encourage their participation in corporate matters. Our compensation structure includes base salaries, allowances, performance-based bonuses, and other benefits. We periodically review our remuneration packages to ensure they remain competitive within the industry and region.

We are committed to complying with all applicable PRC labour laws and regulations. We participate in statutory social insurance schemes and the housing provident fund system. During the Track Record Period, certain subsidiaries did not make social insurance and housing provident fund contributions for some employees in full compliance with relevant regulations. Any associated risks are described in "Risk Factors – Our success depends on the continuing efforts of our senior management team and other key personnel, and therefore our business may be harmed if we lose their services."

Our Directors confirm that during the Track Record Period and up to the Latest Practicable Date, there were no material labour disputes or strikes that would have a material and adverse effect on our business, financial condition or results of operations.

INSURANCE

As at the Latest Practicable Date, our primary insurance policies includes: (i) property insurances covering major business interruptions and accidental loss for our fixed assets and inventories, (ii) employer liability insurance, (iii) public liability insurance to cover claims arising from customer injuries or property damage within our premises, and (iv) product liability insurance to address potential claims related to eyewear products sold by us. Our Directors consider the current insurance arrangements adequate for our existing operations and consistent with the regulatory environment in which we operate.

During the Track Record Period and up to the Latest Practicable Date, we did not submit any material insurance claims, nor did we experience any material difficulties in renewing our insurance policies. However, we do not maintain insurance for all possible business risks, including certain non-mandatory covers which are not customary in our industry segment.

We acknowledge that our insurance coverage may not be sufficient to cover all potential losses, liabilities, or legal claims that could arise from our business activities. For further details on risks associated with our insurance coverage, please refer to the section entitled "Risk Factors – Our insurance coverage may not be sufficient to cover all losses or potential claims from our customers which would affect our business, financial condition and results of operations." in this Document.

INTELLECTUAL PROPERTY

Our intellectual property rights primarily consist of trademarks, copyrights, patents and domain names. As at the Latest Practicable Date, we had 146 registered trademarks, 12 copyrights, 4 patents and 3 domain names in the PRC. See "Appendix VI – Statutory and General Information – B Further Information about our Business – 2. Our Material Intellectual Property Rights." We also protect our intellectual property rights through a series of confidentiality agreements or provisions with all of our employees. We clearly state all rights and obligations regarding the ownership and protection of intellectual properties in all employment agreements we enter into.

In addition, we have taken the following key measures to protect our intellectual property rights: (i) implementing a policy to establish robust management over our intellectual property rights, (ii) deploying a special team to guide, manage, supervise and monitor our daily work regarding intellectual properties, (iii) timely registration, filing and application for ownership of our intellectual properties, and (iv)engaging professional intellectual property service providers.

During the Track Record Period and up to the Latest Practicable Date, we did not experience any threatened or pending disputes relating to the infringement of intellectual property rights that would have a material adverse effect on our business. See "Risk Factors – We may not be able to adequately protect our intellectual property, which could harm the value of our brand and adversely affect our business and operation."

PROPERTIES AND FACILITIES

Owned Properties

As at the Latest Practicable Date, we own six properties in China, primarily located in Zhejiang Province and Gansu Province, with a total floor area of approximately 2,400 square metres. These properties have all obtained legal property ownership certificates, are currently used as self-operated stores and corporate offices, have clear ownership, and are not subject to any mortgage.

Leased Properties

Our business operations rely to a large extent on leased properties. Currently, we and our subsidiaries lease 78 properties within China, with a total leased area of approximately 12,700 square metres, majority are under lease terms ranging from two to five years as at the Latest Practicable Date. The majority of these properties are used to operate directly-owned retail stores, widely distributed across several provinces including Zhejiang, Gansu, and Qinghai, forming the foundation of our physical sales network.

LICENCES, PERMITS AND APPROVALS

The following table sets out a list of material licences and permits held by us for our operations in the PRC as at the Latest Practicable Date:

Type of Licences	Number of Licences	Issuing Authority	Expiry Dates
Medical Device Distribution Licence	78	Administration for Market Regulation/other competent government authorities with relevant functions and powers at the place of registration	2026.04.28–2031.04.20
Record-filing for Online Sales of Medical Devices	30	Administration for Market Regulation/other competent government authorities with relevant functions and powers at the place of registration	Valid without an expiry date
Record-filing for the Sale of Prepackaged Food Only	71	Administration for Market Regulation/other competent government authorities with relevant functions and powers at the place of registration	Valid without an expiry date

Type of Licences	Number of Licences	Issuing Authority	Expiry Dates
Internet Drug Information Service Certificate	2	Zhejiang Provincial Medical Products Administration	2028.11.19–2029.06.16
Clinic Registration Certificate	1	Chengguan District Health Commission of Lanzhou City	Valid without an expiry date
Class II Medical Device Distribution Filing Record	2	Administration for Market Regulation at the place of registration	Valid without an expiry date

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

We place great emphasis on environmental, social and governance ("**ESG**") matters. We are committed to promoting low-carbon practices and fulfilling our social responsibilities, with the goal of creating sustainable social and environmental value to support our long-term development.

ESG GOVERNANCE

ESG Management Structure

We have established an ESG governance framework in accordance with the Listing Rules and integrated ESG management into our overall governance and daily operations. The Board serves as the highest decision-making body, assuming ultimate responsibility for ESG matters, including the approval of ESG strategies, policies and material issues. Management is responsible for overseeing the implementation of ESG initiatives and embedding ESG principles into operational processes, risk management and internal controls. Various functional departments and the Foundation are responsible for implementing specific tasks, including the protection of employee and consumer rights, social welfare activities and information disclosure, and regularly reporting progress to management.

Material ESG Topics

We conduct regular industry benchmarking to identify ESG topics that are material to our operations, incorporating stakeholder feedback to form our annual materiality assessment. We have identified a number of key topics, including packaging and waste management, product quality management, and community relationship management, which are systematically incorporated into our ESG strategic planning.

ESG Risk Management

We have embedded ESG risk management into our corporate strategy and operational processes, establishing a systematic management framework covering risk identification, assessment and response. We actively explore and formulate clear implementation plans with quantifiable action steps to ensure the orderly execution of ESG goals. In addition, we are committed to fostering a culture of compliance to ensure that all employees understand and adhere to relevant ESG regulations and requirements.

ENVIRONMENT

Climate change

In furtherance of the national carbon neutrality strategy, we have systematically advanced greenhouse gas emission reduction efforts in our daily operations, including promoting green commuting, turning off idle machinery and optimising the use of air conditioning and lighting, with the goal of continuously reducing carbon emission intensity. The following table sets forth details of our greenhouse gas emissions during the Track Record Period.

Indicator	**Unit**	**For the year ended 31 December**		
		2023	**2024**	**2025**
Total greenhouse gas emissions	Tonnes of CO_2 equivalent	1,704	1,823	1,753
Scope 1 greenhouse gas emissions	Tonnes of CO_2 equivalent	58	32	50
Scope 2 greenhouse gas emissions	Tonnes of CO_2 equivalent	1,647	1,792	1,704

Notes:

(1) *Our total greenhouse gas emissions comprise Scope 1 and Scope 2 emissions.*

(2) **Scope 1 emissions cover emissions from the consumption of fossil fuels by our company-owned vehicles. Scope 2 emissions cover emissions from the purchase of electricity by our headquarters and directly-operated stores.**

Packaging and waste management

Our product packaging primarily consists of paper materials. We adhere to the principle of moderate packaging, adopting necessary and environmentally friendly packaging solutions in our sales and distribution processes, with preference given to biodegradable or recyclable materials. In addition, we have established a recycling and regeneration system for damaged products, repurposing discarded optical frames and lenses into educational tools, thereby achieving waste reduction and resource utilisation.

SOCIAL RESPONSIBILITY

Franchised Store Management

We have established a comprehensive management system covering the full process of franchised store selection, onboarding, operational support and ongoing management to ensure compliance throughout the cooperation process. We provide comprehensive services, including business guidance, operational support and systematic training, to support the stable development of our franchised stores.

Supply Chain Management

We are committed to building a low-carbon and efficient supply chain. Our procurement management policy systematically regulates the full process from supplier admission and daily management to performance assessment and exit, ensuring the quality and compliance of procured goods and promoting a green, safe and ethical supply chain. We have also established a supplier integrity management system that sets out clear commitments to ethical conduct and provides reporting channels, fostering a clean and fair business environment.

Product Quality Management

We consistently place product quality as our top priority. During the processing stage, we strictly adhere to our eyewear fitting standards to ensure quality control throughout the entire process, from production to delivery. To enhance our professional service capabilities, we have equipped our facilities with a digital positioning system for dispensing, improving the accuracy of our optometric services. We place great emphasis on fostering a quality-oriented culture and continuously strengthen the quality awareness and professional skills of our employees through systematic training and regular quality reviews.

Customer Service Management

We have established a standardised service management system to enhance the customer experience, with clear standards covering the entire service process from in-store etiquette and dress code to sales communication. Leveraging our SCRM system and digital vision records, we provide more precise, efficient and consistent service experiences.

We have also established a standardised complaint response and resolution mechanism to ensure that customer feedback is addressed promptly and effectively. Through systematic customer satisfaction surveys and feedback collection, we continuously refine our products and services.

Community Relationship Management

We actively fulfil our corporate social responsibility. In 2015, we established the Zhejiang Maoyuanchang Charity Foundation, the first of its kind in our industry, which focuses on vision health and educational support. We conduct charity sales and fundraising activities in connection with National Eye Care Day and allocate the funds raised to educational initiatives. The following table sets forth details of our social welfare contributions during the Track Record Period.

Indicator	**Unit**	**For the year ended 31 December**		
		2023	**2024**	**2025**
Social welfare contributions	RMB10,000	67.6	65.7	55.9

Information Security and Privacy Protection

We strictly comply with relevant laws and regulations, including the Cybersecurity Law of the PRC, and have implemented internal policies requiring employees to maintain confidentiality with respect to technical data, operational information and other internal information. In addition, we manage customer information through our internal system, employing encryption and strict access controls to safeguard the security and confidentiality of our and our customers' information assets.

Employees

Recruitment and Protection of Rights and Interests

We strictly comply with the Labour Law of the PRC and other relevant regulations, and have established internal policies to ensure a robust labour management system. We are committed to promoting workforce diversity and actively recruit through campus programmes, with long-term partnerships established with several universities. We place great emphasis on employee feedback and have established open and diverse communication channels, including employee representative congresses and one-on-one meetings, to enhance employee engagement and satisfaction.

Remuneration and Benefits

In addition to contributing to the statutory social insurance and housing fund for our employees, we offer various benefits, including annual travel, professional certification subsidies and high-temperature allowances. We also provide exclusive purchase discounts for employees and their family members under our employee welfare policy.

We have implemented an equity incentive scheme to encourage core employees to participate in corporate governance. We also strive to foster a positive and inclusive workplace culture by organising regular team-building activities to enhance cohesion and a sense of belonging.

Promotion and Training

We value employee development and have established a career development system with three distinct tracks: management, professional and sales. Our promotion mechanisms and dispute resolution procedures are clearly defined in our internal policies.

We have implemented a training management policy, which is updated annually to incorporate a blend of theoretical and practical training, leveraging both internal and external resources to enhance job performance. We also encourage employees to pursue higher education by facilitating access to academic institutions and providing financial support.

Occupational Health and Safety

We strictly comply with the Production Safety Law of the PRC and other relevant laws and regulations, and are committed to providing a safe working environment. We provide work-related injury insurance for our employees, organise annual health check-ups, and conduct health and safety training to enhance employee awareness and skills.

CORPORATE GOVERNANCE

Anti-corruption and Anti-bribery

We are committed to operating with integrity, transparency and prudence, and have fully integrated business ethics into our corporate governance system. Management is responsible for promoting business ethics and anti-corruption efforts, continuously improving relevant systems and reinforcing the foundation of our business through the cultivation of an ethical culture and regular anti-corruption education.

To ensure effective supervision, we have established diverse and accessible reporting channels, accepting both real-name and anonymous reports, and have implemented a strict whistleblower protection mechanism. We are committed to ensuring no retaliation, maintaining strict confidentiality and conducting independent investigations, thereby fostering a transparent, trustworthy and fair business environment.

LEGAL PROCEEDINGS AND COMPLIANCE

Litigation

From time to time, we may encounter a range of legal or administrative claims and proceedings in the regular course of our operations, which may be due to matters such as employment, copyrights, or contract disputes. During the Track Record Period and as at the Latest Practicable Date, we have not been party to any significant legal, arbitral, administrative proceedings, which could, individually or collectively, have a material and adverse impact on our business.

Non-Compliance Incidents

During the Track Record Period, our Group did not comply with certain applicable laws and regulations in the PRC, a summary of such non-compliances and our remedial measures are set out below:

Leased Properties

Leased Properties with Title Defects

As at the Latest Practicable Date, there are nine leased properties for which the relevant lessors have been unable to provide complete ownership certificates or full property title documents. Certain of these lessors have nevertheless provided relevant written declarations and other supporting documents to confirm their ownership of, or lawful right to dispose of and lease, the respective properties. The leased area of each of these properties is relatively small on an individual banks. In the opinion of management, these properties have strong substitutability. Advised by our PRC Legal Advisor, such procedural deficiencies do not affect the legal validity of the lease contracts themselves.

Lease Registration and Filing

As at the Latest Practicable Date, we have 54 leased properties, which had not been registered and filed with the relevant land and real estate administration bureaus in the PRC.

As advised by our PRC Legal Advisor, failure to complete the registration and filing of lease agreements do not affect the validity of such leases or result in us being required to vacate the leased properties. However, the relevant government authorities may order us to complete registration or filing formalities and may impose a fine ranging from RMB1,000 to RMB10,000 for each unregistered agreement due to our failure to complete such registration or filing in prescribed period. Based on the number of these properties and the cities where they are located, we believe the likelihood that we will be punished due to failure to register and file all the relevant lease agreements at the same time is very remote.

For risks regarding our leased properties, see "Risk Factors – Risks Relating to Our Business and Industry – We require various approvals, licences and permits to operate our business, any failure to obtain, maintain or renew any of these approvals, licences and permits could materially and adversely affect our business and results of operations".

Internal Control Measures

To prevent the recurrence of failure to complete the registration and filing of lease agreements, we have (i) enhanced our internal procedural requirements for lease approvals, (ii) mandated verification of the valid property ownership certificates or authorisations from the property owners before execution of any lease agreements, and (iii) upon the execution of the lease agreements, we will assist the lessor or other relevant parties with registration and filing of lease agreements.

Fire Protection

As at the Latest Practicable Date, we have 14 owned and leased properties in total, which had not obtained the requisite fire protection record-filing of fire safety acceptance check and/or pre-opening fire safety inspection (the "**Fire Safety Procedure**") under applicable PRC law.

Despite incompletion of the aforementioned fire safety procedures within the Track Record Period for certain reasons, we place great emphasis on fire safety and have implemented a series of measures to address this, including: (i) installing sufficient fire protection facilities and equipment; (ii) establishing and continuously improving fire safety policies and fire safety operating procedures; (iii) appointing a company-wide fire safety officer and dedicated fire safety personnel at relevant stores, and enhancing store-level fire safety inspections; (iv) organizing fire safety training for our employees; and (v) consulting with our PRC legal advisors in a timely manner to ensure awareness of the latest fire safety-related legal requirements.

In addition. we have engaged independent third party consultants with the requisite qualifications under PRC law to act as our fire safety consultant to conduct fire safety comprehensive assessments of relevant properties. Based on the assessment reports, the relevant properties: (i) the overall fire safety condition has no major or substantive fire safety issues; (ii) have not experienced any fire safety incidents, nor have they been subject to material penalties by the fire rescue authorities or been publicly cited for adverse fire safety practices; (iii) are equipped with sufficient fire safety equipment, signage, safe evacuation conditions, and emergency evacuation plans, all of which are in good working order and free from material fire hazards; and (iv) basically comply with the requirements of fire safety laws and regulations, there should be no major obstacles to completing the Fire Safety Procedure, and they currently allow for normal operation in a safe state. During the Track Record Period and as at the Latest Practicable Date, no penalties have been imposed on the Company in relation to the above-mentioned fire protection deficiencies.

Our controlling shareholder Mr. Jin and Ms. Peng have undertaken to indemnify us against any losses, liabilities or expenses that may arise from any non-compliance with fire protection regulations in respect of these properties. As advised by our PRC Legal Advisor, the risk of us incurring material administrative penalties as a result of the above-mentioned fire protection deficiencies is extremely low, and such deficiencies do not constitute a material legal impediment to this **[REDACTED]** and **[REDACTED]**.

Social Insurance and Housing Provident Funds

Background

During the Track Record Period, our Group did not comply with the relevant PRC legal requirements in relation to social insurance and housing provident fund, in particular, we did not make prompt and full payments in relation to social insurance and housing provident fund for our employees in accordance with the Social Insurance Law of the PRC (中華人民共和國社會保險法) (the "Social Insurance Law") and 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 "Housing Provident Fund Regulations"). Such non-compliance was primarily a result of (i) inadvertent oversight of the relevant PRC laws and regulations; (ii) our local staff responsible for handling social insurance and housing provident fund contributions at the relevant time being unfamiliar with the relevant laws and regulations in the PRC, and thus did not have a comprehensive understanding of the relevant regulatory requirements; and (iii) inconsistent interpretation by local authorities in the PRC of the relevant laws and regulations.

Potential Legal Consequences

Based on the estimation of our Directors, the shortfall amount of contributions of social insurance and housing provident funds was approximately RMB5.0 million, RMB6.3 million and RMB6.8 million for the years ended 31 December 2023, 2024 and 2025, respectively. For the shortfall of social insurance, we may be subject to the following legal consequences: (i) to compensate for the shortfall within a prescribed period and to pay a daily overdue charge of 0.05% of the delayed payment amount, and (ii) to pay a fine of one to three times of the overdue amount if such payment is not made within the stipulated period. For the shortfall of housing provident funds, we may be subject to the following legal consequences: (i) to compensate for the shortfall within a prescribed period, and (ii) an application may be made to the courts for compulsory enforcement if the payment is not made within such time limit.

We might be subject to additional contribution, late payment fee and/or penalties imposed by the relevant authorities if we failed to pay the social insurance or housing provident funds for the relevant employees in full amount and/or in a timely manner, or if the validity of such arrangements is challenged by relevant authorities. We might also be subject to potential labour disputes arising from such arrangements with the relevant employees.

Latest Status and Remedial Measures

As at the Latest Practicable Date, no administrative action or penalty had been imposed by the relevant regulatory authorities with respect to our social insurance and housing provident fund contributions, nor had we received any order to settle the deficit amount.

Our Directors believe the fact that we had not made social insurance and housing provident funds for some of our employees in full would not have a material and adverse effect on our business and results of operations, considering that:

(i) as at the Latest Practicable Date, we had not received any notification from the relevant PRC authorities requiring us to pay material shortfalls or penalties, nor had we been subject to any material administrative penalties during the Track Record Period. We obtained regulatory confirmations through written confirmations or in-person interviews with relevant authorities, which confirmed either adequate contributions or the absence of penalties during the Track Record Period. Our PRC Legal Advisor confirms these authorities are competent to issue such confirmations under applicable laws;

(ii) we were not aware of any material employee complaints nor involved in any material labour disputes with respect to these contributions, and if the relevant authorities order us to pay the shortfall or take rectification measures, we will do so promptly within the specified period;

(iii) as advised by our PRC Legal Advisor, considering the relevant regulatory policies, the confirmations obtained, and the absence of employee complaints, the likelihood that we are subject to material administrative penalties or collection of historical arrears due to this non-compliance is remote.

As a result, we had not made any provision for the shortfall in our social insurance and housing provident fund contributions during the Track Record Period.

We will fully contribute in accordance with the relevant PRC laws and regulations to the extent and as soon as practicable once we receive notification from the relevant government authorities, if any, to require us to make contribution for the shortfall amounts or to amend our policies or practice in this regard, so that we will not receive administrative penalties from the relevant government authorities due to the failure of making the contributions in time. In an effort to make full contributions to the extent and as soon as practicable, we plan to communicate with our employees with a view to seeking their understanding and cooperation in complying with the applicable payment base, which requires additional contributions from them. Additionally, if the relevant authorities order us to fully contribute the social insurance and/or housing provident funds going forward, we undertake to make full contributions and/ or make such rectification measures promptly within the specified period.

We have taken the following rectification and internal control enhancement measures relating to social insurance and housing provident funds contributions:

- We have designated our human resources centre to monitor the reporting and contributions of social insurance and housing provident funds.

- Our human resources centre has formulated a series of policies to guide the day-to-day practices of social insurance and housing provident funds contributions.

- We record and monitor the status of social insurance and housing provident funds contributions for our employees monthly to enable effective management and enhanced internal control.

- We will consult our PRC Legal Advisor on a regular basis for advice on relevant PRC laws and regulations to keep us abreast of relevant regulatory developments.

- We will actively communicate with relevant social insurance and housing fund local authorities on a regular basis to ensure we have the most updated information about the relevant laws and regulations concerning social insurance and housing fund and to understand their latest requirements and interpretation of relevant rules and regulations.

- If the relevant authorities order us to pay the shortfall of social insurance and/or housing provident funds or take any rectification measures in accordance with applicable laws and regulations, we undertake to make such payments or take such rectification measures in accordance with their guidance in a timely manner. Mr. Jin has acknowledged this risk and have provided an irrevocable undertaking to indemnify our Company for such shortfalls and any penalties that may be ordered or imposed on the relevant authorities.

See also "Risk Factors – Our Group could be exposed to liability of non-compliance or legal proceedings which may divert our resources and adversely impact our reputation".

RISK MANAGEMENT AND INTERNAL CONTROL

We have implemented a series of risk management policies and procedures to identify, assess and manage risks we are exposed to in our operations. For details on the major risks identified by our management, see "Risk Factors."

To monitor the ongoing implementation of our risk management policies and corporate governance measures after the **[REDACTED]**, we have adopted or will continue to adopt, among other things, the following risk management measures on the Group level:

- We have established an Audit Committee to review and supervise our financial reporting process and internal control system. Our audit committee consists of three members, namely Mr. Choi Tze Kit Sammy, who serves as chairman of committee, Prof. Zhang Hongsheng and Prof. Zhang Guobiao. For the qualifications and experience and experience of these committee members, see "Directors, Supervisors and Senior Management – Directors;"

- We have adopted various policies to ensure compliance with the Listing Rules, including but not limited to aspects related to risk management, connected transactions and information disclosure; and

- We will continue to organise training sessions for our Directors and senior management in respect of the relevant requirements of the Listing Rules and duties of directors of companies **[REDACTED]** in Hong Kong SAR.

In addition, we plan to engage an internal control consultant to review the effectiveness of our internal controls associated with our major business processes, identify deficiencies and areas for improvement, provide recommendations and review the implementation status of these remedial actions on an annual basis. The Company has implemented various policies and procedures to ensure effective management in its operation, production, financial reporting and recording, and compliance with applicable laws and regulations.

Our Directors are of the view that our enhanced internal control system is adequate and effective for our current operations.