You should read the following discussion and analysis in conjunction with our historical financial information, including the notes thereto, included in the Accountants' Report set out in Appendix I. Our historical financial information has been prepared in accordance with IFRS Accounting Standards.

The following discussion and analysis contain forward-looking statements that involve risks and uncertainties. These statements are based on our assumptions and analysis in light of our experience and perception of historical trends, current conditions, and expected future developments, as well as other factors that we believe are appropriate under the circumstances. However, our actual results may differ significantly from those projected in the forward-looking statements. Factors that might cause future results to differ significantly from those projected in the forward-looking statements include, but are not limited to, those discussed in "Risk Factors" and "Forward-Looking Statements" and elsewhere in this document.

For the purpose of this section, unless the context otherwise requires, references to 2023, 2024 and 2025 refer to our financial years ended 31 December of such years. Unless the context otherwise requires, financial information described in this section is described on a consolidated basis.

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. As at the Latest Practicable Date, our retail network comprised 78 self-operated stores (operating under **Mao Yuan Chang** and **Lan Keda**) and 194 franchised stores (operating under **Mao Yuan Chang**) across 18 cities in the PRC, the majority of which are located in Zhejiang Province and Gansu Province.

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.

Our revenue and profit for the years ended 31 December 2023, 2024 and 2025 were RMB272.1 million and RMB37.1 million, RMB250.4 million and RMB18.1 million, and RMB265.4 million and RMB41.2 million, respectively.

SIGNIFICANT FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our business and results of operations are influenced by various general factors that affect the overall eyewear retail industry. These factors include market acceptance, shifts in consumer preferences, alongside governmental policies and regulations which affect the eyewear retail industry, as well as global economic conditions and the regulatory environment. Unfavourable changes and any challenges in any of these general industry conditions could affect the demand for our products and hence our results of operations.

In addition to these general factors, we recognise that the following specific factors, although offering significant opportunities for our business, present challenges that we must effectively address to sustain our growth and improve our results of operations:

Our ability to execute network expansion

Our revenue is linked to the scale of our retail footprint. The larger number of self-operated stores will in general lead to exposure to a higher number of customers and therefore increase in revenue. The larger number of franchised stores will in general lead to increase in sales of products to them, more franchisee fees and more franchisee management fees. Future growth will therefore be driven by our ability to open new self-operated stores and new franchised stores. The following table details the composition of our retail network during the Track Record Period:

	For the year ended/As at 31 December		
	2023	**2024**	**2025**
Self-operated stores			
At the beginning of the year	66	76	80
Newly opened during the year	12	7	2
Closed during the year	(2)	(3)	(5)
At the end of the year	76	80	77
Franchised stores			
At the beginning of the year	196	205	202
Newly opened during the year	16	15	10
Closed during the year	(7)	(18)	(18)
At the end of the year	205	202	194
At the end of the year – Total	**281**	**282**	**271**

Our revenue and profitability are significantly influenced by our ability to drive sustainable, profitable growth from our established store base. We believe we have built a scalable and replicable business model by standardising all critical aspects of retail operations. This standardisation ensures that our self-operated and franchised stores delivers a consistently high-quality and professional retail experience, fostering customer loyalty and repeat business.

We opened more self-operated stores in 2023 as we came out from the COVID-19 pandemic. We reduced the opening of new self-operated stores in 2024 and 2025 as we want to focus on consolidating the management of our self-operated stores including the implementation of our product and pricing policy shift. For the years ended 31 December 2023, 2024 and 2025, revenue generated from our self-operated stores was RMB206.9 million, RMB185.0 million and RMB196.4 million, respectively.

The number of our franchised stores decreased during the Track Record Period mainly because (i) we exercised tighter control of the opening of new franchised stores to consolidate our management of franchised stores; and (ii) some franchised stores ceased their relationship with us primarily due to (a) terminated or non-renewal by us due to failure to meet our store management requirements; (b) failure to renew lease agreements of the premises where the franchised stores were located; and (c) their voluntary termination or non-renewal. For the years ended 31 December 2023, 2024 and 2025, revenue generated through our franchised stores, amounted to RMB59.4 million, RMB60.5 million and RMB65.8 million, respectively.

Our ability to manage self-operated store operations

Revenue from self-operated store is our major revenue contributor and has contributed over 60% of our revenue for the years ended 31 December 2023, 2024 and 2025. To isolate and evaluate the underlying health and operational performance of our mature self-operated stores, we rely on "Same-Stores Sales Growth" as a key performance indicator of our self-operated stores. This metric measures the year-on-year change in revenue generated by a consistent cohort of self-operated stores that have been operational throughout the Track Record Period. By excluding the contribution from newly opened and closed stores during the Track Record Period, it provides a clear view of organic growth, customer retention, and operational efficiency within our existing network.

We had 58 self-operated stores ("**TRP Same-Store**") in operation throughout the Track Record Period, representing 90.2%, 87.3% and 84.5% of revenue from our self-operated stores for the years ended 31 December 2023, 2024 and 2025, respectively. The following table sets forth details of our TRP Same-Store sales performance during the Track Record Period:

	For the year ended 31 December		
	2023	**2024**	**2025**
Total TRP Same-Store sales *(RMB'000)*	186,725	161,617	166,060
Average TRP Same-Store sales *(RMB'000)*	3,219	2,787	2,863

The following table sets forth details of our TRP Same-Store sales performance during the Track Record Period by product and service:

	For the year ended 31 December					
	2023		**2024**		**2025**	
	RMB'000	%	*RMB'000*	%	*RMB'000*	%
Prescription spectacles	154,221	82.6	134,141	83.0	142,396	85.8
Prescription services	263	0.1	440	0.3	517	0.3
Readymade spectacles	12,588	6.7	10,936	6.8	9,683	5.8
Contact lenses and vision care products	18,160	9.8	14,762	9.1	12,367	7.4
Ancillary products	1,493	0.8	1,338	0.8	1,097	0.7
Total	**186,725**	**100.0**	**161,617**	**100.0**	**166,060**	**100.0**

The following table sets out the average unit selling prices of prescription spectacles of our TRP Same-Store during the Track Record Period:

	For the year ended 31 December		
	2023	**2024**	**2025**
	RMB	*RMB*	*RMB*
Prescription spectacles	1,134	1,356	1,524

Average TRP Same-Store sales decreased by 13.4% from RMB3.2 million in 2023 to RMB2.8 million in 2024 mainly due to (i) a strategical change of product mix in 2024 as we reduced volume-based promotion sales through short-form video promotions and group buying campaigns, which had previously driven high-volume sales of lower end products with low unit profit contribution despite a higher gross margin and sales of lower-value products, to focus on mid-to-high-end products to build long term brand value; and (ii) the introduction of our One-price Policy eliminating the provision of discount. These measured in effect made our products more expensive and had negatively impacted our customer conversion rate of prescription spectates.

For 2024 and 2025, the Average TRP Same-Store sales increased by 2.7%. Such increase was mainly due to a less pronounced impact of the above measures on our customer conversion rate for prescription spectacles and an increase in unit price of prescription spectacles mainly as a result of (i) the benefit of a full year of our One-price Policy and product mix shift, and (ii) overall price adjustment in mid-2025 leading to a slight increase in prices.

As we continue to expand our self-operated store network, our sustainable long-term profitability will depend on our ability to effectively balance volume growth with margin management.

Our ability to expand our product and service portfolio

Our revenue growth and customer retention and conversion rate depend on our ability to improve our capacity to offer a comprehensive range of vision solutions that address diverse needs and price points. This includes expanding our portfolio to incorporate high-value products such as myopia control and progressive lenses, specialty coatings (e.g., blue-light filtering, photochromic), and curated frame selections ranging from functional to premium designs that reflect current market standards and trends from time to time. Equally important is our capacity to introduce complementary services–such as digital eye exams, personalised frame styling, and post-fitting support–that continuously enhance the overall customer experience.

The following table sets out a breakdown of our revenue by products and services and its percentage in terms of our revenue during the Track Record Period:

	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**	**2,258**	**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.

Prescription spectacles is the highest revenue contribution throughout the Track Record Period representing about 79.9% of our revenue for the years ended 31 December 2023, 2024 and 2025, respectively. The gross profit margin of prescription spectacles during the Track Record Period were 61.2%, 59.8% and 62.4% for the years ended 31 December 2023, 2024 and 2025, respectively. The fluctuation was primarily a result of our product and pricing policy shift discussed above.

Products under proprietary brands contributed to 31.4%, 28.4%, 28.1% of our revenue, and had a gross profit margin of 75.8%. 75.0%, 78.2% for the years ended 31 December 2023, 2024 and 2025, respectively. The proportional contribution had been relatively stable and the gross margin increase in 2025 was a result of the One-price Policy and the price adjustment in mid-2025 as discussed above. Please refer to "– Description of Key Components of Our Results of Operations – Gross Profit and Gross Profit Margin" in this section for details.

Our ability to continue to charge franchise management fee

We charged franchise management fees of 2%, 4% or 6% from 44 and 46 franchised stores in Zhejiang Province in 2023 and 2024, respectively. We began charging franchise management fees of 6% from 165 of our franchised stores in Zhejiang Province since 1 January 2025. Franchise management fees amounted to RMB2.4 million, RMB2.4 million and RMB10.2 million for the years ended 31 December 2023, 2024 and 2025, respectively. Please refer to "Business – Evolution of the Pricing of Franchise Fees and Franchise Management Fees" for details. We do not charge franchise management fees from franchised stores outside of Zhejiang Province.

Our results of operation will be affected if we fail to charge our franchised stores the franchise management fees or the fee percentage is reduced.

Our ability to control costs and optimise margins

Our ability to achieve profitability and sustainable growth depends significantly on our management of cost of sales. Our cost of sales as a percentage of our revenue decreased from 42.9% in 2024 to 38.9% in 2025. As a result, our overall gross profit margin increased from 57.1% in 2024 to 61.1% in 2025. During the Track Record Period, our cost of sales primarily consisted of cost of inventories and staff cost. Changes in any major component of our cost of sales and our overall cost structure could have an impact on our gross profit and gross profit margin. For instance, our cost of inventories accounted for 91.0%, 89.8% and 90.3% of our cost of sales in 2023, 2024 and 2025, respectively. The procurement costs for the materials, third party branded products and production of our proprietary branded products may fluctuate due to a number of factors beyond our control, such as supply chain disruptions and inflation, and we are susceptible to significant changes in the availability, price and standard of critical raw materials.

Our business and results of operations are also affected in part by our operating expenses, which primarily comprised selling expenses and administrative expenses during the Track Record Period. We may also incur greater selling expenses and administrative expenses in the future along with the growing needs of our business operations, and our cost and expense structure could further evolve along with our business expansion.

Despite managing our cost, the drop in customer conversion rate, hence our business volume, as a result of our One-price Policy led to a decrease in the amount of our supplier rebates received or expected to receive.

For the years ended 31 December 2023, 2024 and 2025, the amount of purchase rebates received or receivable in respect of the corresponding year and its proportion of the total purchase are as follows:

	For the year ended 31 December		
	2023	**2024**	**2025**
Aggregate supplier rebates received or receivable in respect of the corresponding year (a) *(RMB'000)*	23,414	20,140	18,025
Total purchase(b) *(RMB'000)*	127,668	115,791	111,381
Supplier rebates as % of total purchase (a/b)	18.3%	17.4%	16.2%

BASIS OF PRESENTATION

Our Company, Zhejiang Mao Yuan Chang Eyewear Group Co., Ltd., was originally incorporated as a limited liability company in the China on 3 August 2020 and serves as the ultimate holding company of our Group. To facilitate the proposed **[REDACTED]**, our Company was converted into a joint stock limited liability company on 19 April 2024.

The historical financial information has been prepared in accordance with all applicable IFRS Accounting Standards as issued by the International Accounting Standards Board.

The IASB has issued a number of new and revised IFRS Accounting Standards. For the purpose of preparing the Historical Financial Information, all applicable new and revised IFRS Accounting Standards have been adopted for the Track Record Periods, except for any new standards or interpretations that are not yet effective for the Track Record Periods. The revised and new accounting standards and interpretations issued but not yet effective for the Track Record Periods.

Our historical financial information has been prepared on the historical cost basis except for financial assets that are measured at fair value through profit or loss ("**FVPL**") at the end of each reporting period. For further details on the Group's significant accounting policies and critical judgments, refer to Notes 2 and 3 to the consolidated financial statements in the Accountants' Report in Appendix I.

MATERIAL ACCOUNTING POLICY INFORMATION, ESTIMATES AND JUDGMENTS

We have identified certain accounting policies that are material to the preparation of our consolidated financial statements. Some of our accounting policies require us to apply estimates and assumptions as well as complex judgments related to accounting items. The estimates and assumptions we use and the judgments we make in applying our accounting policies have a significant impact on our financial position and results of operation. Our management evaluates such estimates, assumptions and judgments based on experience and other factors, including industry practices and expectations of future events that are deemed to be reasonable under the circumstances. There has not been any material deviation from our management's estimates or assumptions and actual results, and we have not made any material changes to these estimates or assumptions during the Track Record Period. We do not expect any material changes in these estimates and assumptions in the foreseeable future.

For details of our material accounting policies, estimates, assumptions and judgments, which are important for understanding our financial condition and results of operations, see notes 2 and 3 to the Accountants' Report in Appendix I to this Document.

SUMMARY OF RESULTS OF OPERATIONS DURING THE TRACK RECORD PERIOD

The following table sets forth a summary of our consolidated results of operations for the respective year indicated:

	For the year ended 31 December		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Revenue	**272,093**	**250,363**	**265,358**
Cost of sales	(113,583)	(107,459)	(103,246)
Gross profit	**158,510**	**142,904**	**162,112**
Other net income	865	2,383	3,351
Selling expenses	(97,506)	(105,207)	(100,561)
Administrative expenses	(16,246)	(17,847)	(16,848)
Impairment loss of property, plant and equipment and right-of-use assets	(984)	(107)	(307)
Reversal/(provision) of impairment loss on trade receivables	201	(168)	(2)
Profit from operations	**44,840**	**21,958**	**47,745**
Finance costs	(3,237)	(2,641)	(2,214)
Share of profits of an associate	338	304	377
Profit before taxation	**41,941**	**19,621**	**45,908**
Income tax	(4,825)	(1,567)	(4,727)
Profit for the year	**37,116**	**18,054**	**41,181**
Total comprehensive income for the year	**37,116**	**18,054**	**41,181**
Earnings per share			
Basic and diluted earnings per share *(RMB)*	**2.84**	**0.79**	**1.56**

Non-IFRS measure

To supplement our consolidated financial statements which are presented in accordance with IFRS, we also use the adjusted net profit (a non-IFRS measure) as additional financial measures, which are not required by, or presented in accordance with, IFRS. We believe that such non-IFRS measure facilitates comparisons of operating performance from period to period by eliminating potential impacts of certain items. We believe that such measure provides useful information to investors and others in understanding and evaluating our consolidated results of operations in the same manner as it helps our management. However, our presentation of the adjusted net profit (a non-IFRS measure) may not be comparable to similarly titled measures presented by other companies. The use of such non-IFRS measure has limitations as an analytical tool, and you should not consider it in isolation form, or as substitute for analysis of, our results of operations or financial condition as reported under IFRS.

We define the adjusted net profit (a non-IFRS measure) as profit for the year by eliminating our equity-settled share-based payments. Our management considers that equity-settled share-based payments are non-cash in nature and do not result in cash outflow.

The following table reconciles our adjusted net profit (a non-IFRS measure) presented in accordance with IFRS, namely profit for the year:

	For the year ended 31 December		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Profit for the year	37,116	18,054	41,181
Equity-settled share-based payments	–	2,067	840
Adjusted net profit (a non-IFRS measure)	**37,116**	**20,121**	**42,021**

DESCRIPTION OF KEY COMPONENTS OF OUR RESULTS OF OPERATIONS

Revenue

During the Track Record Period, our revenue was derived from our integrated retail operations, which consist of: (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 wholesale to our Associate Store, and sales of non-eyewear related consumables to franchised stores.

During the Track Record Period, our revenue was RMB272.1 million for the year ended 31 December 2023, moderated to RMB250.4 million for the year ended 31 December 2024, and rebounded to RMB265.4 million for the year ended 31 December 2025. The following table sets out information about our revenue by our operating model 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**
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.

Self-operated store operations

Throughout the Track Record Period, our financial performance has been predominantly driven by our self-operated stores. Our revenue generated from self-operated store operations totaled RMB206.9 million, RMB185.0 million and RMB196.4 million for the years ended 31 December 2023, 2024 and 2025, accounting for 76.0%, 73.9% and 74.0% of our revenue, respectively. Self-operated stores revenue during the Track Record Period is a combination of our TRP Same-Store performance, performance of new stores and results of closed stores.

Total TRP Same-Store sales amounted to RMB186.7 million, RMB161.6 million and RMB166.1 million for the years ended 31 December 2023, 2024 and 2025, respectively. Please refer to "– Significant Factors Affecting our Results of Operations – Our Ability to Manage Self-operated Store Operations" above in this section for details of our TRP Same-Store performance.

We opened 12, seven and two new self-operated stores in the years ended 31 December 2023, 2024 and 2025, respectively. The following table sets forth revenue generated from newly open self-operated store during the Track Record Period:

	For the year ended 31 December		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Stores opened in 2023	13,205	17,670	19,762
Stores opened in 2024	–	2,101	6,147
Stores opened in 2025	–	–	1,768
	13,205	**19,771**	**27,677**

The reducing contribution to revenue from new self-operated stores in each of 2023, 2024 and 2025 correspond to the number of stores opened in those years. Revenue of new self-operated stores in each of 2023 and 2024 increased in subsequent years/year as they had a full year of operation and became more mature.

We closed two, three and five self-operated stores in the years ended 31 December 2023, 2024 and 2025, respectively. The following table sets forth revenue generated from closed store during the Track Record Period:

	For the year ended 31 December		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Stores closed in 2023	386	–	–
Stores closed in 2024	2,674	823	–
Stores closed in 2025	3,915	2,820	2,694
	6,975	**3,643**	**2,694**

The year-on-year decrease in 2024 was attributable to: (i) the change in TRP Same-Store sales as discussed in "– Significant Factors Affecting Our Results of Operations – Our Ability to Manage Self-Operated Store Operation" above in this section; (ii) a full year contribution of stores opened in 2023 and new store opened in 2024; and (iii) offset by a decrease in revenue from self-operated stores closed in 2024 and no revenue from self-operated stores closed in 2023.

The year-on-year increase in 2025 was attributable to (i) the changes in TRP Same-Store sales as discussed in "– Significant Factors Affecting Our Results of Operations – Our Ability to Manage Self-Operated Store Operations" above in this section; and (ii) a full year contribution from store opened in 2024 and improved performance as store opened in 2023 mature; and (iii) offset by a decrease in revenue of self-operated stores closed in 2025 and no revenue from self-operated stores closed in 2024.

Franchise management operations

Revenue from our franchise model is generated through: (i) the wholesales of eyewear products to franchised stores; and (ii) recurring franchise fees and franchise management fees. Please refer to "Business – Our Sales Network – Franchise Model – Pricing of Franchise Fees and Franchise Management Fees" for details.

Revenue from our franchised stores, totaled RMB59.4 million, RMB60.5 million and RMB65.8 million for the years ended 31 December 2023, 2024 and 2025, respectively. The segment represented 21.8%, 24.1% and 24.8% of revenue. Its growth was supported by the ongoing optimisation of our franchised store network.

The following table sets forth a breakdown of our revenue from wholesales to our franchised stores, franchise management fee and franchise fees and their respective share of revenue by nature for the years indicated:

	For the year ended 31 December					
	2023		**2024**		**2025**	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
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
Total	**59,408**	**21.8**	**60,459**	**24.1**	**65,840**	**24.8**

Wholesales to franchised stores remained relatively stable in 2024 as the number of franchised stores remained about the same. The decrease in 2025 was primarily due to a reduction in the number of franchised stores from 202 as at 31 December 2024 to 194 as at 31 December 2025.

Our franchise fees increased from RMB4.9 million in 2023 to RMB5.4 million in 2024 and then remained relatively stable at RMB5.4 million in 2025. The increase in 2024 was driven by certain number of franchised stores that opened in late 2023, for which a full year of franchise fees was recognised in 2024. Because franchise fees are recognised over the franchise term, the timing of store openings, especially year end additions that contribute a full year of revenue in the following period, directly influences period to period fluctuations in franchise fee revenue.

Franchise management fees increased significantly from RMB2.4 million in both 2023 and 2024 to RMB10.2 million in 2025, as we only charged franchise management fees from 44 (34 of which pay 6%) and 46 (35 of which pay 6%) franchised stores for the years ended 31 December 2023 and 2024, respectively, and we received franchise management fees from 165 franchised stores (163 of which pay 6%) since 1 January 2025. Please refer to "Business – Our Products and Services – Franchise Model – Evolution and pricing of Franchise Fees and Franchise Management Fees" for details.

Online retail

Our online retail represents a strategic and yet to grow segment of our revenue mix, capitalising on evolving consumer shopping behaviours and digital engagement. This stream is primarily comprised direct e-commerce sales of optical products through our online store and Wechat mini-programme, complemented by other ancillary digital services. Revenue from our retail channels decreased from RMB4.1 million in 2023, to RMB3.2 million in 2024 and further to RMB1.7 million in 2025 because we reduced the selling of low end products.

Others

Others include revenue from wholesale to our Associate Store and sales of non-eyewear related consumables to franchised stores. The revenue contribution from others was stable in 2023 and 2024 and dropped in 2025 as sales of non-eyewear related consumables decreased.

Cost of sales

Our cost of sales primarily consists of cost of inventories, staff costs, taxes and surcharges, depreciation of right-of-use assets, cost of franchising services, freight and write down of inventory. Cost of inventories mainly comprise lenses, frames, contact lenses, and related optical consumables sold in our operation.

For the years ended 31 December 2023, 2024 and 2025, our total cost of sales amounted to RMB113.6 million, RMB107.5 million and RMB103.2 million, respectively. These costs represented 41.7%, 42.9%, 38.9% of our revenue for the respective years.

The following table sets out a breakdown of our cost of sales in absolute amounts and percentage of total cost of sales during the Track Record Period:

	For the year ended 31 December					
	2023		**2024**		**2025**	
	RMB'000	%	*RMB'000*	%	*RMB'000*	%
Cost of inventories	103,341	91.0	96,459	89.8	93,205	90.3
Staff cost	6,899	6.0	6,514	6.0	6,464	6.2
Taxes and surcharges	1,329	1.2	2,007	1.9	1,527	1.6
Depreciation of right-of-use assets	614	0.5	696	0.6	704	0.7
Cost of franchising services	583	0.5	638	0.6	310	0.3
Freight	516	0.5	442	0.4	427	0.4
Write down of inventory	301	0.3	703	0.7	609	0.5
Total	**113,583**	**100.0**	**107,459**	**100.0**	**103,246**	**100.0**

Our cost of inventories were net of supplier rebates. For the years ended 31 December 2023, 2024 and 2025, supplier rebates received or expected to be received amounted to RMB23.4 million, RMB20.1 million and RMB18.0 million, respectively. The decrease in amount of supplier rebates during the Track Record Period was in line with the decrease in our total purchase. Our cost of inventories decreased in 2024 and further decreased in 2025, primarily as a result of a reduction in number of items sold following our product and pricing policy shift as discussed in "– Significant Factors Affecting Our Results of Operations – Our Ability to Manage Self-Operated Stores Operations" above in this section.

Our staff cost comprises cost of processing centre, warehouse personnel and management and technical support personnels. The staff cost decreased by 6.8% in 2024, primarily due to lower performance-linked bonuses of the processing centre personnel resulting from reduced sales volumes after we reduced volume-based promotion through short-form video and group buying campaigns.

Deprecation of right-of-use assets is related to our lease obligation for our warehouse.

Cost of franchising services primarily consists of cost of supplies provided to our franchised stores.

The cost of sales of our different revenue stream is as follows:

- Self-operated stores: mainly consists direct costs of eyewear products (i.e. cost of inventories), optometric consumable, and store supplies used in sales and services delivery.

- Wholesales to franchised stores: mainly consists of direct costs of eyewear products (i.e. cost of inventories) we sell to our franchised stores.

- Franchise fees and franchise management fees: mainly consists of cost of staff providing management, training and technical to our franchised stores and supplies expenses.

- Online: mainly consists of direct costs of eyewear products and optometric consumables (i.e. cost of inventories), as well as packaging and fulfilment expenses associated with online orders.

- Others: mainly consists of direct costs of non-eyewear products related consumable sold to franchised stores.

Gross profit and gross profit margin

The following table sets out a breakdown of our gross profit and gross profit margin by operating model during the Track Record Period:

	For the year ended 31 December					
	2023		2024		2025	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Self-operated stores	**140,196**	**67.8**	**125,026**	**67.6**	**137,289**	**69.9**
Franchised stores	**16,306**	**27.4**	**15,968**	**26.4**	**23,574**	**35.8**
Wholesales to franchised stores	10,385	19.9	9,749	18.5	9,117	18.2
Franchise fee and franchise management fee	5,921	81.9	6,219	79.9	14,457	92.4
Online retail	**1,720**	**41.9**	**1,635**	**50.6**	**974**	**55.8**
Others *(Note)*	**288**	**17.1**	**275**	**16.7**	**274**	**20.4**
Total	**158,510**	**58.3**	**142,904**	**57.1**	**162,112**	**61.1**

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

We recorded gross profit of RMB158.5 million, RMB142.9 million and RMB162.1 million for the years ended 31 December 2023, 2024 and 2025, respectively, representing gross profit margin of 58.3%, 57.1% and 61.1%, respectively, for the same corresponding years.

Our gross profit margin from wholesales to franchised stores is generally lower than that from self-operated stores and online retail because we sell to franchised stores at wholesale prices, whereas self-operated stores and online channels sell at retail prices.

The following table sets out a breakdown of our gross profit and gross margin by product during the Track Record Period:

	For the year ended 31 December					
	2023		2024		2025	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Prescription spectacles	**132,661**	**61.2**	**119,872**	**59.8**	**131,919**	**62.4**
Proprietary brands	61,813	76.5	50,614	75.9	55,809	79.0
Third-party brands	70,848	52.1	69,258	51.7	76,109	54.1
Prescription services	**276**	**100.0**	**473**	**100.0**	**629**	**100.0**
Readymade spectacles	**8,781**	**45.8**	**7,803**	**44.5**	**7,926**	**46.8**
Proprietary brands	2,861	63.4	2,663	60.8	2,275	62.2
Third-party brands	5,920	40.3	5,140	39.1	5,651	42.6
Contact lenses and vision care products	**10,048**	**41.1**	**7,683**	**38.2**	**6,448**	**36.8**
Ancillary products	**535**	**22.1**	**579**	**25.6**	**459**	**23.5**
	152,301	**57.9**	**136,410**	**56.6**	**147,381**	**59.3**

Other net income

Our other net income primarily consists of (i) interest income from banks, lease deposits, loans to Controlling Shareholders and finance lease; (ii) government grants; (iii) income from value-added tax exemption; (iv) net realised and unrealised gains on wealth management products measured at fair value through profit or loss; (v) donation; (vi) net gains or losses on disposal of property, plant and equipment and right-of-use assets; and (vii) net gains or losses on lease restoration obligation and (viii) others.

Government grants of RMB0.4 million, RMB0.9 million and RMB0.7 million for the three years ended 31 December 2025, mainly represent rewards received from various local government authorities in connection with our contribution to regional economic development.

The following table sets forth a breakdown of our other net income for the years indicated:

	Year ended 31 December		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Interest income from banks	260	1,586	1,547
Interest income on lease deposits	137	164	150
Interest income from loans to Controlling Shareholders	–	150	221
Interest income on finance lease	–	58	37
Government grants	356	879	697
Income from value-added tax exemption	327	209	198
Net realised and unrealised gains on wealth management products measured at FVPL	46	154	171
Donation	(676)	(657)	(559)
Net gains/(losses) on disposal of property, plant and equipment	13	(144)	(8)
Net gains/(losses) on disposal of right-of-use assets	131	(227)	656
Net gains/(losses) on lease restoration obligation	–	3	(6)
Others	271	208	247
Total	**865**	**2,383**	**3,351**

Selling expenses

Our selling expenses consist primarily of staff costs, depreciation of right-of-use assets and property management fees, depreciation of property, plant and equipment, marketing and sales expenses, and other expenses.

The following table sets out a breakdown of our selling expenses during the Track Record Period:

	For the year ended 31 December					
	2023		2024		2025	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Staff cost	38,179	39.2	42,545	40.4	43,816	43.6
Depreciation of right-of-use assets and property management fees	36,582	37.5	34,428	32.7	34,902	34.7
Depreciation of property, plant and equipment	8,395	8.6	7,948	7.6	8,720	8.7
Marketing and sales	11,436	11.7	13,968	13.3	8,193	8.1
Equity-settled share-based payments	–	–	505	0.5	223	0.2
Others	2,914	3.0	5,813	5.5	4,707	4.7
Total	**97,506**	**100.0**	**105,207**	**100.0**	**100,561**	**100.0**

Staff cost is the largest component of selling expenses. Our staff cost increased from RMB38.2 million in 2023 to RMB42.5 million in 2024, primarily attributable to increase in headcount. Our staff cost further increased to RMB43.8 million in 2025, primarily due to increase in average salaries.

Marketing and sales expenses increased to RMB14.0 million in 2024, representing 13.3% of total selling expenses, before dropping to RMB8.2 million in 2025, or 8.1% of the total selling expenses. The fluctuation was a result of (i) higher commission fees and service fees relating to short-form video promotions and group buying campaigns incurred in 2023, which were reduced as we scaled back selling through these channels in 2024 and further in 2025, and (ii) a high-profile brand upgrade launch campaign organised by us in 2024 which increased relevant expenses in that year.

Administrative expenses

Our administrative expenses consist primarily of staff costs, travel and entertainment expenses, office and utilities expenses, depreciation and amortisation, depreciation of right-of-use assets and property management fees, equity-settled share-based payment expenses, professional services, and other administrative costs.

The following table sets out a breakdown of our administrative expenses during the Track Record Period:

	For the year ended 31 December					
	2023		2024		2025	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Staff cost	7,767	47.8	8,124	45.5	8,958	53.2
Travel and entertainment expenses	1,871	11.5	2,196	12.3	2,398	14.2
Office and utilities expenses	2,128	13.1	1,541	8.6	2,064	12.3
Depreciation and amortisation	881	5.4	484	2.7	1,457	8.6
Depreciation of right-of-use assets and property management fees	1,234	7.6	1,162	6.5	662	3.9
Equity-settled share-based payments	–	–	1,480	8.3	534	3.2
Professional fee	2,184	13.5	2,466	13.8	453	2.7
Repair and maintenance expenses	24	0.1	134	0.8	114	0.7
Others	157	1.0	260	1.5	208	1.2
Total	**16,246**	**100.0**	**17,847**	**100.0**	**16,848**	**100.0**

Staff cost is the largest component of administrative expenses, increasing from 47.8% in 2023 to 53.2% in 2025, primarily driven by headcount growth and salary adjustments. Depreciation of right-of-use assets and property management fees declined from 7.6% in 2023 to 3.9% in 2025, primarily due to the expiration of our leased office premises at the end of 2024, following which we relocated to a newly purchased office property.

Impairment losses of property, plant and equipment and right-of-use assets

We review our property, plant and equipment and right-of-use assets for impairment indicators at each reporting date. Impairment losses are recognised when the carrying amount of an asset exceeds its recoverable amount. Our impairment loss of property, plant and equipment and right-of-use assets amounted to RMB1.0 million and RMB0.1 million and RMB0.3 million for the years ended 31 December 2023, 2024 and 2025, respectively. These losses primarily related to store-level assets where expected future cash flows no longer supported the carrying value of the underlying equipment and leasehold improvements and right-of-use assets, consistent with our disciplined approach to portfolio optimisation and the closure of underperforming locations. See Note 11 to the Accountants' Report in Appendix I for further details.

Finance costs

Our finance costs consist entirely of interest expenses, primarily arising from lease liabilities and provisions. For the years ended 31 December 2023, 2024 and 2025, our finance costs amounted to RMB3.2 million, RMB2.6 million and RMB2.2 million, respectively. The decrease over the track record period was mainly attributable to the reduction in interest expense on lease liabilities, corresponding to the repayment of lease liabilities. Interest expense on provisions remained immaterial throughout the years.

The table below sets forth a breakdown of our finance costs for the years indicated:

	For the year ended 31 December		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Interest expense on lease liabilities	3,232	2,636	2,203
Interest expense on provisions	5	5	11
	3,237	**2,641**	**2,214**

Share of profits of an associate

As at 31 December 2023, 2024 and 2025, we held a 45% equity interest in Gansu Baoshihua Eye Co., Ltd.* (甘肅寶石花眼視光有限公司), primarily engaged in the retail of eyewear products. The Group's share of profit from the associate amounted to RMB0.3 million, RMB0.3 million and RMB0.4 million for the years ended 31 December 2023, 2024 and 2025, respectively. Further details are set out in Note 15 to the Accountants' Report in Appendix I to this Document. The movement of share of profits of an associate during the Track Record Period was primarily attributed to the business performance and financial results of the associate.

Income tax

Our Group is subject to income tax on a legal entity basis. The subsidiaries of the Group established in the PRC are subject to Corporate Income Tax ("**CIT**") at the statutory rate of 25% during the Track Record Period.

Certain of our subsidiaries fulfilled the criteria required for preferential income tax rate granted to small and low profit-making enterprises in the PRC, and were entitled to a preferential income tax rate of 5% on taxable income within RMB3.0 million.

We recorded income tax expense of RMB4.8 million, RMB1.6 million and RMB4.7 million for the three years ended 31 December 2025, respectively, and our effective tax rate (calculated as income tax expense divided by profit before tax) was 11.5%, 8.0% and 10.3%, respectively, for the same corresponding period. Our effective tax rate were lower than the statutory rate of 25%, primarily due to most of our subsidiaries were entitled to a preferential income tax rate of 5%.

YEAR TO YEAR COMPARISON OF RESULTS OF OPERATIONS

Year ended 31 December 2025 compared to year ended 31 December 2024

Our revenue increased from RMB250.4 million in 2024 to RMB265.4 million in 2025, representing a year-on-year growth of 6.0%.

Self-operated stores

Revenue from self-operated stores grew by 6.2% from RMB185.0 million in 2024 to RMB196.4 million in 2025, primarily attributable to the increase in TRP Same-Store sales and the net effect of an increase of RMB7.0 million from newly opened stores and closed stores.

Franchised stores

Revenue from franchised stores grew by 8.9% from RMB60.5 million in 2024 to RMB65.8 million in 2025, primarily attributable to a significant increase in franchise management fees.

Online retail

Revenue from online retail by 46.0% from RMB3.2 million in 2024 to RMB1.7 million in 2025, as we reduced the selling of low end products.

Others

Revenue generated from others decreased from RMB1.6 million in 2024 to RMB1.3 million in 2025, primarily due to our sale of non-eyewear related consumables decreased.

Cost of sales

The cost of sales decreased by RMB4.2 million, or approximately 3.9%, from RMB107.5 million in 2024 to RMB103.2 million in 2025. This decrease was primarily attributable to reduction in number of item sold following our product and pricing policy shift.

Gross profit and Gross profit margin

Our gross profit increased by 13.4% from RMB142.9 million in 2024 to RMB162.1 million in 2025 and our overall gross margin improved from 57.1% in 2024 to 61.1% in 2025. Such increase was driven by enhanced profitability across both self-operated and franchised stores, primarily attributable to (i) the increase in average selling price; and (ii) increase in number of franchised stores paying franchise management fees.

Other net income

Our other net income increased by RMB1.0 million, or approximately 40.6%, from RMB2.4 million in 2024 to RMB3.4 million in 2025. The increase was primarily attributable to net gains on the disposal of right-of-use assets of RMB0.7 million arising from the early termination of certain retail store leases, compared with net losses of RMB 0.2 million on such disposals in 2024.

Selling expenses

Our selling expenses decreased by 4.4% from RMB105.2 million in 2024 to RMB100.6 million in 2025. The decrease was primarily driven by a RMB5.8 million reduction in marketing and sales expenses, reflecting a return to normalised marketing activities following the completion of the brand upgrade launch campaign in 2024.

Administrative expenses

Our administrative expenses remained relatively stable at RMB17.8 million in 2024 and RMB16.8 million in 2025.

Finance costs

Our total finance costs decreased by RMB0.4 million, or approximately 16.2%, from RMB2.6 million in 2024 to RMB2.2 million in 2025. This decrease was primarily attributable a reduction in interest expense on lease liabilities, which decreased from RMB2.6 million in 2024 to RMB2.2 million in 2025, reflecting the the continued payment of lease liabilities.

Income tax expense

Our total income tax expense increased by RMB3.2 million, from RMB1.6 million in 2024 to RMB4.7 million in 2025. This increase was primarily attributable to: (i) a significant recovery in profit before taxation, which increased from RMB19.6 million in 2024 to RMB45.9 million in 2025, resulting in higher taxable profits.

Profit for the year

As a result of the foregoing, our profit for the year increased by 128.1% from RMB18.1 million in 2024 to RMB41.2 million in 2025.

Year ended 31 December 2024 compared to year ended 31 December 2023

Revenue

Our revenue decreased from RMB272.1 million in 2023 to RMB250.4 million in 2024, representing a year-on-year decline of 8.0%.

Self-operated stores

Revenue from self-operated stores declined by 10.6%, from RMB206.9 million to RMB185.0 million, primarily attributable to a decrease in TRP Same-Store sales and the net effect of an increase of RMB3.2 million from newly opened stores and closed stores.

Franchised stores

Revenue from franchised stores remained relatively stable from RMB59.4 million in 2023 to RMB60.5 million in 2024.

Online retail

Revenue from online retail declined by 21.3%, from RMB4.1 million in 2023 to RMB3.2 million in 2024, primarily due to we reduced selling of low end products.

Others

Revenue generated from others remained relatively stable at RMB1.6 million in 2024, compared to RMB1.7 million in 2023.

Cost of sales

The cost of sales decreased by RMB6.1 million, or approximately 5.4%, from RMB113.6 million in 2023 to RMB107.5 million in 2024, primarily due to (i) a decrease in cost of inventories fewer items sold; and (ii) a reduction in staff costs resulting from lower performance linked bonuses of the processing centre personnel, as sales volumes declined following our shift in product and pricing strategy.

Gross profit and gross profit margin

Our gross profit decreased by 9.8% from RMB158.5 million in 2023 to RMB142.9 million in 2024, primarily due to a decrease in revenue from our self-operated stores as mentioned above. Our gross profit margin was relatively stable at 58.3% and 57.1% in 2023 and 2024, respectively.

Other net income

Our total other net income increased by RMB1.5 million, or approximately 175.5%, from RMB0.9 million in 2023 to RMB2.4 million in 2024. This significant increase was primarily attributable to: (i) a substantial rise in interest income, from RMB0.4 million in 2023 to RMB2.0 million in 2024, reflecting higher average cash and time deposit balances maintained during the year; (ii) increased government grants from RMB0.4 million in 2023 to RMB0.9 million in 2024; and (iii) increased net gains from financial assets measured at fair value through profit or loss, from RMB46,000 in 2023 to RMB154,000 in 2024.

Selling expenses

Our selling expenses increased by 7.9% from RMB97.5 million in 2023 to RMB105.2 million in 2024. The increase of RMB7.7 million was primarily driven by (i) the increase in staff costs of RMB4.4 million due to increase in the average salaries; (ii) an increase of RMB2.5 million in marketing and sales expenses mainly attributable to a brand upgrade launch event. In addition, we recognised RMB0.5 million in share-based compensation expenses for the first time under the 2023 Employee Incentive Scheme.

Administrative expenses

Our administrative expenses increased by 9.9% from RMB16.2 million in 2023 to RMB17.8 million in 2024. The increase of RMB1.6 million was primarily driven by the recognition of equity-settled share-based payments under the 2023 Employee Incentive Scheme for the first time in 2024, with no comparable expense in 2023.

Finance costs

Our total finance costs decreased by RMB0.6 million, or approximately 18.4%, from RMB3.2 million in 2023 to RMB2.6 million in 2024. This decrease was primarily attributable to a reduction in interest expense on lease liabilities, which decreased from RMB3.2 million in 2023 to RMB2.6 million in 2024, reflecting the termination of certain lease contracts during the year and a lower overall lease liability balance.

Income tax expense

Our total income tax expense decreased by RMB3.3 million, from RMB4.8 million in 2023 to RMB1.6 million in 2024. This decrease was primarily attributable to a reduction in profit before taxation, which decreased from RMB41.9 million in 2023 to RMB19.6 million in 2024, resulting in lower taxable profits.

Profit for the year

As a result of the foregoing, our profit for the year decreased by 51.4% from RMB37.1 million in 2023 to RMB18.1 million in 2024.

SELECTED KEY ITEMS OF CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Non-current assets and liabilities

The following table sets forth our non-current assets and liabilities as at the dates indicated:

	As at 31 December		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Non-current assets			
Property, plant and equipment	49,729	77,384	74,397
Right-of-use assets	70,827	61,584	53,518
Intangible assets	265	184	102
Interests in an associate	820	820	923
Prepayments for property plant and equipment	662	556	385
Deferred tax assets	1,984	2,305	1,318
Other non-current assets	4,817	4,767	4,586
Total non-current assets	**129,104**	**147,600**	**135,229**
Non-current liabilities			
Lease liabilities	39,802	29,570	24,120
Provisions	140	229	138
Total non-current liabilities	**39,942**	**29,799**	**24,258**

Property, plant and equipment

Our property, plant and equipment primarily consist of buildings, leasehold improvements, machinery equipment, vehicles, and office equipment used in our retail operations and corporate functions.

The following table sets forth the carrying amounts of our property, plant and equipment as at the dates indicated:

	As at 31 December		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Buildings	33,444	61,530	59,898
Machinery equipment	6,873	7,557	5,471
Vehicles	426	313	197
Office equipment and others	1,040	1,204	1,073
Leasehold improvements	7,946	6,780	7,758
Total	**49,729**	**77,384**	**74,397**

Our property, plant and equipment increased by 55.6% from RMB49.7 million as at 31 December 2023 to RMB77.4 million as at 31 December 2024. This increase was primarily due to: (i) an increase in buildings of RMB29.8 million resulting from the acquisition of our office property in 2024; and (ii) an increase in optometric diagnostic equipment of RMB2.8 million.

Our property, plant and equipment decreased by 3.9% from RMB77.4 million as at 31 December 2024 to RMB74.4 million as at 31 December 2025, primarily due to: (i) depreciation charges of RMB9.2 million recognised during the year; partially offset by (ii) additions to leasehold improvement of RMB5.3 million for store renovations and upgrades to enhance the customer experience and maintain brand consistency across our retail network.

Right-of-use assets

Our right-of-use assets primarily represent our control over leased properties in China for retail stores, warehouse (which also housed our processing centres), and office properties during the lease term. During the Track Record Period, our leases are typically for initial periods ranging from two to 10 years. Right-of-use assets are recognised at commencement date at the present value of future lease payments and are depreciated on a straight-line basis over the lease term.

The following table sets forth the carrying amounts of our right-of-use assets as at the dates indicated:

	As at 31 December		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Properties leased for own use	64,778	55,750	47,899
Land use rights	6,049	5,834	5,619
Total right-of-use assets	**70,827**	**61,584**	**53,518**

Our right-of-use assets decreased from RMB70.8 million as at 31 December 2023 to RMB61.6 million as at 31 December 2024 and further decreased to RMB53.5 million as at 31 December 2025. Such decrease was primarily due to depreciation in the ordinary course of business, termination and expiration of leases for our retail stores and reduction of leases for our offices and partially offset by the additions of lease for our newly open stores.

Deferred tax assets

Our deferred tax assets increase from RMB2.0 million as at 31 December 2023 to RMB2.3 million as at 31December 2024, primarily due to an increase in unused tax losses of certain subsidiaries and tax-accounting difference in right-of-use assets and lease liabilities. Our deferred tax assets decreased to RMB1.3 million as at 31 December 2025, primarily due to decrease in unused tax loss.

Current assets and liabilities

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

	As at 31 December			As at 28 February
	2023	**2024**	**2025**	**2026**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)
Current assets				
Inventories	35,892	36,405	35,454	35,322
Trade and other receivables	9,126	29,485	5,382	8,288
Prepayments and other current assets	2,169	1,500	1,988	1,279
Current tax recoverable	71	183	120	64
Financial assets measured at FVPL	6,042	9,196	9,248	9,266
Time deposits	28,165	104,409	102,371	98,185
Cash and cash equivalents	69,355	82,787	124,711	125,417
Total current assets	**150,820**	**263,965**	**279,274**	**277,821**
Current liabilities				
Trade and other payables	33,536	32,322	38,621	39,012
Contract liabilities	8,673	8,089	7,176	10,902
Lease liabilities	27,732	25,033	21,480	22,814
Current taxation payable	4,835	1,286	2,848	2,871
Provisions	14	9	98	98
Total current liabilities	**74,790**	**66,739**	**70,223**	**75,697**
Net current assets	**76,030**	**197,226**	**209,051**	**202,124**

Throughout the Track Record Period, we have consistently maintained a positive net current assets position. Our net current assets increased by 159.4% from RMB76.0 million as at 31 December 2023 to RMB197.2 million as at 31 December 2024. This significant increase was primarily due to: (i) an increase in time deposits and increase in cash and cash equivalents as a result of receipt of payment of the balance of the first and all of the third increase in registered capital from existing shareholders and Hangzhou Industrial Investment in 2024 (for detail, please refer to "History, Development and Corporate Structure" in this Document), which has been fully utilised, and net cash generated from operating activities after payment of the capital and interest elements of lease liabilities; (ii) an increase in trade and other receivables of RMB20.5 million, which included a loan of RMB20.0 million advanced to Mr. Jin, bearing an annual interest rate of 3% (such loan was subsequently fully repaid in December 2024 , February and March 2025); and (iii) a decrease in amounts of all components in current liabilities.

Our net current assets increased by a 6.0% from RMB197.2 million as at 31 December 2024 to RMB209.1 million as at 31 December 2025. Despite net cash generating from operating activities of RMB95.4 million and repayment of RMB20 million from Mr. Jin, our cash and cash equivalents only increased by RMB41.9 million after payment of dividend and the capital and interest elements of lease liabilities, as our amount of time deposits remained about the same. Such increase was partially offset by a decrease in trade and other receivables of RMB24.1 million, primarily due to the full repayment of the abovementioned loan by Mr. Jin. Current liabilities also increased primarily as trade and other payables increased despite a drop in lease and contract liabilities.

Our net current assets remained relatively stable at RMB209.1 million and RMB202.1 million as at 31 December 2025 and 28 February 2026, respectively.

Inventories

Our inventories primarily consist of non-eyewear related consumables, finished goods and right to recover returned goods. The following table sets forth the balance of our inventories as at the dates indicated:

	As at 31 December		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Finished goods	34,874	35,402	34,803
Non-eyewear related consumables	976	951	620
Right to recover returned goods	42	52	31
Total	**35,892**	**36,405**	**35,454**

Our inventories remained relatively stable at RMB35.9 million, RMB36.4 million and RMB35.5 million as at 31 December 2023, 2024 and 2025, respectively.

Our management periodically reviews our inventory levels for slow-moving inventory, obsolescence or decline in market value. Allowance is made when the net realisable value of inventories falls below the cost or any of the inventories is identified as obsolete. We assess the net realisable value of the inventories as well as the required amount of write-down of inventories at the end of each reporting period, which involves significant judgement on determination of the estimated selling price of our products in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale. As at 31 December 2023, 2024 and 2025, the balance of provision of inventories was RMB2.3 million, RMB2.5 million and RMB2.4 million, respectively.

The following table sets forth our inventory turnover days for the years indicated:

	As at 31 December		
	2023	**2024**	**2025**
Inventory turnover days *(Note)*	116	123	127

Note: Inventory turnover days are calculated using the average of the beginning and ending inventories for the year divided by cost of sales used for the same year and multiplied by 365 days.

Inventory turnover days represent the average number of days that inventory is held before being sold. Our inventory turnover days increased from 116 days in 2023 to 123 days in 2024, primarily reflecting the decline in revenue during the year as we strategically pivoted from volume-based promotions to focus on long-term brand value. This strategic shift resulted in a 8.0% decrease in revenue, while inventory levels remained relatively stable, leading to higher turnover days. In 2025, inventory turnover days remained relatively stable at 127 days.

As at 28 February 2026, RMB19.7 million, or 55.5% of our inventories as at 31 December 2025 had been used, consumed or sold subsequently.

Trade and other receivables

Trade receivables, net of loss allowance

The following table sets forth the breakdown of our trade receivables as at the dates indicated:

	As at 31 December		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Trade receivables	3,104	4,509	3,338
Less: loss allowance on trade receivables	(443)	(345)	(347)
Trade receivables, net of loss allowance	**2,661**	**4,164**	**2,991**

Our trade receivables mainly represent the receivables due from our franchised stores in relation to wholesale of eyewear products and franchise management fees and from our Associate Store. We generally grant our franchised stores a credit term of 30 days from the date of invoice.

Our trade receivables, net of loss allowance were RMB2.7 million, RMB4.2 million and RMB3.0 million as at 31 December 2023, 2024 and 2025. The relatively high trade receivable in 2024 was mainly due to the ordering conference held in November 2024 which took place later in the year compared to 2023 and 2025.

As at 31 December 2023, 2024 and 2025, the ageing analysis of trade receivables, based on the invoice date and net of loss allowance, is as follows:

	As at 31 December		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Within 1 month	787	1,417	2,088
Over 1 month but within 3 months	1,601	2,012	538
Over 3 months but within 6 months	244	629	198
Over 6 months but within 1 year	26	64	82
Over 1 year but within 2 years	3	42	85
Total	**2,661**	**4,164**	**2,991**

The following table sets forth our trade receivables turnover days for the years indicated:

	For the year ended 31 December		
	2023	**2024**	**2025**
Trade receivables turnover days	26	25	23

Note: Trade receivables turnover days are calculated using the average of opening balance and closing balance of trade receivables (excluding loss allowance on trade receivables) for a year divided by revenue generated from wholesales to our franchised stores, franchise management fees and others for the relevant year and multiplied by 365 days .

Our trade receivables turnover days were 26 days, 25 days and 23 days during the Track Record Period, which generally in line with our credit policy.

As at 31 December 2023, 2024 and 2025, we recognised the loss allowance of approximately RMB443,000, RMB345,000 and RMB347,000 on the trade receivables, respectively.

As at 28 February 2026, RMB3.1 million, or 91.0%, of our trade receivables as at 31 December 2025 had been subsequently settled.

Other receivables

Our other receivables mainly comprises (i) deposits for rental and others; (ii) amount due from Controlling Shareholder; (iii) value-added tax recoverable; (iv) funds in transit representing sales of products and/or services that have been paid but not yet settled through the banking system; and (v) others. The following table sets forth the breakdown of our other receivables as at the dates indicated:

	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Other receivables due from			
– Deposits for rentals and others	1,330	975	844
– Controlling Shareholder	–	20,000	–
– Value-added tax recoverable	1,594	1,479	570
– Funds in transit	2,521	1,003	523
– Others	1,020	1,864	454
	6,465	**25,321**	**2,391**
Non-current:			
Long-term receivables related to lease deposits	3,840	4,220	4,470
Financial lease receivables	977	547	116
	4,817	4,767	4,586
	11,282	**30,088**	**6,977**

Other receivables due from Controlling Shareholder as at 31 December 2024 represents a loan provided to Mr Jin. During the year ended 31 December 2024, the Company provided two loans to Mr. Jin with total principal amount of RMB20.0 million in September 2024 and RMB10.0 million in November 2024, bearing an annual interest rate of 3%. Such loans were settled in December 2024, February and March 2025.

Other receivables (including non-current and current) increased significantly from RMB11.3 million as at 31 December 2023 to RMB30.1 million as at 31 December 2024, primarily due to an amount due from the Controlling Shareholder of RMB20.0 million. Our other receivables decreased to RMB2.4 as at 31 December 2025, primarily due to (i) the settlement of amount due from the Controlling Shareholder and (ii) decrease in value-added tax recoverable of RMB0.9 million driven by increased utilisation of input value-added tax in line with our growing sales.

As at 28 February 2026, RMB1.3 million, or 52.5%, of our other receivables as at 31 December 2025 had been subsequently settled.

Financial assets measured at FVPL

During the Track Record Period, we have invested in wealth management products issued by financial institutions in the PRC. These products do not have fixed or determinable returns and are measured at fair value, with changes in fair value recognised directly in profit or loss.

As at 31 December 2023, 2024 and 2025, our investments in wealth management products measured at FVPL amounted to RMB6.0 million, RMB9.2 million and RMB9.2 million, respectively.

In respect of our investments in wealth management products, we have implemented internal control measures to monitor and control our investment risks and adopted the treasury policy which set out the framework for managing our financial assets. Our investment decision is made on a case by case basis after due and careful consideration of a number of factors, including the investment amount, the duration of investment, credibility of financial institutions, the level of risk exposure, the available investment vehicles and the purchase cost of the instrument.

Our treasury policy includes, among other things, (i) investment should be undertaken only in situations where our Group have surplus cash not required for our short-term working capital purposes; (ii) investments in high-risk products are not permitted; and (iii) criteria for selecting investments to be considered by our senior management include duration of investment and risk.

We have implemented an internal fund management policy requiring that investments in wealth management products be made solely from short-term surplus cash without affecting daily operations. Such investments are limited to low-risk products (e.g., structured deposits, certificates of deposit, government bonds, and R2 or lower risk products) from licenced banks or securities institutions, with terms generally not exceeding twelve months. through the OA system and completed upon OA approval. The finance department maintains a ledger, assigns dedicated staff to monitor investments, reports any irregularities immediately, and coordinates with counterparties before maturity to ensure timely fund return or reinvestment.

Upon the **[REDACTED]**, we intend to continue our disciplined treasury management strategy. Subject to thorough evaluation and analysis, and in compliance with all applicable laws and regulations – specifically, the relevant requirements under Chapter 14 of the Listing Rules – we may continue to invest surplus funds in low-risk financial instruments, including structured deposits, to enhance returns on idle capital in the interest of our Group and our Shareholders.

Time deposits and cash and cash equivalents

Our time deposits primarily represent the value of time deposits products we place for the purpose of treasury management. Our time deposits and cash and cash equivalents increased from RMB97.5 million as at 31 December 2023 to RMB187.2 million as at 31 December 2024, as we received the capital contributions from our existing shareholders of RMB129.4 million and we had net cash generated from operating activities of RMB61.8 million. In general, we placed an increasingly large amount of time deposit products throughout the Track Record Period and prioritised the placement of time deposit products to the purchase of financial assets, because the former allows for more stable gains with lower level of risks. Our time deposits remained relatively stable at RMB102.4 million as at December 2025.

Trade and other payables

Trade payables

Our trade payables primarily consist of amounts due to suppliers for inventory purchases. Our trade payables amounted to RMB14.6 million, RMB15.9 million and RMB20.2 million as at 31 December 2023, 2024 and 2025, respectively. Our trade payables remained relatively stable at RMB14.6 million as at 31 December 2023 and RMB15.9 million as at 31 December 2024, respectively. Our trade payables increased to RMB20.2 million as at 31 December 2025, primarily due to less rebate to be received from suppliers as our purchases declines in 2025, resulting in an increase in trade payables. The following table sets out ageing analysis of the Group's trade payables as at the dates indicated, based on the invoice date, is as follows:

	As at 31 December		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Within 1 year	12,964	14,091	17,651
1 to 2 years	931	1,064	1,465
Over 2 years	747	707	1,121
Total	**14,642**	**15,862**	**20,237**

The following table sets forth our trade payables turnover days for the years indicated:

	For the year ended 31 December		
	2023	**2024**	**2025**
Trade payable turnover days *(Note)*	52	52	61

Note: Trade payable turnover days are calculated using the average of opening balance and closing balance of trade payables for a year divided by cost of sales the relevant year and multiplied by 365.

Our trade payables turnover days remained relatively stable at 52 days in 2023 and 2024. Our trade payables turnover days then increased to 61 days in 2025, primarily due to the decrease in cost of sales in a greater extent.

As at 28 February 2026, RMB12.3 million, or 60.9 %, of our trade payables as at 31 December 2025 had been settled subsequently.

Other payables

Our other payables primarily consists of (i) other payables mainly representing deposits by franchised stores and payables for renovation of our retail stores and office property; (ii) accrued payroll and other benefits and (iii) other taxes payables.

The following table sets forth the breakdown of our other payables as at the dates indicated:

	As at 31 December		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Other payables	11,027	9,154	9,465
Accrued payroll and other benefits	6,206	5,913	6,526
Other taxes payable	1,661	1,393	2,393
Total	**18,894**	**16,460**	**18,384**

Our other payables is the largest components. The following table sets forth the breakdown of our other payables:

	As at 31 December		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Amounts due to Controlling Shareholder	649	–	–
Deposits by franchised stores	4,973	5,028	4,813
Renovation and refurbishment	1,373	1,239	2,050
Accrued advertising expenses	695	370	503
Accrued professional fee	405	200	48
Accrued rental expenses	–	168	–
Payable to franchised stores	214	94	87
Refund liabilities	112	222	121
Others	2,606	1,833	1,843
	11,027	**9,154**	**9,465**

Our other payables decreased from RMB11.0 million as at 31 December 2023 to RMB9.2 million as at 31 December 2024, primarily due to settlement of the amounts due to Mr. Jin of RMB0.6 million and the decrease in accrued advertising expenses and accrued rental expenses in an aggregate of RMB0.5 million due to repayment. Our payables increased to RMB9.5 million as at 31 December 2025, primarily due to increase in payables for renovation of our office property we bought in late 2024 and partially offset by decreased in amount deposits by our franchised stores as our number of franchised stores decreased.

Our accrued payroll and other benefits decreased from RMB6.2 million as at 31 December 2023 to RMB5.9 million as 31 December 2024, primarily due to decrease in number of our employees from 476 in 2023 to 464 in 2024. Our accrued payroll and other benefits increased to RMB6.5 million as a result of increase in number of employees to 501 in 2025 and increase in average salaries.

Our other taxes payables mainly consist of value added tax payables.

As at 28 February 2026, RMB13.1 million, or 71.1%, of our other payables as at 31 December 2025 had been settled subsequently.

Contract liabilities

Our contract liabilities primarily consist of advances from customers and obligations under our customer loyalty scheme. The following table sets forth the breakdown of our contract liabilities as at the dates indicated:

	As at 31 December		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Advances from customers	4,708	6,289	5,151
Customer loyalty scheme	3,965	1,800	2,025
Total	**8,673**	**8,089**	**7,176**

Advance from customers mainly represent franchise fees and advance payment received from our customers for eyewear products. Our contract liabilities decreased slightly from RMB8.7 million as at 31 December 2023 to RMB8.1 million as at 31 December 2024, primarily attributable to the combined effect of (i) an increase in advances from customers driven by higher franchise fee received close to the end of the year, and (ii) a reduction in customer loyalty scheme liabilities.

As at 28 February 2026, RMB4.0 million, or 55.6% of our contract liabilities as at 31 December 2025 had been recognised as revenue subsequently.

LIQUIDITY AND CAPITAL RESOURCES

During the Track Record Period, we funded our cash requirements principally from cash generated from operations and capital contributions from shareholders. As at 31 December 2023, 2024 and 2025, we had cash and cash equivalents of RMB69.4 million, RMB82.8 million and RMB124.7 million, respectively, which were denominated in Renminbi. We monitor our cash flows and cash balance on a regular basis and strive to maintain an optimum liquidity that can meet our working capital needs while supporting continuing business expansion. We expect that our liquidity requirements in the future will be satisfied by using a combination of cash generated from operations, shareholders' capital contributions and net **[REDACTED]** from the **[REDACTED]**.

The following table sets forth a summary of our cash flows for the years indicated:

	For the year ended 31 December		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Net cash generated from operating activities	90,898	61,783	95,406
Net cash (used in)/generated from investing activities	(31,919)	(137,504)	17,394
Net cash (used in)/generated from financing activities	(11,799)	89,153	(70,876)
Net increase in cash and cash equivalents	**47,180**	**13,432**	**41,924**
Cash and cash equivalents at beginning of the year	22,175	69,355	82,787
Cash and cash equivalents at end of the year	**69,355**	**82,787**	**124,711**

Net cash generated from operating activities

In 2025, our net cash generated from operating activities of RMB95.4 million was primarily attributable to profit before taxation of RMB45.9 million, as adjusted by non-cash and non-operational items totaling RMB43.5 million, changes in working capital and income tax paid of RMB6.0 million. Changes in working capital mainly consisted of (i) an increase in trade and other payables of RMB6.3 million, (ii) a decrease in trade and other receivables and rental deposits of RMB2.9 million, (iii) a decrease in inventories of RMB0.3 million, (iv) a decrease in contract liabilities of RMB0.9 million and (v) decrease in prepayments of RMB0.5 million.

In 2024, our net cash generated from operating activities of RMB61.8 million was primarily attributable to profit before taxation of RMB19.6 million, as adjusted by non-cash and non-operational items totaling RMB46.5 million, changes in working capital and income tax paid of RMB4.4 million. Changes in working capital mainly consisted of (i) a decrease in trade and other payables of RMB1.2 million, (ii) an increase in inventories of RMB1.2 million, (iii) a decrease in trade and other receivables and rental deposits of RMB3.4 million, and (iv) a decrease in contract liabilities of RMB0.6 million.

In 2023, our net cash generated from operating activities of RMB90.9 million was primarily attributable to profit before taxation of RMB41.9 million, as adjusted by non-cash and non-operational items totaling RMB45.6 million, changes in working capital and income tax paid of RMB3.4 million. Changes in working capital mainly consisted of (i) an increase in trade and other payables of RMB12.2 million, (ii) a decrease in inventories of RMB4.3 million, (iii) an increase in trade and other receivables and rental deposits of RMB12.8 million.

See "– Selected Key Items of Consolidated Statement of Financial Position" above for primary reasons relating to the underlying causes for our operating cash flow changes.

Net cash (used in)/generated from investing activities

In 2025, our net cash generated from investing activities amounted to RMB17.4 million, which was primarily attributable to (i) proceeds from disposal of time deposits of RMB196.5 million and (ii) repayments from loans to Mr. Jin and Ms. Peng of an aggregate of RMB50.0 million, partially offset by (iii) placement of time deposits of RMB193.0 million and (iv) loan to Ms. Peng of RMB30.0 million.

In 2024, our net cash used in investing activities amounted to RMB137.5 million, which was primarily attributable to (i) placement of time deposits of RMB192.0 million, (ii) payment for purchase of property, plant and equipment of RMB40.9 million, and (iii) two loans to Mr. Jin of RMB30.0 million in aggregate of which RMB10.0 million was repaid, partially offset by (iv) proceeds from disposal of time deposits of RMB117.2 million and (v) repayments from loans to ultimate controlling shareholders of RMB10.0 million.

In 2023, our net cash used in investing activities amounted to RMB31.9 million, which was primarily attributable to (i) placement of time deposits of RMB30.0 million, (ii) payment for purchase of property, plant and equipment of RMB3.0 million, and (iii) payment for purchase of wealth management products of RMB6.0 million, partially offset by (iv) proceeds from retirement of wealth management products of RMB4.0 million and (v) proceeds from disposal of time deposits of RMB2.0 million.

Net cash (used in)/generated from financing activities

In 2025, our net cash used in financing activities amounted to RMB70.9 million, which was primarily attributable to (i) dividends paid to equity shareholders of RMB37.0 million, (ii) payment of capital element of lease liabilities of RMB31.6 million, and (iii) payment of interest element of lease liabilities of RMB2.2 million.

In 2024, our net cash generated from financing activities amounted to RMB89.2 million, which was primarily attributable to (i) cash received from capital contributions of RMB129.4 million, partially offset by (ii) payment of capital element of lease liabilities of RMB37.6 million and (iii) payment of interest element of lease liabilities of RMB2.6 million.

In 2023, our net cash used in financing activities amounted to RMB11.8 million, which was primarily attributable to (i) payment of capital element of lease liabilities of RMB31.6 million and (ii) payment of interest element of lease liabilities of RMB3.2 million and partially offset by (iii) cash received from capital contributions of RMB30.0 million.

INDEBTEDNESS

As at 31 December 2023, 2024 and 2025 and 28 February 2026, our indebtedness included lease liabilities and amount due to Controlling Shareholder, Mr. Jin. The following table sets forth the breakdown of our indebtedness as at the dates indicated:

	As at 31 December			As at 28 February
	2023	**2024**	**2025**	**2026**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)
Current				
Amount due to Controlling Shareholder	649	–	–	–
Lease liabilities	27,732	25,033	21,480	22,814
Non-current				
Lease liabilities	39,802	29,570	24,120	22,680
Total	**68,183**	**54,603**	**45,600**	**45,494**

Lease liabilities

Our lease liabilities, which primarily arise from leases for our self-operated stores and office premises.

Our total lease liabilities decreased from RMB67.5 million as at 31 December 2023 to RMB54.6 million as at 31 December 2024, and further to RMB45.6 million as at 31 December 2025. This consistent downward trend reflects the regular repayment of lease obligations in the ordinary course of business, termination and expiration of leases for our retail stores and reduction of leases for our offices, partially offset by new leases entered into during each period.

No other outstanding indebtedness

Save as disclosed above, we did not have any outstanding indebtedness or any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or similar indebtedness, liabilities under acceptances (other than normal trade bills), acceptance credits, debentures, mortgages, charges, finance leases or hire purchase commitments, guarantees or other contingent liabilities or any covenant in connection therewith as at 28 February 2026, being our indebtedness statement date. After due and careful consideration, our Directors confirm that, as at the date of this document, there has been no material change in our indebtedness since 28 February 2026.

CONTINGENT LIABILITIES

As at 31 December 2023, 2024 and 2025, we did not have any material contingent liabilities, guarantees, or outstanding litigation that would have a significant impact on our financial position or operations.

RELATED PARTY TRANSACTIONS

The related party transactions were conducted during the Track Record Period in accordance with terms as agreed between us and the respective related parties. Our Directors have confirmed that all related party transactions during the Track Record Period were conducted on normal commercial terms that are reasonable and in the interest of our Group as a whole. Our Directors further confirmed that these related party transactions would not distort our results of operations for the Track Record Period or make our historical result not reflective of our future performance.

For more details on related party transactions, please see Note 31 in the Accountants' Report set out in Appendix I to this Document.

COMMITMENTS

As at 31 December 2023, 2024 and 2025, we did not have any material capital commitments outstanding that were contracted for or authorised but not contracted for.

CAPITAL EXPENDITURES

Our capital expenditures primarily consist of purchase of property, plant and equipment. The following table sets forth a breakdown of our capital expenditures for the years indicated:

	For the year ended 31 December		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Purchase of property, plant and equipment	3,026	40,889	7,173
Total	**3,026**	**40,889**	**7,173**

We have historically funded our capital expenditures through a combination of cash generated from operations, capital contributions from shareholders, and proceeds from the maturity of time deposits and wealth management products.

We intend to fund our future capital expenditures with a combination of cash generated from operations, and net **[REDACTED]** from the **[REDACTED]**. For further details of our planned capital expenditure, see "Future Plans and Use of **[REDACTED]** — Use of **[REDACTED]**." We may reallocate the funds to be utilised on capital expenditures based on our ongoing business needs.

KEY FINANCIAL RATIOS

The following table sets forth the key financial ratios for the years/as at the dates indicated:

	For the year ended / As at 31 December		
	2023	**2024**	**2025**
Revenue growth rate*(Note 1)*	N/A	(8.0%)	6.0%
Gross profit margin*(Note 2)*	58.3%	57.1%	61.1%
Net profit margin*(Note 3)*	13.6%	7.2%	15.5%
Cash ratio*(Note 4)*	92.7%	124.0%	177.6%
Current ratio*(Note 5)*	201.7%	395.5%	397.7%
Quick ratio*(Note 6)*	150.8%	338.7%	344.4%
Debt-to-Equity ratio*(Note 7)*	69.5%	30.6%	29.5%
Asset-Liability ratio*(Note 8)*	41.0%	23.5%	22.8%

Notes:

(1) Revenue growth rate is calculated as the difference between current period revenue and prior period revenue, divided by prior period revenue, multiplied by 100%.

(2) Gross profit margin is calculated as gross profit divided by revenue, multiplied by 100%, where gross profit equals revenue less cost of goods sold.

(3) Net profit margin is calculated as profit for the year divided by revenue, multiplied by 100%.

(4) Cash ratio is calculated as cash and cash equivalents divided by current liabilities.

(5) Current ratio is calculated using current assets dividend by current liabilities as at the respective date.

(6) Quick ratio is calculated by dividing quick assets by current liabilities. Quick assets are defined as current assets excluding inventories and prepayments and other current assets.

(7) Debt-to-equity ratio is calculated as total liabilities divided by total equity.

(8) Asset-liability ratio is calculated as total liabilities divided by total assets.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT FINANCIAL RISKS

We are exposed to financial risks including credit, liquidity, interest rate and currency risks in the normal course of our business. Our overall risk management focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on our financial performance. Our risk management is carried out under policies approved by our Board. The discussion below provides a summary of our market risks. See note 29 to the Accountants' Report in Appendix I for further details.

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. The Group's credit risk is primarily attributable to trade receivables. The Group's exposure to credit risks arising from cash and cash equivalents is limited because the counterparties are banks and financial institutions with good credit standing, for which the Group considers having low credit risk.

For further details of our credit risk, see Note 29 to the Accountants' Report included in Appendix I to this Document.

Liquidity risk

Our policy is to regularly monitor liquidity requirements and ensure we maintain sufficient cash reserves to meet our obligations as they fall due. Given that our primary liabilities consist of trade and other payables and lease liabilities, we focus on aligning our cash flow management with these payment cycles to ensure timely settlement. For details of the maturity profile of our financial liabilities, see note 29(b) to the Accountants' Report in Appendix I to this Document.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Our interest rate risk arises primarily from cash at banks at variable interest rates.

For further details of our liquidity risk, see Note 29 to the Accountants' Report included in Appendix I to this Document.

Currency risk

We are not exposed to significant foreign currency risk since financial assets and liabilities denominated in currencies other than functional currencies of the respective entities comprising the Group are not significant.

DIVIDEND

In 2021, our Group acquired 100% equity interests in Lanzhou Keda which constitutes a business combination under common control. Before the acquisition, Lanzhou Keda declared the dividend of RMB7.0 million to Mr. Jin and Ms. Peng, the then equity holder of Lanzhou Keda in accordance with the resolution of the shareholders of Lanzhou Keda dated 17 May 2021. The dividend of RMB7.0 million was settled in 2023.

In accordance with the resolution of the shareholders of the Company dated 22 January 2025, a dividend of RMB37.0 million was declared and paid to all equity shareholders of the Company.

Pursuant to a shareholders' resolution passed on 28 January 2026, a dividend of RMB32.2 million was declared. The dividend was fully paid to all equity shareholders whose names appeared on the register of members.

We do not currently have a formal dividend policy or any predetermined dividend payout ratio. PRC Law require that dividends be paid only out of our distributable profits. Distributable profits are our after-tax profits, less appropriations to statutory and other reserves that we are required to make. Any future declarations and payments of dividends will be proposed by our Board of Directors and will depend on our actual and expected results of operations, cash flow and financial position, general business conditions and business strategies, expected working capital requirements and future expansion plans, legal, regulatory and other contractual restrictions, and other factors which our Directors consider relevant at such time. Any such declaration and payment are subject to approval by our Shareholders in accordance with applicable PRC Law and our constitutional documents.

WORKING CAPITAL SUFFICIENCY

Taking into account the financial resources available to us, including our cash and cash equivalents, time deposit and financial assets measured at FVPL on hand, and the estimated net **[REDACTED]** from the **[REDACTED]**, our Directors are of the view that we have sufficient working capital to meet our present needs and for the next twelve months from the date of this Document. On the basis of the independent due diligence undertaken, the Sole Sponsor concurs with the aforementioned views of our Directors. Our Directors confirm that we had no material defaults on trade and non-trade payables and borrowings, nor did we breach any covenants during the Track Record Period and up to the date of this Document.

DISTRIBUTABLE RESERVES

As at 31 December 2025, retained profits of our Company amounted to RMB0.3 million. Such retained earnings represent our distributable reserves as at the same date.

[REDACTED] EXPENSES

Based on an **[REDACTED]** HK$**[REDACTED]** per H Share, being the mid-point of the indicative **[REDACTED]**, and assuming the **[REDACTED]** is not exercised, **[REDACTED]** expenses to be borne by us are estimated to be approximately HK$**[REDACTED]** or **[REDACTED]**% of the gross **[REDACTED]** of the **[REDACTED]**, which consist of (i) **[REDACTED]** of approximately HK$**[REDACTED]**, and (ii) non-**[REDACTED]** related expenses of approximately HK$**[REDACTED]** including (a) fees and expenses of financial and legal advisors as well as the Reporting Accountants of approximately HK$**[REDACTED]** and (b) other fees and expenses of approximately HK$**[REDACTED]**. During the Track Record Period, we did not record any **[REDACTED]** expenses in the consolidated statements of profit or loss and other comprehensive income. Subsequent to the Track Record Period, we expect to further incur **[REDACTED]** expenses of HK$**[REDACTED]** prior to and upon completion of the **[REDACTED]**, of which (i) HK$**[REDACTED]** is expected to be recognised as expenses in our consolidated statements of profit or loss and other comprehensive income, and (ii) HK$**[REDACTED]** is expected to be accounted for as a deduction from equity upon **[REDACTED]**.

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

OFF-BALANCE SHEET ARRANGEMENTS

As at the Latest Practicable Date, we had not entered into any off-balance sheet arrangements. We also have not entered into any financial guarantees or other commitments to guarantee the payment obligations of third parties. In addition, we have not entered into any derivative contracts that are indexed to our equity interests and classified as owners' equity. Furthermore, we do not have any retained or contingent interest in assets transferred to an unconsolidated entity that serves as credit, liquidity or market risk support to such entity. We do not have any variable interest in any unconsolidated entity that provides financing, liquidity, market risk or credit support to us or that engages in leasing, hedging or research and development services with us.

UNAUDITED [REDACTED] ADJUSTED NET TANGIBLE ASSETS

For details, see "Unaudited **[REDACTED]** Financial Information" in Appendix II to this Document.

NO MATERIAL ADVERSE CHANGE

Our Directors have confirmed that up to the date of this document there has been no material adverse change in our financial or trading position or prospects since 31 December 2025, being the end of the Track Record Period as reported in the Accountants' Report in Appendix I to this Document, and there has been no event since 31 December 2025 which would materially affect the information shown in the Accountants' Report in Appendix I to this Document.

DISCLOSURE REQUIRED UNDER THE LISTING RULES

Our Directors confirm that, as at the Latest Practicable Date, there were no circumstances that would give rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.