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Application Proof of

Zhejiang Maoyuanchang Eyewear Co., Ltd.
浙江毛源昌眼鏡股份有限公司

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

(the "**Company**")

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Zhejiang Maoyuanchang Eyewear Co., Ltd.
浙江毛源昌眼鏡股份有限公司

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

[REDACTED]

Number of [REDACTED] under the [REDACTED]	**:**	**[REDACTED] H Shares (subject to the [REDACTED])**
Number of Hong Kong [REDACTED]	**:**	**[REDACTED] H Shares (subject to reallocation)**
Number of [REDACTED]	**:**	**[REDACTED] H Shares (subject to reallocation and the [REDACTED])**
[REDACTED]	**:**	**HK$[REDACTED] per H Share plus brokerage of 1.0%, SFC transaction levy of 0.0027%, AFRC transaction levy of 0.00015% and Stock Exchange trading fee of 0.00565% (payable in full on application in Hong Kong dollars, subject to refund)**
Nominal value	**:**	**RMB1.00 per H Share**
[REDACTED]	**:**	**[REDACTED]**

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The [REDACTED] (for itself and on behalf of the [REDACTED]) may, with our consent, reduce the number of H Shares being [REDACTED] under the [REDACTED] and/or the indicative [REDACTED] below that stated in this Document at any time on or prior to the morning of the last day for lodging applications under the [REDACTED]. In such a case, an announcement will be published on the websites of the Stock Exchange at www.hkexnews.hk and the Company at http://www.zjmyc.cn as soon as practicable following such decision to make such reduction, and in any event not later than the morning of the day which is the last day for lodging applications under the [REDACTED]. For further details, see "Structure of the [REDACTED]" and "How to Apply for [REDACTED]" in this Document.

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IMPORTANT

[REDACTED]

IMPORTANT

[REDACTED]

EXPECTED TIMETABLE[(1)]

[REDACTED]

EXPECTED TIMETABLE[1]

[REDACTED]

EXPECTED TIMETABLE[1]

[REDACTED]

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SUMMARY

This summary aims to give you an overview of the information contained in this document. As this is a summary, it does not contain all the information that may be important to you. You should read the entire Document before you decide to invest in the **[REDACTED]**.

There are risks associated with any investment. Some of the particular risks in investing in the **[REDACTED]** *are set out in "Risk Factors." You should read that section carefully before you decide to invest in the* **[REDACTED]**.

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 prescription spectacles and services. According to the Euromonitor Report, **Mao Yuan Chang** ranked first in the offline eyewear retail industry in Zhejiang Province in 2024, with a market share of approximately 8.8% in terms of the offline retail sales amount including both self-operated and franchised stores, while our **Lan Keda** (previously Keda, before rebranding in March 2026) ranked first in Gansu Province with a market share of approximately 10.2% based on the offline retail sales under our self-operated stores in 2024.

Our Origin

Our flagship brand, "毛源昌眼鏡" ("**Mao Yuan Chang**"), tracing its origin back in 1862, is a centuries-old heritage brand with over 160 years of history in China's eyewear industry. **Mao Yuan Chang** has been officially recognised as a "China Time-honoured Brand" (中華老字號) by the MOFCOM in 2006 and a "Well-Known Trademark in China" (中國馳名商標) by the former State Administration for Industry and Commerce of the PRC (now recognised under the SAMR) in 2015. We also have self-operated stores under the "蘭科達眼鏡" ("**Lan Keda**") brand in Lanzhou. **Mao Yuan Chang** was also named as the official supplier of eyewear and optical services for the 19th Asian Games and the 4th Asian Para Games in Hangzhou in 2022. These distinctions are further supported by national, provincial, and municipal honours, reflecting recognition from both governmental institutions and consumers. According to the Euromonitor Report, China's eyewear retail market is highly fragmented and characterised by numerous small-scale operators with limited brand history and market visibility. In such a market environment, **Mao Yuan Chang's** longstanding operating history has helped establish our brand recognition among consumers.

Market Opportunities

The offline eyewear retail markets in Zhejiang Province and Gansu Province are expected to continue to expand, driven by stable demand for vision correction and eye-health management, increasing penetration of functional products, growing consumer emphasis on professional optometry and compliant dispensing, and continued service upgrading across the industry. According to the Euromonitor Report, Zhejiang Province's offline eyewear retail market is expected to increase from RMB5,492.3 million in 2024 to RMB6,843.0 million in 2029E, while Gansu Province's offline eyewear retail market is expected to increase from RMB795.5 million to RMB1,068.0 million over the same period. In parallel, the continued advancement of youth myopia prevention and control, population ageing and industry standardisation is expected to support further growth in demand for functional lenses, progressive multifocal lenses and more professional service offerings, and to drive the market towards more branded, standardised and service-oriented retailers, creating continued growth opportunities for our Group.

OUR STRENGTHS

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

- A recognised heritage brand with over 160 years of history;
- Professional optometry service capabilities;
- Leading and diversified retail network in Zhejiang Province and Gansu Province;
- Wide product range comprising proprietary and third-party brands; and
- Experienced and stable management team with deep industry expertise.

OUR STRATEGIES

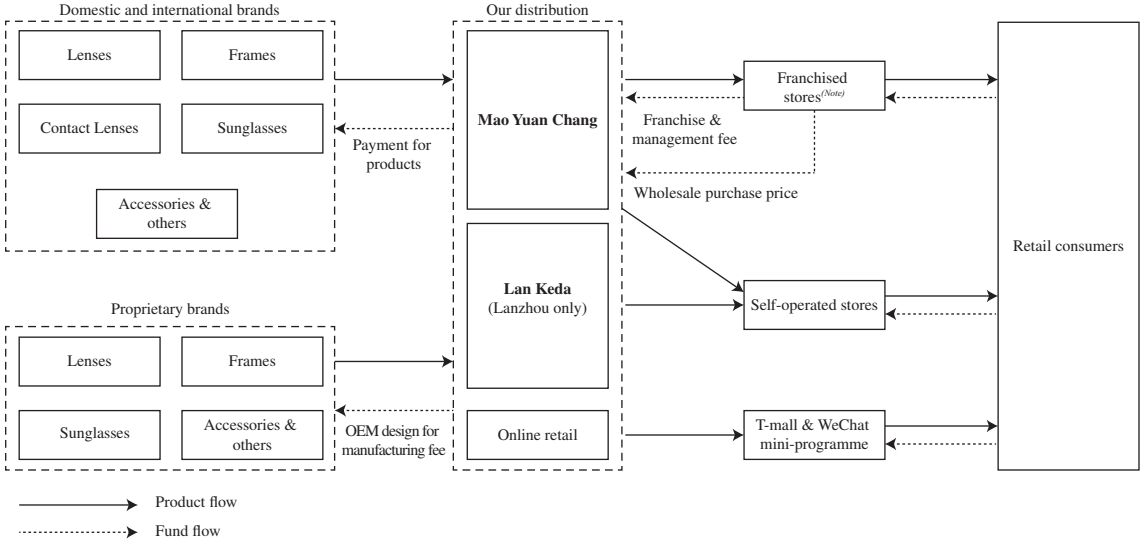
The Board has formulated a comprehensive and interconnected set of strategies to capitalise on the significant opportunities within the PRC eyewear market. The following detailed plans are designed to leverage our core strengths, address evolving consumer trends, and deliver sustainable, profitable growth,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

- Strategic initiative: optical operation centre and advanced processing centre;
- Strategic network expansion: network expansion through organic growth and franchise partnership; and
- Deepened customer segmentation: brand building and precision marketing.

OUR BUSINESS MODEL

We provide professional optometric and vision-care services, and a large proportion of the products we sell are prescription spectacles for myopia, hyperopia, and presbyopia, as well as youth myopia prevention and control products and progressive lenses. We sell products under our own proprietary brands as well as third-party brands. Our stores are operated under **Mao Yuan Chang** and **Lan Keda** brands. Our network comprises self-operated stores under **Mao Yuan Chang** and **Lan Keda**, and franchised stores under **Mao Yuan Chang**. We also sell our eyewear products through one online store on T-mall.com and our WeChat mini-programme as at the Latest Practicable Date.

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



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

OUR STORE NETWORK

We primarily drive **Mao Yuan Chang** network expansion with self-operated stores and supplement coverage gaps with franchised stores. Franchised stores supplement this expansion by extending geographic coverage, particularly in lower-tier cities and regions where our franchise network benefits from the franchised stores' operation experience. To optimise our expansion strategy, we will continue to onboard new franchised stores to extend our brand coverage into areas. As at the Latest Practicable Date, our retail network consisted of 78 self-operated stores and 194 franchised stores across 18 cities in the PRC, the majority of which are located in Zhejiang Province and Gansu Province. We also sold our eyewear products through one online store on T-mall.com and our WeChat mini-programme as at the Latest Practicable Date. The following table sets forth information of our revenue by our operating model and our region during the Track Record Period:

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

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

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**	**2,257**	**0.9**	**1,952**	**0.8**
Franchise fees	**4,876**	**1.8**	**5,430**	**2.2**	**5,436**	**2.0**
Franchise management fees	**2,351**	**0.9**	**2,358**	**0.9**	**10,215**	**3.8**
Others *(Note 2)*	**1,678**	**0.6**	**1,643**	**0.7**	**1,342**	**0.5**
Total	**272,093**	**100.0**	**250,363**	**100.0**	**265,358**	**100.0**

Note:

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.

TRP Same-Store performance

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 the details of our TRP Same-Store 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

Our self-operated store network

The following table sets forth the movement in the member of self-operated stores by types of stores for the years indicated:

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

Our franchised store network

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

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

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. For further details, refer to "Business – Our Sales Network – Franchise Model – Pricing of Franchise Fees and Franchise Management Fees."

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 our revenue for the years ended 31 December 2023, 2024 and 2025, respectively. Its growth was supported by the ongoing optimisation of our franchised store network.

SUPPLIERS

Our suppliers primarily comprise suppliers of optical lenses, frames, sunglasses and OEM providers. Purchase from our five largest suppliers amounted to RMB56.0 million, RMB53.2 million and RMB50.7 million for the years ended 31 December 2023, 2024 and 2025, respectively, representing 43.9%, 46.0% and 45.5% of our total purchases for the same year, respectively, with our largest single supplier representing 12.5%, 14.2% and 13.7% for the same year, respectively. For risks relating to our major suppliers, see "Risk Factors – Risks Relating to our Business and Industry – We rely on suppliers and outsourcing partners for critical materials and services, and supply chain disruptions could have an adverse effect on our business operations and financial performance."

COMPETITION

The offline eyewear retail markets in Zhejiang Province and Gansu Province are both fragmented, with no single brand holding a dominant market position. According to the Euromonitor Report, in 2024, the top three brands accounted for only 23.1% and 19.1% of the offline eyewear retail markets in Zhejiang Province and Gansu Province, respectively, indicating that market shares remained widely distributed among regional chain players and a large number of independent shops, and that there remains room for further consolidation. Against this backdrop, competition is expected to increasingly focus on professional service capabilities, compliance and standardised operations, supply-chain efficiency and store network coverage. According to the Euromonitor Report, **Mao Yuan Chang** was the largest eyewear retailer brand in Zhejiang Province in terms of offline retail sales value in 2024, with an approximate market share of 8.8%, while the **Lan Keda** (previously Keda, before rebranding in March 2026) was the largest eyewear retailer brand in Gansu Province in terms of offline retail sales value in 2024, with an approximate market share of 10.2%.

RISK FACTORS

Our business and the **[REDACTED]** involve certain risks, including risks relating to (i) our business and industry, (ii) doing business in the jurisdictions where we operate and (iii) the **[REDACTED]**. Some of the major risks we face include, but are not limited to, the following:

- The eyewear retail industry in China is highly fragmented, with numerous national chains, regional retailers, and local independent shops. We face multifaceted competitive pressure from international brands, national chains, and the rapid growth of online retail platforms. If we fail to effectively address this competition – whether through pricing, or service differentiation, our revenue, market share, and profitability could be materially and adversely affected.

- Our business depends significantly on the market recognition of our "**Mao Yuan Chang**" , a centuries-old heritage brand. Any damage to our reputation–whether from negative customer reviews, product quality issues, liability claims, or brand infringement by third parties–could diminish brand value and erode consumer trust. Maintaining and enhancing brand image is critical to our competitive advantage, and any failure to do so could harm our business and results of operations.

- Our future success depends heavily on the continuing efforts of our senior management team, led by our controlling shareholders Mr. Jin and Ms. Peng, as well as other key personnel such as qualified optometrists and optical technicians. Competition for experienced talent in the eyewear industry is strong. The loss of one or more key personnel, or the failure to attract and retain qualified staff, could disrupt our operations, weaken our management capabilities, and adversely affect our business.

- Our growth strategy relies on expanding our network of self-operated and franchised stores. This exposes us to risks including: (i) site selection failures for new stores; (ii) potential cannibalisation of existing stores; (iii) inconsistent quality control and brand dilution across franchised stores; (iv) reliance on third-party franchised stores for payment settlements, where we have historically accepted payments through third-party payors; and (v) significant fixed costs, such as rent and staff salaries, which may not be easily reduced if sales decline. Failure to manage these operational risks could impair our profitability and growth.

PROPERTIES

Our business operations rely primarily on leased properties, particularly for our self-operated store network. As at the Latest Practicable Date, we maintained a portfolio of properties across China, comprising both owned and leased assets.

As at the Latest Practicable Date, we own six properties in China, located primarily in Zhejiang Province and Gansu Province. These properties have a total floor area of approximately 2,400 square metres and are currently used as self-operated stores and corporate offices.

As at the Latest Practicable Date, we lease 78 properties within China, with a total leased area of approximately 12,700 square metres. The majority of these properties are used to operate self-operated stores, widely distributed across several provinces including Zhejiang Province and Gansu Province. Lease terms generally range from two to five years as at the Latest Practicable Date.

SUMMARY OF HISTORICAL FINANCIAL INFORMATION

The summary of consolidated financial information should be read together with the historical financial information included in the Accountants' Report in Appendix I to this document, including the accompanying notes and the information set out in "Financial Information."

Summary of consolidated statements of profit or loss

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

	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 payment expenses. Our management considers that equity-settled share-based payment expenses 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**

Revenue

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.

Our revenue decreased from RMB272.1 million in 2023 to RMB250.4 million in 2024, representing a year-on-year decline of 8.0%. Such decrease was primarily due to decrease in revenue from self-operated stores from RMB206.9 million to RMB185.0 million, primarily attributable to: (i) the net effect of an increase of RMB3.2 million from newly opened stores and closed stores, as we continued to optimise our store network; and (ii) a decrease in revenue generated from prescription spectacles from our TRP Same-Store sales, resulting from our strategic reduction in 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.

Our revenue increased from RMB250.4 million in 2024 to RMB265.4 million in 2025, representing a year-on-year growth of 6.0%. Such increase was primarily due to (i) an increase in TRP Same-Store sales and the net effect of an increase of RMB7.0 million from newly opened stores and closed stores; and (ii) higher franchise management fees due to an increase in the number of franchised stores paying these fees.

Our profit for the year decreased from RMB37.1 million in 2023 to RMB18.1 million in 2024. Such decrease was primarily due to the decrease in revenue as mentioned above and increase in selling expenses mainly driven by increased staff costs resulting from higher average salaries; (ii) an increase in marketing and sales expenses mainly attributable to a brand upgrade launch campaign. Our profit for the year increased to RMB41.2 million in 2025, primarily due to increase in gross profit margin and decrease in selling expenses due to the absence of the brand upgrade launch campaign.

Summary of selected items of consolidated statements of financial position

	As at 31 December		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Total current assets	150,820	263,965	279,274
Total non-current assets	129,104	147,600	135,229
Total current liabilities	74,790	66,739	70,223
Total non-current liabilities	39,942	29,799	24,258
Net current assets	**76,030**	**197,226**	**209,051**

For more details, please refer to "Financial Information – Selected Key Items of Consolidated Statement of Financial Position" in this Document.

Summary of selected items of consolidated cash flow statements

	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 the end of the year	69,355	82,787	124,711

For more details, please refer to "Financial Information – Liquidity and Capital Resources" in this Document.

KEY FINANCIAL RATIOS

	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 / revenue × 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.

OUR CONTROLLING SHAREHOLDERS

As at the Latest Practicable Date, Maoyuanchang Holdings held approximately 46.27% of our Company, and Maoyuanchang Holdings was in turn owned as to (i) 65% by Hangzhou Dashengchang, a company wholly-owned by Mr. Jin, and (ii) 10% by Hangzhou Shuangzhou, a limited partnership controlled by Mr. Jin as the general partner and also held as to 98% by Mr. Jin and 2% by Ms. Peng.

As at the Latest Practicable Date, Ms. Peng and Hangzhou Maosifa held direct interest of approximately 24.52% and 7.59% in our Company, respectively. Hangzhou Maosifa is a limited partnership controlled by Mr. Jin as the general partner and also owned as to approximately 67.35% by Mr. Jin. Mr. Jin and Ms. Peng are spouse. For further details of Mr. Jin and Ms. Peng, see "Directors and Senior Management – Board of Directors" in this Document.

Accordingly, as at the Latest Practicable Date, Maoyuanchang Holdings, Hangzhou Dashengchang, Hangzhou Shuangzhou, Mr. Jin, Ms. Peng and Hangzhou Maosifa were together entitled to control approximately 78.38% of the voting rights of our Company, and are therefore regarded as a group of Controlling Shareholders of our Company.

PRE-[REDACTED] INVESTORS

We have engaged in Pre-**[REDACTED]** Investments with our Pre-**[REDACTED]** Investors. For further details of the identity and background of the Pre-**[REDACTED]** Investors and the principal terms of the Pre-**[REDACTED]** Investments, see "History, Development and Corporate Structure – Pre-**[REDACTED]** Investments."

LEGAL PROCEEDINGS AND COMPLIANCE

We may, from time to time, become a party to various legal, arbitral or administrative proceedings arising in the ordinary course of our business. During the Track Record Period and up to the Latest Practicable Date, we had not been and were not a party to any significant legal, arbitral or administrative proceedings, and we were not aware of any significant pending or threatened legal, arbitral or administrative proceedings against us or our Directors that could, individually or in the aggregate, have a material adverse effect on our business, financial condition and results of operations. As advised by our PRC Legal Advisor, as at the Latest Practicable Date, we had complied with all relevant PRC Law in all material respects and had obtained all requisite licences, approvals and permits from relevant authorities that are material for our operations in the Chinese Mainland and such licences, approvals and permits are valid and effective.

See "Business – Legal Proceedings and Compliance" and "Business – Compliance, Licences and Permits" for more information. For more information about the laws and regulations that we are subject to, see "Regulatory Overview".

[REDACTED]

FUTURE PLANS AND USE OF [REDACTED]

We estimate that we will receive net **[REDACTED]** from the **[REDACTED]** of approximately HK$**[REDACTED]**, after deducting **[REDACTED]** and commissions and other estimated expenses paid and payable by us in relation to the **[REDACTED]**, assuming an **[REDACTED]** of HK$**[REDACTED]** per H Share, being the mid-point of the **[REDACTED]** from HK$**[REDACTED]** to HK$**[REDACTED]** per H Share, and assuming that the **[REDACTED]** is not exercised.

In line with our strategies, we intend to use the net **[REDACTED]** from the **[REDACTED]** (assuming the **[REDACTED]** is not exercised) for the purposes and in the amounts set forth below:

Purposes	**Total amount of net [REDACTED] to be used** *HK$'000*	**Allocation %**
Establishment of optical operation centre	**[REDACTED]**	**[REDACTED]**
Establishment of self-operated stores	**[REDACTED]**	**[REDACTED]**
Brand building and precision marketing	**[REDACTED]**	**[REDACTED]**
General corporate purposes and working capital	**[REDACTED]**	**[REDACTED]**
Total	**[REDACTED]**	**[REDACTED]**

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 a cash 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 cash 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 cash 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.

[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]** commission 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.

APPLICATION FOR [REDACTED] ON THE STOCK EXCHANGE

We have applied to the Stock Exchange for the **[REDACTED]** of, and permission to **[REDACTED]** in, the H Shares to be issued pursuant to the **[REDACTED]** (including any Shares that may be issued pursuant to the exercise of the **[REDACTED]**) and the H Shares to be converted from **[REDACTED]** Shares.

RECENT DEVELOPMENTS AND NO MATERIAL ADVERSE CHANGE

During the period from 1 January 2026 to the Latest Practicable Date, we continued to advance our channel expansion strategy and optimise our self-operated store network. We have signed lease agreements for five new self-operated stores, two of which are located in Hangzhou; two in Shaxing and one in Lanzhou. Among these, one store is already in operation, and the remaining four are scheduled to open within the year. The selected locations span mid-to-high-end shopping malls and prime street-level retail spaces. By penetrating high-foot-traffic and high-consumption-capacity areas, we further strengthened our self-operated store network, broadened our store coverage, and enhanced our accessibility to target customer, thereby supporting the scaling of our business operations.

Advancing industrial synergy: Building a professional ecosystem in collaboration with ZEISS

During the Shanghai Optics Fair in March 2026, we deepened our strategic partnership with Carl Zeiss, a global leader in optical technology, and jointly launched a specialised initiative focused on premium vision solutions, dispensing standards, and consumer experience enhancement. Through this collaboration, we continue to integrate advanced technologies and service concepts, strengthen our professional capabilities, and drive continuous improvement in our optometric dispensing and service quality.

Strengthening university partnerships to expand access to target customer segments

We systematically advanced collaborations with leading academic institutions in March 2026, including Peking University, Shanghai Jiao Tong University, and Fudan University, leveraging campus settings to reach influential students, faculty members, and key opinion leaders in the workplace (such as MBA and EMBA participants). These initiatives not only expand our potential customer coverage but also contribute to the ongoing enhancement of our brand image.

In this Document, unless the context otherwise requires, the following terms shall have the meanings set out below. Certain technical terms are explained in "Glossary of Technical Terms."

"2022 Employee Incentive Scheme"	the employee incentive scheme adopted by our Company on 30 March 2022
"2023 Employee Incentive Scheme"	the employee incentive scheme adopted by our Company on 20 December 2023
"Accountants' Report"	the accountants' report of our Company for the Track Record Period the text of which is set out in Appendix I to this Document
"affiliate(s)"	with respect to any specified person, any other person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified person
"AFRC"	the Accounting and Financial Reporting Council of Hong Kong (formerly known as the Financial Reporting Counsel of Hong Kong)
"Articles" or "Articles of Association"	the articles of association of the Company, adopted by the Shareholders in March 2026 with effect from the **[REDACTED]**, and as amended, supplemented or otherwise modified from time to time, a summary of which is set forth in Appendix V to this Document
"associate(s)"	has the meaning ascribed to it under the Listing Rules
"Associate Store"	means a retail store in which the Group has a 45% equity interest
"Audit Committee"	the audit committee of the Board
"Board" or "Board of Directors"	the board of Directors of the Company
	[REDACTED]
"business day"	any day (other than a Saturday, Sunday or public holiday) on which banks in Hong Kong are generally open to the public for normal banking business
	[REDACTED]

[REDACTED]

"China", "Mainland China" or "the PRC"	the People's Republic of China, and for the purposes of this Document only, except where the context requires otherwise, excluding Hong Kong, the Macao Special Administrative Region of the People's Republic of China, and Taiwan
"close associate(s)"	has the meaning ascribed to it under the Listing Rules
"Companies Ordinance"	Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Companies (Winding Up and Miscellaneous Provisions) Ordinance"	Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Company" or "our Company" or "the Company"	Zhejiang Maoyuanchang Eyewear Co., Ltd.* (浙江毛源昌眼鏡股份有限公司 (previously known as Zhejiang Maoyuanchang Eyewear Co., Ltd.* (浙江毛源昌眼鏡有限公司))), a limited liability company established in the PRC on 3 August 2020, and converted into a joint stock company with limited liability on 19 April 2024
"Compliance Advisor"	Quam Capital Limited
"connected person(s)"	has the meaning ascribed to it under the Listing Rules
"connected transaction(s)"	has the meaning ascribed to it under the Listing Rules
"Conversion of **[REDACTED]** Shares into H Shares"	the conversion of **[REDACTED] [REDACTED]** Shares into H Shares on a one-for-one basis upon the completion of **[REDACTED]**, filing of which has been completed with the CSRC on [•]
"Controlling Shareholder(s)"	has the meaning ascribed to it under the Listing Rules and, unless the context otherwise requires, refers to the person(s) named in "Relationship with Our Controlling Shareholders" in this Document
"core connected person(s)"	has the meaning ascribed to it under the Listing Rules
"Corporate Governance Code" or "CG Code"	the Corporate Governance Code set out in Appendix C1 to the Listing Rules
"CSDCC"	China Securities Depository and Clearing Corporation Limited (中國證券登記結算有限責任公司)

"CSRC"	China Securities Regulatory Commission (中國證券監督管理委員會)
	[REDACTED]
"Director(s)" or "our Director(s)"	the director(s) of the Company
"EIT"	the PRC enterprise income tax
"EIT Law"	the Enterprise Income Tax Law of the PRC (中華人民共和國企業所得税法), as amended, supplemented or otherwise modified from time to time
"Employee Incentive Schemes"	the 2022 Employee Incentive Scheme and the 2023 Employee Incentive Scheme
"Exchange Participant"	a person (a) who, in accordance with the Rules of the Hong Kong Stock Exchange, may trade on or through the Hong Kong Stock Exchange; and (b) whose name is entered in a list, register or roll kept by the Hong Kong Stock Exchange as a person who may trade on or through the Hong Kong Stock Exchange
"Extreme Condition(s)"	extreme conditions caused by a super typhoon as announced by the Government of Hong Kong
	[REDACTED]
"Foreign Investment Law"	the PRC Foreign Investment Law (《中華人民共和國外商投資法》), as amended, supplemented or otherwise modified from time to time
"Franchisee Group(s)"	our franchised stores who operated multiple franchised stores, being under common control of the same ultimate beneficial owner(s)
	[REDACTED]

"Group," "our Group," "the Group," "we," "us," or "our"	our Company and our subsidiaries from time to time, and where the context requires, in respect of the period prior to our Company becoming the holding company of its present subsidiaries, such subsidiaries as if they were subsidiaries of our Company at the relevant time
"Guide for New Listing Applicants"	Guide for New Listing Applicants issued by the Stock Exchange, as amended, supplemented or otherwise modified from time to time
"H Share(s)"	overseas **[REDACTED]** foreign share(s) in our ordinary share capital, with nominal value of RMB1.00 each in the share capital of our Company, which are to be subscribed for and traded in Hong Kong dollars, and for which an application has been made for **[REDACTED]** and permission to **[REDACTED]** on the Stock Exchange
	[REDACTED]
"Hangzhou Dashengchang"	Hangzhou Dashengchang Trade Co., Ltd.* (杭州達盛昌商貿有限公司), a limited liability company established in the PRC on 8 June 2012 wholly-owned by Mr. Jin
"Hangzhou Industrial Investment"	Hangzhou Industrial Investment Group Co., Ltd.* (杭州市實業投資集團有限公司), a state-owned limited liability company established in the PRC on 13 November 2001, which is held by State Owned Assets Supervision and Administration Commission of Hangzhou Municipal People's Government* and Zhejiang Financial Development Group Co., Ltd.* as to 90% and 10%, respectively
"Hangzhou Maosifa"	Hangzhou Maosifa Business Management Consulting Partnership (Limited Partnership)* (杭州毛四發企業管理諮詢合夥企業(有限合夥)), a limited partnership established in the PRC on 6 December 2021, which is held by Mr. Jin and participants in the Employee Incentive Schemes as to 67.35% and 32.65%, respectively
"Hangzhou Shuangzhou"	Hangzhou Shuangzhou Management Consulting Partnership (Limited Partnership)* (杭州雙州管理諮詢合夥企業(有限合夥)), a limited partnership established in the PRC on 25 December 2017, which is held by Mr. Jin and Ms. Peng as to 98% and 2%, respectively
"HK" or "Hong Kong"	the Hong Kong Special Administrative Region of the People's Republic of China
"HK$" or "Hong Kong dollars" or "HK dollars"	Hong Kong dollars, the lawful currency of Hong Kong

[REDACTED]

"Hong Kong" or "HK"	the Hong Kong Special Administrative Region of the PRC

[REDACTED]

"Hong Kong Stock Exchange" or "Stock Exchange"	The Stock Exchange of Hong Kong Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited

[REDACTED]

[REDACTED]

"IFRS"	all applicable IFRS Accounting Standards as issued by the International Accounting Standards Board ("**IASB**")
"Independent Third Party(ies)"	any entity(ies) or person(s) who is/are not connected person(s) of our Company or our subsidiaries within the meaning of the Listing Rules

[REDACTED]

"Keda"	科達眼鏡, the brand name historically used for our self-operated stores in Lanzhou, Gansu Province, prior to rebranding to Lan Keda
"Lan Keda"	蘭科達眼鏡, our brand in Lanzhou, Gansu Province, adopted in March 2026 following rebranding of Keda
"Lanzhou Hongsheng Keda"	Lanzhou Hongsheng Keda Eyewear Co., Ltd.* (蘭州鴻盛科達眼鏡有限公司), a limited liability company established in the PRC on 23 February 2021, and a wholly-owned subsidiary of Lanzhou Keda
"Lanzhou Huisheng Keda"	Lanzhou Huisheng Keda Eyewear Co., Ltd (蘭州輝盛科達眼鏡有限公司), a limited liability company established in the PRC on 28 January 2021, and a wholly-owned subsidiary of Lanzhou Keda

"Lanzhou Keda"	Lanzhou Keda Optical Eyewear Co., Ltd.* (蘭州科達眼鏡光學有限責任公司), a limited liability company established in the PRC on 22 November 1996, and a wholly-owned subsidiary of our Company
"Lanzhou Maoyuanchang"	Lanzhou Maoyuanchang Eyewear Co., Ltd.* (蘭州毛源昌眼鏡有限公司), a limited liability company established in the PRC on 9 March 2016, and a wholly-owned subsidiary of our Company
"Latest Practicable Date"	27 March 2026, being the latest practicable date for the purpose of ascertaining certain information contained in this Document before its publication

[REDACTED]

"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time
"Main Board"	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operates in parallel with the Growth Enterprise Market of the Stock Exchange
"Mao Yuan Chang"	毛源昌眼鏡, our flagship eyewear brand which is a historical brand founded in 1862
"Maoyuanchang Binbao"	Hangzhou Maoyuanchang Binbao Eyewear Co., Ltd. (杭州毛源昌濱寶眼鏡有限公司), a limited liability company established in the PRC on 13 February 2019, and a wholly-owned subsidiary of our Company

"Maoyuanchang Holdings"	Maoyuanchang Eyewear Co., Ltd.* (毛源昌眼鏡有限公司), (formerly known as Hangzhou Maoyuanchang Eyewear Factory* (杭州毛源昌眼鏡廠) and Hangzhou Maoyuanchang Eyewear Co., Ltd.* (杭州毛源昌眼鏡有限公司)), a limited liability company established in the PRC on 21 September 1984, which is held by Hangzhou Dashengchang, Hangzhou Industrial Investment and Hangzhou Shuangzhou as to 65%, 25% and 10%, respectively
"Maoyuanchang Minghui"	Hangzhou Maoyuanchang Minghui Eyewear Co., Ltd.* (杭州毛源昌明輝眼鏡有限公司), a limited liability company established in the PRC on 16 April 2019, and a wholly-owned subsidiary of our Company
"Maoyuanchang Mingxin"	Hangzhou Maoyuanchang Mingxin Eyewear Co., Ltd.* (杭州毛源昌明新眼鏡有限公司), a limited liability company established in the PRC on 26 April 2019, and a wholly-owned subsidiary of our Company
"Maoyuanchang Shaoxing"	Maoyuanchang Eyewear Technology (Shaoxing) Co., Ltd.* (毛源昌眼鏡科技(紹興)有限公司), a limited liability company established in the PRC on 11 May 2021, and a wholly-owned subsidiary of our Company
"Model Code"	Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix C3 to the Listing Rules
"MOF"	Ministry of Finance of the PRC (中華人民共和國財政部)
"MOFCOM"	Ministry of Commerce of the PRC (中華人民共和國商務部)
"Mr. Jin"	Mr. Jin Zengmin (金增敏), the chairman of our Board, an executive Director. chief executive officer, general manager and a Controlling Shareholder
"Ms. Peng"	Ms. Peng Meiliu (彭美柳), an executive Director, the chief financial officer and a Controlling Shareholder
"NDRC"	National Development and Reform Commission of the PRC (中華人民共和國國家發展和改革委員會)
"NEEQ"	National Equities Exchange and Quotations (全國中小企業股份轉讓系統)
"Nomination Committee"	the nomination committee of the Board
"NPC"	the National People's Congress of the PRC (中華人民共和國全國人民代表大會)

[REDACTED]

"One-price Policy"	A policy requiring that all retail locations, including self-operated stores and franchised stores, sell products or services at the same, non-negotiable retail price established by the Company. The policy was implemented for self-operated and franchised stores under **Mao Yuan Chang** in May 2024 and self-operated stores under the then **Keda** in July 2024

[REDACTED]

"Overseas Listing Trial Measures"	Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies (《境內企業境外發行證券和上市管理試行辦法》), promulgated by the CSRC on 17 February 2023 which became effective on 31 March 2023
"PBOC"	the People's Bank of China (中國人民銀行), the central bank of the PRC
"PRC Company Law"	the Company Law of the PRC (中華人民共和國公司法), as amended, supplemented or otherwise modified from time to time
"PRC Legal Advisor"	Beijing Dacheng Law Offices, LLP (Shanghai), the legal advisor to our Company as to the PRC law

"PRC Securities Law"	The Securities Law of the PRC (中華人民共和國證券法), as amended, supplemented or otherwise modified from time to time
"Pre-**[REDACTED]** Investment(s)"	the investment(s) in our Group before the **[REDACTED]**, details of which are set out in "History, Development and Corporate Structure – Pre-**[REDACTED]** Investments" in this Document
"Pre-**[REDACTED]** Investor(s)"	the investor(s) who acquired interest in our Group pursuant to the relevant share subscription agreement(s), details of which are set out in "History, Development and Corporate Structure" in this Document

[REDACTED]

"Regulation S"	Regulation S under the U.S. Securities Act
"Relevant Franchised Store(s)"	means, during the Track Record Period, certain of our franchised stores (each, a "Relevant Franchised Store") that settled outstanding payments due to us through accounts of third-party payors designated by such franchised stores, and references to "Relevant Franchised Stores" shall include such Franchisees acting individually or collectively, as the context requires
"Remuneration Committee"	the remuneration committee of the Board
"Renminbi" or "RMB"	the lawful currency of the PRC
"SAFE"	State Administration of Foreign Exchange of China (中華人民共和國國家外匯管理局)
"SAMR"	State Administration for Market Regulation of the PRC (中華人民共和國國家市場監督管理總局) (formerly known as State Administration for Industry and Commerce of the PRC (中華人民共和國工商行政管理總局))

"SAT"	the State Administration of Taxation of the PRC (中華人民共和國國家税務總局)
"SFC"	Securities and Futures Commission of Hong Kong
"SFO" or "Securities and Futures Ordinance"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Share(s)"	the ordinary share(s) in the share capital of the Company with a nominal value of RMB1.00 each, comprising **[REDACTED]** Share(s) and H Share(s)
"Shareholder(s)"	holder(s) of the Share(s)
"Shenzhen-Hong Kong Stock Connect"	a securities trading and clearing links programme developed by the Hong Kong Stock Exchange, Shenzhen Stock Exchange, HKSCC and China Securities Depository and Clearing Corporation Limited for mutual market access between Hong Kong and Shenzhen
"SKU"	Stock Keeping Unit
"Sole Sponsor"	the sole sponsor as named in "Directors and Parties Involved in the **[REDACTED]**" in this Document
	[REDACTED]
"State Council"	the State Council of the PRC (中華人民共和國國務院)
"subsidiary(ies)"	has the meaning ascribed to it under the Listing Rules
"substantial shareholder(s)"	has the meaning ascribed to it under the Listing Rules
"Takeovers Code"	the Codes on Takeovers and Mergers and Share Buy-back issued by the SFC, as amended, supplemented or otherwise modified from time to time
"Track Record Period"	the period comprising the three financial years ended 31 December 2023, 2024 and 2025
	[REDACTED]
"United States" or "U.S."	the United States of America, its territories and possessions, any State of the United States, and the District of Columbia

"**[REDACTED]** Share(s)"	ordinary share(s) issued by our Company, with a nominal value of RMB1.00, which is/are not **[REDACTED]** on any stock exchange
"U.S. SEC"	the Securities and Exchange Commission of the United States
"U.S. Securities Act"	United States Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder
"US$" or "USD" or "U.S. dollars"	United States dollars, the lawful currency of the United States
"VAT"	value-added tax

[REDACTED]

"%"	per cent

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

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

GLOSSARY OF TECHNICAL TERMS

This glossary contains definitions of certain technical terms used in this document in connection with us and our business. These may not correspond to standard industry definitions, and may not be comparable to similarly terms adopted by other companies.

"COGS"	cost of goods sold
"Community Stores"	our stores located in residential neighbourhoods or street-side settings emphasising convenience and proximity to local residents
"Customer conversion rate"	the number of prescription spectacles sold divided by the number of customers who have visited the stores in a specified period
"Five Uniformities"	a comprehensive management policy implemented by the Company in April 2024 to standardise franchise operations, ensure consistent brand experience, and enhance service quality across all self-operated and franchised stores under **Mao Yuan Chang**
"Flagship Stores"	our premium, high-profile outlets located in prime urban commercial districts with the largest floor space, most advanced optometric equipment, and master-level optometry teams, serving as brand showcases
"Franchise fee"	fixed annual charges imposed on franchised stores for the right to use **Mao Yuan Chang**, ranging from RMB20,000 to RMB50,000
"Franchise management fees"	ongoing, recurring fee calculated as a percentage (ranging from 2% to 6%) of gross revenue generated by franchised stores and recorded in our ERP system, for ongoing operational support
"Investment payback"	investment payback period for a store is calculated as the number of months from its opening date until the cumulative store-level operating profit equals the total initial capital investment in that store
"OEM"	original equipment manufacturer
"Operational breakeven"	a store is considered to have reached operational breakeven in the month when its store-level operating margin first turns positive on a monthly basis, calculated as the store's sales revenue minus its directly attributable costs of sales and store-level operating expenses
"Repeat customer rate"	the proportion of unique customers with at least two transactions in any rolling 24-month window

"Shopping Mall Stores"	our stores situated in large-scale shopping centres benefiting from high footfall and providing a premium yet convenient shopping experience
"Standard Stores"	our stores positioned in established commercial or mixed-use areas focusing on efficient delivery of core optometric examinations and prescription services
"Store-level operating margin"	revenue from store sales minus directly attributable costs of sales and store-level operating expenses (including staff costs, rental and utilities, depreciation, and local marketing expenses), excluding headquarters-level corporate overheads, central marketing, and other non-allocated expenses

FORWARD-LOOKING STATEMENTS

We have included in this Document forward-looking statement. Statements that are not historical facts, including but not limited to statements about our intentions, beliefs, expectations or predictions for the future, are forward-looking statements.

This Document contains, and the documents incorporated by reference herein may contain, forward-looking statements representing our goals, beliefs, expectations, intentions or predictions for the future. The actual results or outcomes may differ materially from those expressed or implied in the forward-looking statements. Such forward-looking statements are subject to certain risks, uncertainties and assumptions. Forward-looking statements typically can be identified by the use of words such as "aim," "anticipate," "aspire," "believe," "continue," "could," "estimate," "expect," "forecast," "goals," "intend," "may," "objective," "ought to," "outlook," "plan," "potential," "project," "schedules," "seek," "should," "target," "vision," "will," "would" and other similar terms. Forward-looking statements reflect the current views of our Directors with respect to future events, operations, liquidity and capital resources. some of which may not materialise or may change. These statements are subject to certain risks, uncertainties and assumptions, including the risk factors as described in this Document, some of which are beyond our control and may cause the Company's actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements.

Our forward-looking statements have been based on assumptions and factors concerning future events that may prove to be inaccurate. Those assumptions and factors are based on information currently available to us about the businesses that we operate. The risks, uncertainties and other factors, many of which are beyond our control, that could influence actual results include, but are not limited to:

- our operations and business prospects;
- our business and operating strategies and our ability to implement such strategies;
- our future business development, financial conditions and results of operations;
- our ability to develop and manage our operations and business;
- our ability to control costs and expenses;
- our expectations regarding demand for and market acceptance of our products and services;
- our expectations regarding our relationships with customers, users, suppliers and other partners to conduct our business;
- our planned use of **[REDACTED]**;
- future developments, trends and competitive landscape in the industries and markets in which we operate or plan to operate;
- relevant government policies and regulations relating to our industry; and
- all other risks and uncertainties described in "Risk Factors" of this Document.

By their nature, certain disclosures relating to these and other risks are only estimates. Should one or more of these risks or uncertainties, among others, materialise, or should the underlying assumptions prove to be incorrect, actual results may vary materially from those estimated, anticipated or projected, as well as from historical results. Accordingly, you should not place undue reliance on any forward-looking statements.

FORWARD-LOOKING STATEMENTS

Any forward-looking statement speaks only as at the date on which such statement is made. Except as required by applicable laws, rules and regulations, including the Listing Rules, we undertake no obligation to update any forward-looking statement to reflect events or circumstances after the date on which such statement is made or to reflect the occurrence of unanticipated events. Statements of, or references to, our intentions or those of any of our Directors are made as at the date of this Document. Any such intentions may change in light of future developments.

All forward-looking statements in this Document are expressly qualified by reference to this cautionary statement.

An investment in our H Shares carries substantial risk. Prospective investors should thoroughly evaluate the risks outlined below, in conjunction with all other information provided in this Document – including our consolidated financial statements and accompanying notes – prior to making any investment decision. Should any of the following risks materialise, our business, operating results, financial position, and prospects could be adversely affected. This could lead to a decline in the market price of our H Shares and the potential loss of part or all of your investment. This document also includes forward-looking statements that are subject to risks and uncertainties. Our actual performance may differ significantly from the projections expressed in such statements due to a variety of factors, including the risks set forth in this section.

RISKS RELATING TO OUR BUSINESS AND INDUSTRY

Macroeconomic factors have had and may continue to have an adverse effect upon our business, financial condition and results of operations.

The eyewear retail industry in China is affected by macroeconomic factors, including changes in international, national, regional, and local economic conditions, employment levels, and consumption patterns. In particular, as our stores are primarily located in the PRC, our results of operations are closely affected by the macroeconomic conditions there, such as changes in consumers' disposable income, concerns about economic recession, and declines in consumer confidence. The consumption of eyewear products, particularly non-essential fashion or premium eyewear, is often dependent on consumers' discretionary spending. When the macroeconomic environment deteriorates, consumers may postpone purchases or opt for more economical products. These factors may lead to a reduction in customer traffic and average spending per customer at our stores, which could adversely affect our financial condition and results of operations. Furthermore, the occurrence of a sovereign debt crisis, banking crisis, or other disruptions in the global financial markets that could impact the general availability of credit may have a material and adverse effect on our financings. Renewed turmoil affecting the financial markets, banking systems, or currency exchange rates may significantly restrict our ability to obtain financing from the capital markets or from financial institutions on commercially reasonable terms, or at all, which could adversely affect our business, financial condition and results of operations.

We face the risk of changes in market demand due to the development of alternative medical technologies such as vision correction surgeries.

If refractive surgeries, represented by corneal laser procedures and interocular lens implantation, become increasingly mature and prevalent as a result of advances in medical technology, consumers' reliance on traditional vision correction products such as spectacles and contact lenses may diminish to a certain extent. Currently, compared to wearing eyewear, refractive surgeries still involve certain disadvantages, including higher upfront costs, potential post-operative adverse reactions, vision regression, and other surgery-related risks. However, should such medical technologies continue to evolve in the future, leading to further reductions in treatment costs, significant improvements in safety and stability, and broader acceptance among the public, it could result in slower growth or even contraction in the retail market for eyewear products. Such a structural shift could have a potential impact on the overall demand within the industry in which we operate, which may consequently affect our long-term business development and operating performance.

We face the risk of disruption to traditional retail channels from the rapid development of online retail.

Our eyewear retail business is primarily dependent on our store network. The rapid growth of online retail may present challenges to our business model, sales channels, and operating performance. Online retail offers clear advantages in time, geographic reach, and cost efficiency, especially in rent, labour, and logistics, and has disrupted parts of traditional retail in China. However, eyewear retail relies heavily on in-store professional services including optometry, lens fitting, adjustment, and after-sales support, as well as personalised fitting experiences that require physical stores, professional equipment, and trained staff. As such, online retail has not materially disrupted the offline-centric eyewear retail sector. Nevertheless, if operating costs such as rent and labour continue to increase, or if new online models enabled by technology, such as mature remote optometry or virtual tryon systems, effectively replicate physical store functions, industry channel competition could intensify. While we are actively developing an omni-channel retail model to expand our reach via online platforms, any large-scale, widely accepted online alternative to physical stores could adversely affect our sales channels, market share, and operating performance if we fail to establish competitive online capabilities in a timely manner.

Intense competition in China's eyewear retail industry could prevent us from increasing or sustaining our revenue and profitability.

The eyewear retail industry in which we operate is intensely competitive. If we fail to effectively address market competition, it could adversely affect our business and operating results. The eyewear retail market in China is characterised by a low concentration and a fragmented competitive landscape, with numerous national chain brands, regional retailers, and local optical stores. As a leading regional eyewear retail chain operator, we possess certain advantages in terms of brand history, craftsmanship heritage, and local customer base. However, we simultaneously face multifaceted competitive pressure from international brands and national chains. Furthermore, the rapid development of e-commerce and shifts in public consumption habits pose certain impacts and challenges to the traditional eyewear retail model, which is primarily reliant on offline optometry and dispensing services.

Some of our competitors may have advantages over us in areas such as brand recognition, financial strength, store network coverage, and digital operational capabilities. These competitors may compete for market share through measures such as price reductions and promotions, increased marketing investments, the introduction of innovative optometry technologies, or the provision of more attractive membership services. Additionally, the rapid growth of online eyewear has intensified industry competition, challenging the traditional offline retail model with their convenient shopping experiences and price advantages.

We may be exposed to risks arising from trademark squatting relating to our "Keda" brand used in Gansu Province, including potential infringement proceedings, and compensation liabilities, which could have an adverse effect on our business, financial condition and results of operations.

Founded in 1996, Lanzhou Keda operated the then Keda brand, which has been rebranded as **Lan Keda** in March 2026. However, this trademark was registered by a third party in 2001, creating potential legal uncertainty. We have fully transitioned to a new registered brand, **Lan Keda**, across all 23 self-operated stores in Gansu Province as at the Latest Practicable Date. This rebranding included updates to store signage, marketing materials, and customer communications.

While we have completed the transition and secured trademark rights for **Lan Keda**, there can be no assurance that third party will not raise claims regarding our historical use of the Keda brand. Any such claims could result in legal proceedings, compensation liabilities, or reputational harm, which could adversely affect our business and results of operations.

Our business depends significantly on the market recognition of Mao Yuan Chang, and if we are not able to maintain or enhance the image of Mao Yuan Chang recognition, our business, financial condition and results of operations may be adversely affected.

We consider the **Mao Yuan Chang** essential to our competitive advantage and long-term success. Maintaining and enhancing brand recognition depends on many factors, some beyond our control, including our ability to sustain high-quality products, competitive pricing, professional services, and adaptability to industry competition. Failure to do so could reduce brand value and materially harm our business and operating results. Our brand and reputation may also be damaged by litigation, product liability, customer complaints, negative publicity, improper store conduct, or third-party infringement. In addition, customer reviews on social media, which we cannot control, may negatively affect our brand image regardless of accuracy. As we expand in scale and geography, maintaining consistent service quality becomes more difficult, and we cannot guarantee that customer confidence in our brand will not decline.

Our success depends on the continuing efforts of our senior management team and other key personnel, and therefore our business may be harmed if we lose their services.

Our future success is highly dependent on the continued contributions of our key management personnel. We must attract, retain, and motivate qualified talent to support store operations, service quality, and expansion plans. The eyewear retail sector faces intense competition for experienced management talent, and the available talent pool is limited. We may be unable to retain existing key personnel or recruit suitable senior executives. Loss of key management could disrupt strategy execution, slow our growth, or harm operational efficiency. Moreover, if key personnel depart to join or establish competitors, our trade secrets and know-how may be leaked. Any failure to attract, retain, and motivate key talent could disrupt our business, damage our reputation, and materially adversely affect our operations and financial results.

We may not be able to effectively manage our inventory, which could adversely affect our operating results, financial condition and liquidity.

As at 31 December 2023, 2024 and 2025, our Group's inventory amounted to RMB35.9 million, RMB36.4 million, and RMB35.5 million, accounting for 12.8%, 8.8%, and 8.5% of total assets, respectively. Inventory has grown in line with business expansion. The eyewear retail sector features diverse product categories and fast-changing styles and lens technologies. Failure to optimise inventory structure in line with market demand may lead to slow turnover and higher inventory write-down risks. Inaccurate market trend forecasts or misaligned procurement could further increase impairment risk. We maintain significant inventory levels to support competitiveness. Weakening inventory management relative to business growth may increase working capital pressure and harm profitability. We improving supply chain, procurement, and turnover monitoring, inventory mismanagement risks may still adversely affect our financial condition.

Opening new stores in existing markets may not result in the expected level of growth in our revenue and profit, and our business, financial conditions and results of operations may be adversely affected.

In addition to entering new markets, we continue to increase our penetration in markets where we have existing stores. As we continue to open new stores in existing markets, we cannot assure you that these new stores will not cannibalise the business of our existing stores, in which case the growth in our store network may not result in the expected level of growth in our revenue and profit, and our business, financial conditions and results of operations may be adversely affected.

We may not be able to maintain and increase the sales and profitability of our existing stores.

The sales and profitability of our existing stores is sensitive to our ability to maintain sufficient sales volumes to cover high fixed operating costs, including rent, staff salaries, and utilities. For the years ended 31 December 2023, 2024 and 2025, depreciation of right-of-use assets and staff costs together represented 31.7%, 37.5% and 35.1% of our revenue, respectively. If our sales decline due to softer consumer demand, increased competition, or changing preferences, we may not be able to reduce these fixed costs proportionately, leading to margin compression and reduced profitability at the store level.

We face risks related to site selection for new stores.

Our eyewear retail performance depends heavily on store location, including foot traffic, demographics, spending power, and local competition. Prime commercial locations in target cities are scarce and largely occupied by competitors, making it difficult for us to secure ideal sites for new stores. Failure to obtain suitable premises may hinder or delay our expansion and future growth. Newly developed commercial areas also require time to cultivate stable customer flow. Site selection relies on forecasts that may be inaccurate due to incomplete information. Poor location decisions or misjudged area potential can lead to underperforming new stores, closures, and losses, which may materially adversely affect our business, financial condition, and operating results.

Inconsistent quality control and brand dilution in franchised store network.

Although we enforce strict franchise contracts, standardised operating procedures, and a dedicated franchise management team, we lack full direct control over our franchised stores, which are independent legal entities. This creates inherent risks to service quality and brand consistency, including gaps in customer service, optometric professionalism, store hygiene, and visual display.

Non-compliance with regulations or poor handling of customer complaints may cause reputational harm. As our most valuable asset, our **Mao Yuan Chang** can be materially damaged by isolated negative incidents at franchised stores, eroding consumer trust and market reputation. Despite ongoing training, audits, and inspections, our widely dispersed network means we cannot fully ensure consistent brand experience across all franchised stores, posing ongoing operational and reputational risks.

Our operating performance is subject to the impact of changes in supplier rebate policies.

Supplier rebates we receive from eyewear product suppliers constitute a significant component of our gross profit and operating performance. These rebates are essentially a form of commercial discount on the selling price of suppliers' products. Their specific amounts and rebate rates are primarily determined by the sales strategies and annual policies of individual suppliers, and are not entirely within our control. Consequently, changes in supplier rebate policies may affect our profitability.

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%

Although we maintain stable cooperative relationships with our major suppliers, we cannot unilaterally determine or guarantee the continuity of their rebate policies. If, in the future, major suppliers reduce rebate rates, alter rebate calculation methods, or even cancel rebate policies due to adjustments in their own business strategies, changes in industry competitive dynamics, or modifications to cooperation terms, and if we are unable to fully offset the impact through other means (such as optimisation of procurement costs, adjustment of selling prices, or improvement of operational efficiency), our gross profit margin and net profit levels could face downward pressure. This would adversely affect the Group's overall operating performance.

We face operational management risks arising from business expansion, as rapid growth may exert pressure on quality control, talent reserves, and our management systems.

Our process of business expansion is subject to multiple operational management pressures, with rapid growth posing challenges to quality control, talent reserves, and the management framework. Our offline sales primarily adopt a hybrid model combining self-operated and franchised stores. For the years ended 31 December 2023, 2024 and 2025, revenue from the franchised stores amounted to RMB59.4 million, RMB60.5 million and RMB65.8 million, respectively, accounting for 21.9%, 24.1% and 24.8% of our revenue.

If the Group is unable to effectively manage the various operational risks during expansion, it may result in prolonged profitability cycles for new stores and cannibalisation of performance at existing stores, ultimately impacting the quality and sustainability of overall growth.

Our business plan is subject to certain uncontrollable risks and the outcome of our business plan may not follow our original expectation.

Our future plans and business strategies as set out in the Document depend on market conditions, demand, resources, competition, and government policies – many of which are uncontrollable and uncertain. We may be unable to expand as planned, or incur higher-than-expected costs. If market demand weakens after we commit resources to expansion, our financial position may suffer. Over-expansion could also strain management, operations, and capital, threatening stability. Store expansion relies on suitable locations, acceptable rents, consumer purchasing power, and qualified operators. Actual returns may fall short or payback periods lengthen. There is no assurance our plans will be achieved on time or as intended. Failure to do so could materially adversely affect our business, profitability, and financial condition.

We rely on suppliers and outsourcing partners for critical materials and services, and supply chain disruptions could have an adverse effect on our business operations and financial performance.

Our ability to offer quality eyewear depends on stable supplier relationships. We procure lenses, frames, and other materials from a diversified base of suppliers. For the years ended 31 December 2023, 2024 and 2025, our top five suppliers accounted for 43.9%, 46.0% and 45.5% of total purchase, respectively. Purchases from our two largest suppliers, being leading global providers of optical lenses and are widely recognised in the industry, amounted to RMB30.1 million, RMB30.7 million and RMB28.2 million for the years ended 31 December 2023, 2024 and 2025, respectively, representing 23.6%, 26.5% and 25.4% of our total purchases for the same period, respectively.

Any disruption, whether from quality issues, production delays, or supplier financial difficulties, could impact our ability to fulfil orders. If a key supplier fails to meet our standards, finding alternative sources on acceptable terms may take time, leading to stock-outs and potential brand damage.

We also rely on OEM partners to produce our proprietary brands. Any failure by these partners to maintain quality or protect our intellectual property could harm our product offerings.

While we manage these risks through supplier evaluations and multi-sourcing, we cannot guarantee that future disruptions will not occur. Any significant interruption could adversely affect our business and results of operations.

Labour shortages, increase in labour cost or other factors affecting labour supply may adversely affect our business operations.

Our operations depend on our ability to attract and retain qualified personnel, including optometrists, optical technicians, and store staff. As at the Latest Practicable Date, we had 493 full-time employees. For the years ended 31 December 2023, 2024 and 2025, our staff costs amounted to RMB52.8 million, RMB59.2 million and RMB60.0 million, respectively, representing 19.4%, 23.6% and 22.6% of our revenue.

Competition for skilled professionals in the eyewear industry is intense. If we are unable to recruit and retain sufficient qualified staff, or if labour costs rise faster than we can offset through productivity gains or price adjustments, our store operations and profitability could be adversely affected. Any significant labour disputes or staff shortages could disrupt our ability to serve customers and maintain service quality.

Our design and development capability of eyewear products may not be successfully responding to the cyclical nature and evolution of the eyewear fashion industry to satisfy customers' demands and preferences.

Our success relies on our ability to adapt product design and planning to shifts in eyewear market trends, consumer preferences, and spending patterns. While product development is critical to our competitiveness, we cannot guarantee timely responses to changing customer demand. Failure to maintain product quality, launch new offerings, satisfy evolving consumer needs, or sustain operational efficiency may materially harm our business, financial condition, and operating results. In addition, competitors may launch comparable or superior products or adapt faster to market trends. If we miss product windows or repeatedly fail in new launches, our business, prospects, and financial performance could be adversely affected.

If the quality of our service experience declines, our stores may not continue to be successful.

Our business performance and reputation are vulnerable to a range of operational and customer experience risks. These include shifts in consumer purchasing behaviour, actual or perceived declines in lens or frame quality and fitting accuracy, material liability claims, and customer complaints related to vision correction, product defects, or service quality. We may also face pressure if we cannot provide high-quality eyewear and professional services at competitive prices, or if customers encounter long waiting times for optometry, lens processing, and order fulfilment. Inconvenient store locations, poor accessibility, unattractive or unprofessional in-store environments, and substandard after-sales support, adjustment services, or warranty fulfilment can further weaken customer satisfaction. We cannot guarantee that our eyewear service experience will remain consistently high-quality and popular among customers, nor can we assure the continued success of our existing and new stores.

Failure to maintain an effective quality control system on the fabrication of our products could harm our business.

Our Group places emphasis on maintaining the quality of our products, and have established a stringent quality control system to ensure our products are in compliance with the national standards. There is no assurance that we are able to continue to maintain effective quality control on the fabrication of our eyewear products in the future, which is determined by various factors, such as the adherence by our employees to its quality control measures and guidelines.

In the event that we fail to implement our quality control system effectively, it could result in defective or substandard products being produced, delays in our product delivery, product replacement, customer complaints, loss of purchase orders and damage to our Group's reputation. Further, if our products could not meet the specifications and requirements requested by our customers, or if our defective or substandard products result in customers suffering losses arising from product liability claims, our Group may be subject to product liability claims and other claims for compensation. Regardless of the outcome of any such claim, we may incur legal costs. Product failures or defects, any complaints from customers or negative publicity could lead to a decrease in sales of the relevant and/or other products, which could adversely affect our business, financial condition and results of operations.

Dependence on limited third-party manufacturer.

We rely on limited third-party OEM to produce our products according to our designs. Any failure by these OEMs to meet our quality standards, delivery schedules, or cost requirements, or a disruption in their operations, could potentially damage our brand, customer relationships, and financial results.

Failures, interruptions and other issues of our suppliers and other business partners along our supply chain, or of our cooperation with them, may negatively impact our results of operations.

Our suppliers may face operational disruptions, fail to support our growth, or change, breach or terminate supply agreements, and we may not secure priority for our orders. These issues could cause supply shortages or delays at our stores and facilities. We may not be able to source reliable alternative suppliers on reasonable terms or in a timely manner. We also depend on logistics and other business partners for timely delivery of products, supplies and equipment. Unforeseen disruptions to logistics services could lead to late or failed deliveries, resulting in product shortages, which would negatively affect our reputation and business.

Our cash flow may deteriorate due to potential mismatch in time between receipt of payments from our customers and payments to our suppliers, and we may take a time to collect our trade receivables.

Our cash flow depends on timely receipt of payments from customers, particularly franchised stores to whom we extend credit. Trade receivables are generally due within 30 days of billing. As at 31 December 2023, 2024 and 2025, our trade receivables (net of loss allowance) stood at RMB2.7 million, RMB4.2 million and RMB3.0 million, respectively.

While we have not experienced material credit losses during the Track Record Period, any future slowdown in collections could tie up working capital and increase financing needs. If franchised stores face financial difficulties or economic conditions deteriorate, we may take longer to recover outstanding amounts, which could adversely affect our liquidity and operating cash flow.

We face internal control and management risks associated with cash receipts.

Most of our sales are settled through electronic payments, a portion of our transactions still involve cash. For the years ended 31 December 2023, 2024 and 2025, cash receipts from our self-operated stores accounted for 3.8%, 3.9% and 5.1% of our revenue, respectively.

While we have established internal procedures for cash handling, collection, and reconciliation, any failure by store staff to follow these controls could result in cash shortages, misappropriation, or discrepancies in financial records. Such incidents could lead to financial losses and undermine the effectiveness of our internal control systems.

Our historical financial and operating results are not indicative of future performance, and we may not be able to achieve and sustain the historical level of revenue and profitability.

Our historical results and growth may not be indicative of our future performance. Our financial and operating results may not meet the expectations of public market analysts or investors, which could cause the future price of our Shares to decline. Our revenue, expenses and operating results may vary from period to period in response to a variety of factors beyond our control. These factors can include general economic conditions, special events, government regulations and policies affecting our store operations and/or our ability to control costs and operating expenses. Our staff costs may fluctuate from month to month as we are required by law to pay our staff a higher rate for work on public holidays. You should not rely on our historical results to predict our future financial performance.

Our stores are susceptible to risks in relation to rental increases or fluctuations.

We lease the majority of our store premises, exposing us to changes in the retail rental market in China. As at the Latest Practicable Date, we leased 78 properties, while owning six. Rental costs are a significant part of our operating expenses, and any substantial increase could hurt our profitability.

During the Track Record Period, depreciation of right-of-use assets amounted to RMB33.3 million, RMB34.2 million and RMB33.2 million for the years ended 31 December 2023, 2024 and 2025, respectively, representing 12.3%, 13.7% and 12.5% of revenue for the same year, respectively. Expense relating to short-term leases and variable lease payments not included in the measurement of lease liabilities were RMB2.2 million, RMB1.7 million and RMB2.1 million, or 0.8%, 0.7% and 0.8% of revenue, respectively.

When leases expire, we may face higher rents upon renewal, particularly for prime locations. New store openings also require competing for desirable sites with rising costs. Broader economic conditions could lead to rent increases across our portfolio, and underperforming stores may require costly lease renegotiations or closures. While we actively manage our lease portfolio, we cannot guarantee that future rental increases will not exceed revenue growth. Any significant rise in occupancy costs could reduce store-level margins and adversely affect our financial condition and results of operations.

Our insurance coverage may not be sufficient to cover all losses or potential claims from our customers which would affect our business, financial condition and results of operations.

During the Track Record Period, we did not make any material insurance claims, nor did we claim any amounts under the insurance cover. There is no assurance that our current insurance coverage will be able to cover all types of risks involved in our business operations, or be sufficient to cover the full extent of loss or liability for which we may be held liable. As a result, we may have to pay out of our own resources for any uninsured financial or other losses, damages and liabilities. In addition, we cannot guarantee that we can renew our policies or can renew our policies on similar or other acceptable terms. If we suffer from severe unexpected losses or losses that far exceed the policy limits, it could have an adverse effect on our business, financial position, results of operations and prospects.

If we fail to obtain sufficient funding, our growth may be adversely affected.

We may require additional funding to support our business growth and investment plans, which will depend on the scale of new store openings, capital expenditure requirements and future operating cash flows. If internal resources are insufficient to meet such funding needs, we may choose to issue additional equity or incur debt financing. Issuing equity will result in dilution to existing shareholders, while incurring debt will increase our interest expenses and impose restrictive covenants, which may adversely affect our liquidity and daily operations. We cannot guarantee that financing will be available on a timely basis or on commercially reasonable terms. Any failure to obtain adequate funding when needed could materially and adversely affect our business, financial condition, results of operations and future growth prospects.

Any failure or perceived failure to handle customer complaints or negative publicity relating to our products or services could have an adverse effect on our business and operating results.

As an eyewear retail chain, our business may be adversely affected by negative publicity, regardless of its accuracy. Such negative publicity may arise from news reports or allegations in print and online media regarding our store operations, particularly concerning issues such as optometric accuracy, dispensing quality, product safety (e.g., allergic reactions to frame materials, peeling of lens coatings), and alleged breaches of customer data privacy. Public discussion regarding vision health concerns or industry malpractice (such as unlicensed optometry or the sale of counterfeit products) and/or negative media attention directed at our competitors or the entire eyewear industry supply chain may also influence customer perceptions of our business. Any such negative publicity could cause potential damage to our business, brand, and operating results.

A significant volume of complaints or claims against us, even if unfounded or unsuccessful, could divert management attention and resources away from other primary business activities, which could adversely affect our business and operations. Negative publicity arising from such complaints or claims, even if they are unfounded or unsuccessful, could lead to a loss of customer confidence in us and our brand. This, in turn, could adversely affect the business of the stores subject to the complaints as well as other stores under the same or related brands. Consequently, our sales and customer traffic could decline significantly and may not recover.

We may not be able to adequately protect our intellectual property, which could harm the value of our brand and adversely affect our business and operation.

Our brand is critical to our success and competitive advantage. Despite trademark registrations, intellectual property protection remains insufficient. Pending trademark applications may not be approved, and registrations may not be fully secured. Failure to obtain trademark registrations or allegations of infringement could materially harm our business and operating results. Third-party infringement or misappropriation of our intellectual property may cause reputational damage and negative publicity. Preventing infringement and misappropriation is difficult, costly and time-consuming, and related litigation may result in substantial expenses and resource diversion. Even if we prevail in litigation, remedies may not adequately compensate our losses. We may also face infringement claims, and defending such claims is costly. Unfavourable outcomes could restrict our use of proprietary information or require damage payments, which would negatively affect our sales, profitability and prospects.

The enhancement of our management oversight and operational standards may lead to franchised store attrition, which could adversely affect our franchise business segment.

Franchise operations are a key business segment for us. As we enhance our management oversight and operational standards to strengthen our franchise network, these improvements may introduce additional operational requirements, reporting obligations, or compliance standards. There can be no assurance that our franchised stores will accept or adapt to these enhanced measures. If franchised stores choose to discontinue their relationship with us as a result, we may experience a reduction in our franchise network, loss of recurring revenues, weakened brand presence, and increased recruitment costs, which could materially and adversely affect our business, financial condition, and results of operations.

The increasing awareness of environmental, social and governance issues may lead to the adoption of more stringent laws and regulations and increase our compliance costs.

With the rising awareness of ESG issues, including with respect to lens cleaning solution and disposal of used eyeglasses, greenhouse gas emissions and environmental protection, any revisions to laws and regulations may affect our business operations. Accordingly, we may need to devote more effort and resources to ensure our compliance with such laws or regulations. See "Business – Environmental, Social and Corporate Governance." We cannot assure you that these risk management measures can effectively mitigate the relevant risks. Revisions to existing ESG-related laws and regulations or the promulgation of new ESG-related laws and regulations may increase our compliance costs, which may adversely affect our business, results of operations and financial performance.

Failure to obtain or renew any or all of the licences, certificates and permits our business requires could adversely affect our business, financial condition and results of operations.

We are required to maintain various licences, certificates and permits for our operations, in particular, our production bases. We are also required to comply with applicable standards in relation to our production processes, in particular, our production facilities are subject to regular inspections by the regulatory authorities for compliance with the relevant laws and regulations in the PRC. If we fail to pass these inspections, or otherwise obtain or renew our licences, certificates and permits, it could lead to temporary or permanent suspension of some or all of our production activities which would adversely affect our business, financial condition and results of operations.

We require various approvals, licences and permits to operate our business, any failure to obtain, maintain or renew any of these approvals, licences and permits could materially and adversely affect our business and results of operations.

As at the Latest Practicable Date, we have 54 leased properties, which had not been registered and filed with the relevant land and real estate administration bureaus in the PRC. As advised by our PRC Legal Advisor, failure to complete the registration of lease agreements may lead to a fine ranging from RMB1,000 to RMB10,000 imposed by the relevant authorities in the PRC for each of these lease agreements if we fail to complete the registration of lease agreements within the stipulated period.

As at the Latest Practicable Date, we have 14 owned and leased properties in total, which had not obtained the requisite fire protection design filing and/or fire safety inspection for public assembly venues prior to operation or use under applicable PRC law. Based on the advice of our PRC Legal Advisor, operating commercial premises without completing the applicable fire protection approval procedures may constitute a violation of the PRC Fire Protection Law and related regulations. In such event, the competent fire protection authorities may order rectification within a stipulated period and impose a fine. In serious cases or if rectification is not completed on time, they may order the suspension of our use or operation of the relevant premises.

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

Pursuant to the relevant PRC laws and regulations, employers in the PRC shall make social insurance funds and housing provident funds contributions for their employees. During the Track Record Period, we were not in full compliance with the applicable contribution requirements for our PRC employees. As advised by our PRC Legal Advisor, there may be legal implications, and we may be ordered to (i) pay the unpaid amount within a certain period for the non-compliance of housing provident and (ii) pay the unpaid amount within a certain period and a late fee that equals 0.05% of the total unpaid amount per day, if further delay may be subject to a fine ranging between one to three times of the total unpaid amount of the social insurance fund contribution for the non-compliance of social insurance. For details of our non-compliance incidents, please refer to "Business – Legal Proceedings and Compliance – Social Insurance and Housing Provident Funds".

We may receive future notices from PRC authorities regarding non-compliance, or face employee claims and demands for unpaid social insurance and housing fund contributions. We are also exposed to ongoing litigation, legal disputes, and uncertainties from labour conflicts, contractual claims, intellectual property issues, and third-party disputes. Failure to timely adapt to changing regulations may lead to additional compliance risks and administrative penalties. We may also face product liability claims arising from defective products, which could result in significant damages, legal costs, and reputational harm. Such litigation and regulatory risks are inherently uncertain. They may negatively impact our brand image, reputation, and customer trust, divert management attention from core operations, and materially adversely affect our financial performance and business stability.

We may be unable to detect, deter and prevent all instances of fraud or other misconduct committed by our employees, customers or other third parties.

We are exposed to the risks of fraud, theft or other misconduct involving employees, customers or other third parties, which may have an adverse impact on our business. We are also exposed to the risk of our staff members responsible for procurement and quality control receiving bribes or kick-backs from our suppliers in violation of our policies, which in turn may result in supplies that are overpriced or fail our quality standard. We may be unable to prevent, detect or deter all instances of misconduct. Any misconduct committed against our interests, which may include past acts that have gone undetected or future acts, could subject us to financial losses and/or harm our reputation.

Information technology system failures, network security vulnerabilities or data privacy and information security incidents could disrupt our operations and adversely affect our business.

Our business depends heavily on information technology systems to manage daily operations, from store transactions and inventory management to customer data and internal workflows. Any disruption to these systems—whether from technical failures, cyber risks, or third-party outages—can interrupt store operations, delay services, and compromise the accuracy and security of data. Such disruptions can also undermine customer confidence and create compliance risks under applicable data and cybersecurity rules.

We also face ongoing risks related to data protection and system stability. Our systems process large volumes of sensitive information, and weaknesses in system controls or unexpected breaches could lead to unauthorised access, data loss, or operational errors. Even with safeguards in place, these risks cannot be fully eliminated, and any material security incident could harm our reputation, disrupt operations, and materially affect our financial condition and business prospects.

Risks relating to third-party payment arrangements with Relevant Franchisees

During the Track Record Period, we permitted certain Relevant Franchisees to settle their outstanding payments through accounts of third-party payors designated by them under supplemental franchising agreements (the "**Third-Party Payment Arrangements**"). Although we verified the relationships between each Relevant Franchised stores and its designated payors, typically owners or affiliates of the franchised stores, and obtained written confirmations from a substantial majority affirming the legitimacy of these arrangements, such practices entail inherent risks.

These Third-Party Payment Arrangements may give rise to potential compliance risks, including allegations of money laundering, commercial bribery, or violations of applicable payment or anti-fraud regulations, notwithstanding our internal verification procedures. Additionally, any dispute between a franchised store and its designated payor, regardless of our non-involvement in their underlying arrangements, could result in claims against us or reputational harm. While we have obtained confirmations that no disputes exist and that franchised stores have committed to settling payments directly going forward, we cannot assure that future disputes will not arise or that regulatory authorities will not view such arrangements unfavourably.

If any such arrangements were found to be non-compliant with applicable laws or regulations, we could be subject to fines, penalties, or other sanctions, which could materially and adversely affect our business, financial condition, and reputation.

Adapting to revisions to data protection, cybersecurity, privacy and similar laws in jurisdictions that regulate the collection, use and disclosure of information and data in the PRC may subject us to increased compliance costs, which could have an adverse effect on our business, financial condition and results of operations.

We collect and process sensitive customer data—including personal details, eye prescription and vision records—across our optometry, retail, membership and online services. Governed by the PRC Personal Information Protection Law and related regulations, our handling of such data is subject to strict compliance requirements. While we have adopted protection measures, these may not always be effective. Data leakage can arise from employee misconduct, system breaches, or vulnerabilities in third-party platforms we engage for IT, payment and logistics services, whose data practices are not fully within our control.

Heightened regulatory enforcement and evolving data privacy rules may raise our compliance costs and operational burdens. System failures, cyberattacks or security lapses could trigger regulatory violations, exposing us to civil, administrative and criminal penalties. Any data security incident or compliance failure will damage our brand reputation, erode customer trust, disrupt operations, and adversely affect our financial performance and business prospects.

If our preferential tax treatment becomes unavailable, our results of operations may be adversely affected.

Certain of our subsidiaries qualified as small and low-profit enterprises during the Track Record Period and were entitled to a preferential corporate income tax rate of 5% on taxable income within RMB3 million, compared to the standard 25% rate. As a result, our effective tax rates were 11.5%, 8.0% and 10.3% for the years ended 31 December 2023, 2024 and 2025, respectively, below the statutory rate.

These preferential treatments are subject to renewal and qualification requirements. If any of our subsidiaries cease to qualify, or if the relevant policies are discontinued, our tax expense would increase, which could adversely affect our profitability and results of operations.

We may be exposed to impairment risks related to our property and equipment and right-of-use assets, which could have an adverse effect on our financial condition and operating results.

We review our property, plant and equipment and right-of-use assets for impairment indicators at each reporting date. During the Track Record Period, we recognised impairment losses of property, plant and equipment and right-of-use assets of RMB1.0 million, RMB0.1 million and RMB0.3 million for the years ended 31 December 2023, 2024 and 2025, respectively, primarily related to underperforming stores.

If our stores underperform due to changing market conditions, increased competition, or other factors, we may need to recognise additional impairment charges in the future. Any material impairment could reduce our net profit and shareholders' equity, adversely affecting our financial condition and results of operations.

The discontinuation of any government grants could adversely affect our financial position, results of operations, cash flows and prospects.

We have historically received government grants from local authorities in recognition of our contribution to regional economic development. For the years ended 31 December 2023, 2024 and 2025, we recognised government grants of RMB0.4 million, RMB0.9 million and RMB0.7 million, respectively, as part of other net income.

These grants are discretionary and may vary from year to year. There can be no assurance that we will continue to receive them at similar levels, or at all. Any significant reduction or discontinuation could negatively impact our other income and overall profitability.

RISKS RELATING TO DOING BUSINESS IN THE JURISDICTIONS WHERE WE OPERATE

Changes in economic, political and social conditions could affect our business and operations.

We are headquartered in Hangzhou, Zhejiang Province, and substantially all of our operations are conducted in China. Accordingly, our business, financial condition and results of operations may be influenced by the economic, political and social conditions in the PRC. Eyewear retail market in the PRC in general is affected by macro-economic factors, including changes in international, national, regional and local economic conditions, employment levels, consumer demands and discretionary spending. In addition, any severe or prolonged slowdown in the global or regional economy may adversely affect our business, financial condition and results of operations.

We may be subject to additional regulatory requirements under new laws and regulations on overseas [REDACTED] and [REDACTED] issued by PRC government authorities.

On 6 July 2021, the relevant PRC government authorities issued the Opinions on Strictly Cracking Down Illegal Securities Activities in Accordance with the Law (《關於依法從嚴打擊證券違法活動的意見》). These opinions emphasised the need to strengthen the administration over illegal securities activities and the supervision on overseas listings by China-based companies and proposed to take effective measures, such as promoting the construction of relevant regulatory systems to deal with the risks and incidents faced by China-based overseas-listed companies. See "Regulatory Overview – Regulations on Securities and Overseas Listing" for details.

On 24 February 2023, the CSRC, the MOF, the National Administration of State Secrets Protection of China, and the National Archives Administration of China published the Provisions on Strengthening Confidentiality and Archives Administration of Overseas Securities Offering and Listing by Domestic Companies (《關於加强境內企業境外發行證券和上市相關保密和檔案管理工作的規定》) (the "**Archives Rules**"), which came into effect on 31 March 2023. The Archives Rules require that, in relation to the overseas securities offering and listing activities of domestic enterprises, either in direct or indirect form, such domestic enterprises, as well as securities companies and securities service institutions providing relevant securities services, are required to strictly comply with relevant requirements on confidentiality and archives management, establish a sound confidentiality and archives system, and take necessary measures to implement their confidentiality and archives management responsibilities. The interpretation and implementation of the Archives Rules may keep evolving, failure to comply with which may affect our business, results of operations or financial conditions.

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

We cannot assure you that any new rules or regulations promulgated in the future will not impose new requirements on us or otherwise tighten the regulations on us. If it is determined in the future that new approval from or filing with the CSRC or other regulatory authorities or other procedures is required, we may fail to obtain such approval, perform such filing procedures, or meet such new requirements in a timely manner or at all. Such failure may adversely affect our ability to finance the development of our business and may have an adverse effect on our business and financial condition. Furthermore, any unforeseeable circumstances and/or negative publicity regarding such an approval, filing, or other requirements may also have an adverse effect on the price of our shares.

The enforcement of the PRC labour contract law, social insurance law and other labour related regulations may affect our business, financial condition and results of operations.

Pursuant to the PRC Labour Contract Law, effective on 1 January 2008 and amended on 28 December 2012, and its implementation rules that became effective on 18 September 2008, employers are subject to various requirements in terms of contract signing, minimum wages, payment of remuneration, overtime working hours limitations, determination of employees' probation period and unilateral termination of labour contracts. In the event that we decide to terminate the employment of some of our employees or otherwise change our employment or labour practices, the PRC Labour Contract Law and its implementation rules may limit our ability to effect those changes in a desirable or cost-effective manner, which could adversely affect our business and results of operations.

On 28 October 2010, the Standing Committee of the National People's Congress promulgated the PRC Social Insurance Law, which became effective on 1 July 2011 and amended on 29 December 2018. According to the PRC Social Insurance Law, employees must participate in pension insurance, work-related injury insurance, medical insurance, unemployment insurance and maternity insurance and the employers must, together with their employees or separately, pay the social insurance premiums for such employees.

As the interpretation and implementation of the PRC Labour Contract Law, the Social Insurance Law and other labour related regulations (the "**labour-related laws and regulations**") are still evolving, we cannot assure you that our employment practice do not and will not violate labour-related laws and regulations in PRC, which may subject us to labour disputes or government investigations. If we are deemed to have violated relevant labour-related laws and regulations, we could be required to provide additional compensation to our employees and our business, financial condition and results of operations could be adversely affected.

We are subject to the currency exchange regulatory system in the PRC.

The conversion of Renminbi is subject to applicable laws and regulations in the PRC. It cannot be guaranteed that under a certain exchange rate, we will have sufficient foreign exchange to meet our foreign exchange requirements. Under the current foreign exchange regulatory system in the PRC, foreign exchange transactions under the current account conducted by us, including the payment of dividends, do not require advance approval from the SAFE, but we are required to present documentary evidence of such transactions and conduct such transactions at designated foreign exchange banks in the PRC that have the licences to carry out foreign exchange business.

Under existing foreign exchange regulations, following the completion of the **[REDACTED]**, we will be able to pay dividends in foreign currencies without prior approval from the SAFE by complying with certain procedural requirements. However, there is no assurance that these foreign exchange policies regarding payment of dividends in foreign currencies will continue in the future. In addition, any insufficiency of foreign exchange may restrict our ability to obtain sufficient foreign exchange for dividend payments to Shareholders or to satisfy any other foreign exchange requirements, capitalise our capital expenditure plans, and even our business, operating results and financial condition, may be affected.

Fluctuations in exchange rates could have an adverse effect on our results of operations and the value of your investment.

During the Track Record Period, as our principal business activities were carried out in the PRC, our revenue and expenditures were mainly denominated in Renminbi, while the net **[REDACTED]** from the **[REDACTED]** will be in Hong Kong dollars. Fluctuations in the exchange rate between the Renminbi and the Hong Kong dollar will affect the relative purchasing power in Renminbi in terms of the **[REDACTED]** from the **[REDACTED]**. Fluctuations in the exchange rate may also cause us to incur foreign exchange losses and affect the relative value of any dividend issued by our subsidiaries in the PRC. In addition, appreciation or depreciation in the value of the Renminbi relative to the Hong Kong dollar or U.S. dollar would affect our financial results in Hong Kong dollar or U.S. dollar terms without giving effect to any underlying change in our business or results of operations. All foreign exchange transactions involving Renminbi must take place through the People's Bank of China or other institutions authorised to buy and sell foreign exchange. The exchange rates adopted for the foreign exchange transactions are the rates of exchange quoted by the People's Bank of China that are determined largely by supply and demand. As at 31 December 2023, 2024 and 2025, our cash and cash equivalents and time deposits situated in the PRC amounted to RMB97.5 million, RMB187.2 million and RMB227.1 million, respectively. Remittance of funds out of the Chinese Mainland is subject to relevant rules and regulations of foreign exchange control.

Payment of dividends or gains from the sale or other disposition of our H Shares is subject to taxation under PRC Law.

Non-Chinese Mainland resident individual holders of H Shares whose names appear on the register of members of H Shares ("**Non-Chinese Mainland Resident Individual Holders**") are subject to the Chinese Mainland individual income tax on dividends received from us and gains realised through the sale or transfer by other means of H shares by such holders.

Pursuant to the Circular on Questions Concerning the Collection of Individual Income Tax Following the Repeal of Guo Shui Fa [1993] No. 045 (Guo Shui Han [2011] No. 348) (《關於國税發[1993]045號文件廢止後有關個人所得税徵管問題的通知》) (國税函[2011]348號) dated 28 June 2011 and issued by the SAT of the Chinese Mainland, the tax rate applicable to dividends paid to Non-Chinese Mainland Resident Individual Holders of H Shares varies from 5% to 20%, depending on whether there is any applicable tax treaty between the Chinese Mainland and the jurisdiction in which the Non-Chinese Mainland Resident Individual Holder of H Shares resides, as well as the tax arrangement between the Chinese Mainland and Hong Kong SAR.

In addition, under the Individual Income Tax Law of the PRC (《中華人民共和國個人所得税法》) and its implementation regulations, Non-Chinese Mainland Resident Individual Holders of H Shares are subject to individual income tax at a rate of 20% on gains realised upon the sale or other disposition of H Shares. However, according to the Circular of the Ministry of Finance and the SAT on Issues Concerning Individual Income Tax Policies (《財政部、國家税務總局關於個人所得税若干政策問題的通知》), income received by individual foreigners from dividends and bonuses of a foreign-invested enterprise are exempt from individual income tax for the time being. Pursuant to the Circular Declaring that Individual Income Tax Continues to be Exempted over Income of Individuals from Transfer of Shares(《關於個人轉讓股票所得繼續暫免徵收個人所得税的通知》) issued by the Ministry of Finance and the SAT on 30 March 1998, gains of individuals derived from the transfer of listed shares of enterprises may be exempt from individual income tax. Based on our knowledge, As at the Latest Practicable Date, the PRC tax authorities have not in practice sought to collect individual income tax on such gains. If such tax is collected in the future, the value of such individual holders' investments in H Shares may be adversely affected.

Under the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得税法》) ("**EIT Law**") and its implementation regulations, a non-Chinese Mainland resident enterprise is generally subject to enterprise income tax at a rate of 10% with respect to its Chinese Mainland-sourced income, including dividends received from a Chinese Mainland company and gains derived from the disposition of equity interests in a Chinese Mainland company. This rate may be reduced under any special arrangement or applicable treaty between the Chinese Mainland and the jurisdiction in which the non-Chinese Mainland resident enterprise resides. Pursuant to the Circular on Questions Concerning Withholding of Enterprise Income Tax for Dividends Distributed by Resident Enterprises in China to Non-resident Enterprises Holding H-shares of the Enterprises (Guo Shui Han [2008] No. 897) (《關於中國居民企業向境外H股非居民企業股東派發股息代扣代繳企業所得税有關問題的通知》(國税函[2008]897號)) promulgated by the SAT on 6 November 2008, we intend to withhold tax at 10% from dividends payable to non-Chinese Mainland resident enterprise holders of H Shares (including **[REDACTED]**). Non-Chinese Mainland resident enterprises that are entitled to be taxed at a reduced rate under an applicable income tax treaty or arrangement will be required to apply to the PRC tax authorities for a refund of any amount withheld in excess of the applicable treaty rate, and payment of such refund will be subject to the PRC tax authorities' approval. Pursuant to the Arrangements between the Chinese Mainland and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Incomes (《內地和香港特別行政區關於對所得避免雙重徵税和防止偷漏税的安排》) dated 21 August 2006, any non-resident enterprise registered in Hong Kong that holds directly at least 25% of the shares of our Company shall pay EIT for the dividends declared and paid by us at a tax rate of 5%. If the PRC tax authorities collect enterprise income tax on gains derived upon the sale or other disposition of H Shares from non-Chinese Mainland resident enterprise holders of H Shares in the future, the value of such non-Chinese Mainland resident enterprise holders' investments in H Shares may be adversely affected.

You may experience difficulties in effecting service of legal process, enforcing foreign judgments or bringing actions against us or our management named in the Document based on foreign laws.

Most of our Directors and executive officers reside within the PRC, and most of our assets and substantially all of the assets of those persons are located within the PRC. It may not be possible for investors to effect service of process upon us or those persons inside the PRC or to enforce against us or them in the PRC any judgments obtained from non-Chinese courts. The PRC does not have treaties providing for the reciprocal recognition and enforcement of judgments of courts in the United States, the United Kingdom, Japan or most other western countries. However, judgments rendered by courts in Hong Kong SAR may be recognised and enforced in the PRC if the requirements set forth by the Arrangements for Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Cases between Courts of the Mainland and Hong Kong Special Administrative Region (《關於內地與香港特別行政區法院相互認可和執行民商事案件判決的安排》) are met. Therefore, recognition and enforcement in the Chinese Mainland of judgments of a court in any of these jurisdictions other than Hong Kong SAR in relation to any matter not subject to binding arbitration provisions may be difficult or impossible.

Furthermore, although we will be subject to the Listing Rules and the Takeovers Code upon the **[REDACTED]** of our H Shares on the Stock Exchange, the holders of H Shares will not be able to bring actions on the basis of violations of the Listing Rules and must rely on the Stock Exchange to enforce its rules. Moreover, the Takeovers Code does not have the force of law and provides only standards of commercial conduct considered acceptable for takeover and merger transactions and share repurchases in Hong Kong.

Uncertainty in acquiring the property for our optical operation centre

We plan to acquire a property to house our advanced processing centre and training centre. The acquisition is subject to government tender, and there can be no assurance that we will be succeed in the tendering process. In the event that we fail in the tendering process, our business expansion plans and operational timelines may be adversely affected, and we may need to seek alternative locations, which could result in additional costs or delays.

RISKS RELATING TO THE [REDACTED]

There has been no prior public market for our Shares and an active trading market may not develop.

Prior to the **[REDACTED]**, there has not been a public market for our Shares. An active public market may not develop or be sustained after the **[REDACTED]**. The initial **[REDACTED]** for our Shares was the result of, and the **[REDACTED]** will be the result of, negotiations among us and the **[REDACTED]** on behalf of the **[REDACTED]** and may not be indicative of prices that will prevail in the trading market after the **[REDACTED]**.

We have applied to list and deal in our Shares on the Stock Exchange. However, even if approved, being listed on the Stock Exchange does not guarantee that an active trading market for our Shares will develop or be sustained. If an active market for our Shares does not develop after the **[REDACTED]**, the market price and liquidity of our Shares may be adversely affected. As a result, you may not be able to resell your Shares at prices equal to or greater than the price paid for the Shares in the **[REDACTED]**.

The liquidity and market price of our Shares may be volatile, which may result in substantial losses for subscribing for or purchasing our Shares under the [REDACTED].

The price and trading volume of our Shares may be volatile as a result of various factors beyond our control, including actual or anticipated fluctuations in our results of operations; news regarding recruitment or loss of key personnel by us; announcements of competitive developments, acquisitions, or strategic alliances in our industry; changes in earnings estimates or recommendations by financial analysts; potential litigation or regulatory investigations; changes in general economic conditions or other developments affecting us or our industry; and price movements on international stock markets.

In addition, the securities markets have from time to time experienced significant price and volume fluctuations that are not related or disproportionate to the operating performance of particular companies. Any such developments may result in large and sudden changes in the trading volume and price of our Shares. We cannot assure you that these developments will not occur in the future.

You will incur immediate and substantial dilution and may experience further dilution in the future.

As the **[REDACTED]** of our H Shares is higher than the consolidated net tangible assets per Share immediately prior to the **[REDACTED]**, purchasers of our H Shares in the **[REDACTED]** may experience an immediate dilution. Our existing Shareholders will receive an increase in the **[REDACTED]** adjusted consolidated net tangible asset value per Share of their Shares. In addition, holders of our H Shares may experience further dilution of their interest if we issue additional Shares in the future to raise additional capital.

Future sales or perceived sales of substantial amounts of our H Shares in the public market could have a material adverse effect on the prevailing market price of our H Shares and our ability to raise additional capital in the future, or may result in dilution of your shareholding.

Future sales of a substantial number of our H Shares, especially by our Directors, executive officers, Pre-**[REDACTED]** Investors and substantial shareholders, or the perception or anticipation of such sales, could negatively impact the market price of our H Shares in Hong Kong and our ability to raise equity capital in the future at a time and price that we deem appropriate. The Shares held by our Controlling Shareholders are subject to certain lock-up periods. While we are currently not aware of any intention of such persons to dispose of significant amounts of their Shares after the expiry of the lock-up periods, we cannot assure you that they will not dispose of any Shares they may own now or in the future. Upon the completion of the **[REDACTED]** and the Conversion of **[REDACTED]** Shares into H Shares, our Shares will only consist of H Shares. **[REDACTED]** Shares and H Shares are all ordinary Shares in the share capital of our Company and are considered as one class of Shares. For details, see "Share Capital." In the case that there is any further issue of **[REDACTED]** Shares and subsequent conversion into H Shares in the future, your shareholding under the class of holders of our H Shares will be diluted.

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

Our Controlling Shareholders have substantial influence over our business, including matters relating to our management, policies and decisions regarding mergers, expansion plans, consolidations and sales of all or substantially all of our assets, election of Directors and other significant corporate actions. The concentration of ownership may discourage, delay or prevent a change in control of the Company, which could deprive other Shareholders of an opportunity to receive a premium for their Shares as part of a sale of the Company and might reduce the price of our H Shares. These events may occur even if they are opposed by our other Shareholders. In addition, the interests of our Controlling Shareholders may differ from the interests of our other Shareholders.

There can be no assurance if and when we will pay dividends in the future.

There can be no assurance whether, when and in what form we will pay dividends in the future. Distribution of dividends is formulated by our Board and will be subject to shareholders' approval. A decision to declare or to pay any dividends and the amount of any dividends will depend on various factors, including but not limited to our results of operations, cash flows and financial condition, operating and capital expenditure requirements, distributable profits as determined under IFRS, our Articles of Association, market conditions, our strategic plans and prospects for business development, contractual limits and obligations, payment of dividends to us by our operating subsidiaries, taxation, relevant laws and regulations and any other factors determined by our Board from time to time to be relevant to the declaration or suspension of dividend payments. See "Financial Information – Dividends and Dividend Policy" for further details.

Certain statistics contained in this Document are derived from a third-party report and publicly available official sources.

This Document, particularly in "Industry Overview", contains information and statistics relating to the eyewear retail industry in China and internationally. Such information and statistics have been derived from various official governments and other publications and from a third-party report commissioned by us. However, we cannot guarantee the quality or reliability of information and statistics from official government sources. The information from official government sources has not been independently verified by us, the Sole Sponsor, the **[REDACTED]**, the **[REDACTED]**, the **[REDACTED]**, the **[REDACTED]**, any of the **[REDACTED]**, any of the **[REDACTED]**, any of our or their respective directors, officers or representatives or any other parties involved in the **[REDACTED]** and no representation is given as to their accuracy. In addition, we cannot assure you that such information is stated or compiled on the same basis or with the same degree of accuracy as or consistent with similar statistics presented elsewhere, and such information may not be complete or up-to-date. In any event, you should consider carefully the importance placed on such information or statistics.

Forward-looking statements contained in this Document are subject to risks and uncertainties.

This Document contains certain statements and information that are forward-looking and uses forward-looking terminology such as "anticipate," "believe," "could," "going forward," "intend," "plan," "project," "seek," "expect," "may," "ought to," "should," "would" or "will" and similar expressions. You are cautioned that reliance on any forward-looking statement involves risks and uncertainties and that any or all of those assumptions could prove to be inaccurate and as a result, the forward-looking statements based on those assumptions could also be incorrect. In light of these and other risks and uncertainties, the inclusion of forward-looking statements in this Document should not be regarded as representations or warranties by us that our plans and objectives will be achieved and these forward-looking statements should be considered in light of various important factors, including those set forth in this section. Subject to the requirements of the Listing Rules, we do not intend publicly to update or otherwise revise the forward-looking statements in this Document, whether as a result of new information, future events or otherwise. Accordingly, you should not place undue reliance on any forward-looking information. All forward-looking statements in this Document are qualified by reference to this cautionary statement.

You should read the entire Document carefully and should not rely on any information contained in press articles or other media regarding us and the [REDACTED].

We strongly caution our investors not to rely on any information contained in press articles or other media regarding us, our Shares and the **[REDACTED]**. Prior to the publication of this Document, there may be press and media coverage regarding the **[REDACTED]** and us. Such press and media coverage may include references to certain information that does not appear in this Document, including certain operating and financial information and projections, valuations and other information. We have not authorised the disclosure of any such information in the press or media and do not accept any responsibility for any such press or media coverage or the accuracy or completeness of any such information or publication. We make no representation as to the appropriateness, accuracy, completeness or reliability of any such information or publication. To the extent that any such information is inconsistent or conflicts with the information contained in this Document, we disclaim responsibility for it and our investors should not rely on such information.

In preparation for the **[REDACTED]**, our Company has applied for the following waivers from strict compliance with the relevant provisions of the Listing Rules as set out below.

WAIVER IN RELATION TO MANAGEMENT PRESENCE IN HONG KONG

Pursuant to Rules 8.12 and 19A.15 of the Listing Rules, we must have a sufficient management presence in Hong Kong. This normally means that at least two of our executive Directors must be ordinarily resident in Hong Kong. Since substantially all of the business operations of our Group are managed and conducted outside of Hong Kong, and all of our executive Directors ordinarily reside in the PRC, we do not have, and for the foreseeable future will not have, sufficient management presence in Hong Kong for the purpose of satisfying the requirements under Rules 8.12 and 19A.15 of the Listing Rules. Accordingly, we have applied for, and the Stock Exchange [has granted] us, a waiver from strict compliance with the requirements under Rules 8.12 and 19A.15 of the Listing Rules and paragraph 10 under Chapter 3.10 of the Guide for New Listing Applicants subject to the following conditions:

(a) we have appointed Mr. Lei Jin and Ms. Chu Mei Yi ("**Ms. Chu**"), as our authorised representatives for the purposes of Rule 3.05 of the Listing Rules to serve as our principal channel of communication with the Stock Exchange. We have provided the Stock Exchange with their contact details, and they will be available to meet with the Stock Exchange within a reasonable period of time upon the request of the Stock Exchange and will be readily contactable by telephone, facsimile and email;

(b) as and when the Stock Exchange wishes to contact our Directors on any matters, each of our authorised representatives will have means to contact all of our Directors promptly at all times. We will implement measures such that (i) each Director must provide his or her mobile phone number, office phone number, facsimile number and email address to our authorised representatives and the Stock Exchange; and (ii) in the event that a Director expects to travel or otherwise be out of office, he or she will provide the phone number of the place of his or her accommodation to our authorised representatives. We have provided the Stock Exchange with the contact details of each Director to facilitate communication with the Stock Exchange;

(c) each Director who is not an ordinarily resident in Hong Kong possesses or can apply for valid travel documents to visit Hong Kong and can meet with the Stock Exchange within a reasonable period of time;

(d) we have appointed a compliance advisors, Quam Capital Limited, pursuant to Rule 3A.19 of the Listing Rules, which will act as our additional and alternative channel of communication with the Stock Exchange, and its representative(s) will be fully available to answer enquiries from the Stock Exchange. The compliance advisors will advise our Company on on-going compliance requirements and other issues arising under the Listing Rules and other applicable laws and regulations in Hong Kong after the **[REDACTED]**, and will have access at all times to our authorised representatives, Directors and other senior officers to ensure that it is in a position to respond promptly to any inquiries or requests from the Stock Exchange in respect of our Company;

(e) any meeting between the Stock Exchange and our Directors will be arranged through our authorised representatives or compliance advisors or directly with our Directors within a reasonable time frame. We will inform the Stock Exchange promptly in respect of any changes in our authorised representatives and compliance advisors; and

(f) we will retain a Hong Kong legal advisors to advise us on the application of the Listing Rules and other applicable Hong Kong laws and regulations after our **[REDACTED]**.

WAIVER IN RELATION TO JOINT COMPANY SECRETARIES

According to Rules 3.28 and 8.17 of the Listing Rules and Chapter 3.10 of the Guide for New Listing Applicants, the secretary of an issuer must be a person who has the requisite knowledge and experience to discharge the functions of the company secretary and is either (i) a member of the Hong Kong Chartered Governance Institute, a solicitor or barrister as defined in the Legal Practitioners Ordinance (Chapter 159 of the Laws of Hong Kong) or a certified public accountant as defined in the Professional Accountants Ordinance (Chapter 50 of the Laws of Hong Kong); or (ii) an individual who, by virtue of his/her academic or professional qualifications or relevant experience, is, in the opinion of the Stock Exchange, capable of discharging the functions of a company secretary.

According to Chapter 3.10 of the Guide, the waiver under Rule 3.28 of the Listing Rules will be granted for a fixed period of time, but in any case, will not exceed three years from the **[REDACTED]** (the "**Waiver Period**") and on the conditions that (i) the company secretary in question must be assisted by a person who possesses the qualifications or experience as required under Rule 3.28 and is appointed as a joint company secretary throughout the Waiver Period; and (ii) the waiver can be revoked if there are material breaches of the Listing Rules by our Company.

We have appointed Ms. He Shuwen ("**Ms. He**") and Ms. Chu as our joint company secretaries. Ms. He joined our Group in September 2020 as a financial manager. Ms. He has been primarily responsible for the financial, administrative and company secretarial matters of our Group. Our Directors are of the view that, having regard to Ms. He's thorough understanding of the overall business operations and corporate governance matters of our Group, she is considered as a suitable person to act as a company secretary of our Company. In addition, as our headquarters and principal business operations are substantially based and conducted in the PRC, our Directors believe that it is necessary to appoint Ms. He as a company secretary whose presence in the headquarters of our Group enables her to attend the day-to-day corporate secretarial matters of our Group and to take the necessary actions in an effective and efficient manner.

However, given that Ms. He does not possess a qualification stipulated in Rule 3.28(1) of the Listing Rules nor the "relevant experience" set out in Rule 3.28(2) of the Listing Rules, she is not able to solely fulfil the requirements as a company secretary of a **[REDACTED]** issuer stipulated under Rules 3.28 and 8.17 of the Listing Rules. In order to provide support to Ms. He, we have appointed Ms. Chu, an associate of both The Hong Kong Chartered Governance Institute and The Chartered Governance Institute in the United Kingdom, who is qualified under Rule 3.28 of the Listing Rules, to act as the other joint company secretary to closely work with and provide support to Ms. He during the Waiver Period so as to enable Ms. He to acquire the relevant experience (as required under Rule 3.28(2) of the Listing Rules) to duly discharge her duties as a company secretary of a **[REDACTED]** issuer.

Accordingly, we have applied to the Stock Exchange for, and the Stock Exchange [has granted] us, a waiver from strict compliance with the requirements under Rules 3.28 and 8.17 of the Listing Rules in relation to the appointment of Ms. He and Ms. Chu as our joint company secretaries on the condition that Ms. He will be assisted by Ms. Chu as our joint company secretary throughout the Waiver Period. By virtue of her experience in corporate secretarial practice, Ms. Chu is, in our Directors' opinion, a qualified and suitable person to render assistance to Ms. He so as to enable her to acquire the relevant experience (as required under Rule 3.28(2) of the Listing Rules) to duly discharge her duties. In addition, Ms. He will comply with the annual professional training requirement under Rule 3.29 of the Listing Rules and will enhance her knowledge of the Listing Rules during the Waiver Period. Our Company will further ensure that Ms. He has access to the relevant training and support that would enhance her understanding of the Listing Rules and the duties of a company secretary of an issuer **[REDACTED]** on the Stock Exchange.

Such waiver will be revoked immediately if and when Ms. Chu ceases to provide such assistance or our Company commits any material breaches of the Listing Rules during the Waiver Period. Before the expiry of such three-year period, we will liaise with the Stock Exchange to enable it to assess whether, having had the benefit of Ms. Chu's assistance for three years, Ms. He has acquired the relevant experience within the meaning of Rule 3.28 of the Listing Rules so that a further waiver will not be necessary.

See "Directors and Senior Management" in this Document for the biographical information of Ms. He and Ms. Chu.

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

DIRECTORS

Name	Address	Nationality
Executive Directors		
Mr. Jin Zengmin (金增敏)	Building 89, Guoxin Jiayuan Binjiang District, Hangzhou Zhejiang Province PRC	Chinese
Ms. Peng Meiliu (彭美柳)	Jinguang Village Xianjiang Town, Rui'an City Zhejiang Province PRC	Chinese
Mr. Lei Jin	Room 2602 Unit 2, Block 1 Shuijinglanxuan Binjiang District, Hangzhou Zhejiang Province PRC	Canadian
Ms. Liu Lifei (劉立菲)	No. 129, Gejia Alley Anning District, Lanzhou City Gansu Province PRC	Chinese
Mr. Liao Peng (廖鵬)	Room 1501, No. 134 Lane 1500, Xinsong Road Xinqiao Town, Songjiang District Shanghai PRC	Chinese
Non-executive Director		
Mr. Sun Tao (孫濤)	Room 101, Unit 2 Building 1, Shanju Garden Yunlong District, Xuzhou City Jiangsu Province PRC	Chinese
Independent Non-executive Directors		
Prof. Zhang Guobiao (章國標)	117 Xueyuan Road Xihu District, Hangzhou Zhejiang Province PRC	Chinese

Name	Address	Nationality
Prof. Zhang Hongsheng (張洪勝)	Unit 902, Building 3 Block 1, Shidai Tianyuan City Xiangwang Street, Cangqian Subdistrict Yuhang District, Hangzhou Zhejiang Province PRC	Chinese
Mr. Choi Tze Kit Sammy (蔡子傑)	Flat B, 6/F Perfetto Posto Hong Kong Garden 100 Castle Peak Road Sham Tseng Hong Kong	Chinese

For details with respect to our Directors, see "Directors and Senior Management" in this Document.

PARTIES INVOLVED IN THE [REDACTED]

Sole Sponsor

Quam Capital Limited
5/F and 24/F (Rooms 2401 and 2412)
Wing On Centre
111 Connaught Road Central
Hong Kong

[REDACTED]

Legal Advisors to our Company

As to Hong Kong law:
Dentons Hong Kong LLP
Suite 3201, Jardine House
1 Connaught Place Central
Hong Kong

	As to PRC law: **Beijing Dacheng Law Offices, LLP (Shanghai)** 9th/24th/25th Floor Shanghai World Finance Centre No. 100 Century Avenue Pudong New Area Shanghai PRC
Legal Advisors to the Sole Sponsor and the [REDACTED]	*As to Hong Kong law:* **Tung & Co.** *in Association with Sundial Law Firm (Hong Kong) in association with Hau, Lau, Li & Yeung* Office 1601, 16/F LHT Tower 31 Queen's Road Central Hong Kong *As to PRC law:* **Zhejiang T&C Law Firm** 12/F One IFC River West No.118 Sanxin Road Hangzhou, Zhejiang PRC
Auditor and Reporting Accountants	**KPMG** *Certified Public Accountants* *Public Interest Entity Auditor registered in accordance with the Accounting and Financial Reporting Council Ordinance* 8th Floor, Prince's Building 10 Chater Road Central, Hong Kong
Industry Consultant	**Euromonitor International Limited** Unit 1101–1108 No. 318 Fuzhou Road Huangpu District Shanghai PRC
Compliance Advisor	**Quam Capital Limited** 5/F and 24/F (Rooms 2401 and 2412) Wing On Centre 111 Connaught Road Central Hong Kong

[REDACTED]

CORPORATE INFORMATION

Registered Office and Headquarters in the PRC	Room 901, Block 2 Oceanwide International Center Sijiqing Subdistrict, Shangcheng District Hangzhou, Zhejiang PRC
Principal Place of Business in Hong Kong	6/F, The Annex Central Plaza 18 Harbour Road Hong Kong
Company's Website	**http://www.zjmyc.cn/** *(Information contained on this website does not form part of this document)*
Joint Company Secretaries	Ms. He Shuwen Ms. Chu Mei Yi
Authorised Representatives	Mr. Lei Jin Ms. Chu Mei Yi
Audit Committee	Mr. Choi Tze Kit Sammy *(Chairman)* Prof. Zhang Guobiao Prof. Zhang Hongsheng
Remuneration Committee	Prof. Zhang Guobiao *(Chairman)* Mr. Jin Zengmin Mr. Choi Tze Kit Sammy
Nomination Committee	Mr. Jin Zengmin *(Chairman)* Ms. Peng Meiliu Mr. Choi Tze Kit Sammy Prof. Zhang Guobiao Prof. Zhang Hongsheng

[REDACTED]

Principal Bank	**Bank of China Zhejiang Branch** 321 Feng Qi Road Gongshu District Hangzhou, Zhejiang PRC

*The information and statistics set out in this section were extracted from official government publications and other publicly available sources as well as from the independent industry report prepared by Euromonitor International Limited ("**Euromonitor International**"). The Company engaged Euromonitor International to prepare the independent industry report in connection with the* **[REDACTED]**.

The information from official government sources has not been independently verified by the Group, the Sole Sponsor, the **[REDACTED]**, *the* **[REDACTED]**, *the* **[REDACTED]**, *the* **[REDACTED]**, *the* **[REDACTED]**, *any of our or their affiliates or any of their respective directors, officers, employees or agents or any other person or party involved in the* **[REDACTED]** *and no representation is given as to its accuracy or completeness.*

The Directors, the Sole Sponsor, the **[REDACTED]**, *the* **[REDACTED]**, *the* **[REDACTED]**, *the* **[REDACTED]**, *the* **[REDACTED]** *believe that the sources of the information contained herein are appropriate sources for such information and we have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading.*

Best research practices and market study techniques and methodologies developed by Euromonitor International have been used and accordingly, Euromonitor International believes that it has used sources of information and methodologies that are appropriate to this study and is not aware of any deficiency or lack of information in the market information that could materially affect the accuracy of the information included herein.

OVERVIEW OF MACROENVIRONMENT IN ZHEJIANG AND GANSU

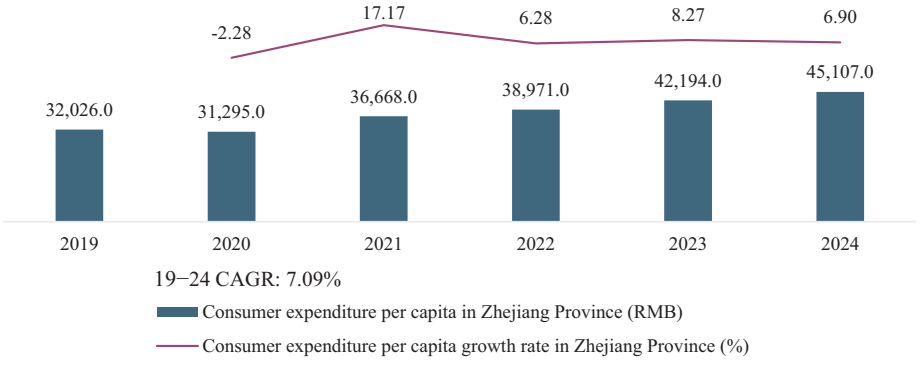
Zhejiang: A high-income and highly urbanised consumer market

Zhejiang Province is one of the more economically developed provinces in China, characterised by strong household purchasing power, a large urban consumer base and a relatively mature retail environment. In 2024, the per capita disposable income of residents in Zhejiang Province was RMB67,013, while per capita consumption expenditure reached RMB45,107. These indicators reflect the province's relatively strong consumption capacity and consumers' greater willingness to pay for higher-quality products and services.

Zhejiang also maintains a large and highly urbanised population base. In 2024, the province's permanent resident population reached 66.7 million, of which the urban population accounted for 75.46%. It provides a favourable macroeconomic and demographic foundation for the development of modern retail formats and service-intensive consumption.

Within Zhejiang Province, Hangzhou and Shaoxing are two representative city-level consumer markets. As the provincial capital and a major growth pole in the Yangtze River Delta, Hangzhou recorded per capita disposable income of RMB76,777, per capita consumption expenditure of RMB52,996 and a permanent resident population of 12.6 million. Shaoxing recorded per capita disposable income of RMB72,898, per capita consumption expenditure of RMB46,849 and a permanent resident population of 5.4 million. Overall, both Hangzhou and Shaoxing are supported by relatively strong income levels and solid local consumption fundamentals, and provide important support for the development of branded, professional and higher value-added retail formats within Zhejiang Province.

Consumer expenditure per capita in Zhejiang Province (2019–2024)



Source: National Bureau of Statistics of China

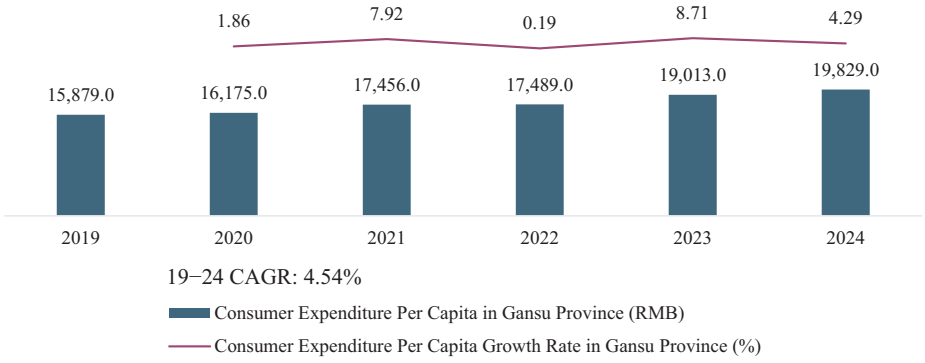
Gansu: A developing consumer market with improving consumption capacity

Gansu Province is a representative inland province in western China. Although its absolute income and consumption levels remain below those of the more developed coastal provinces, its household consumption fundamentals have continued to improve in recent years. In 2024, the per capita disposable income and per capita consumption expenditure of residents were RMB26,612 and RMB19,829, respectively, indicating a gradual improvement in household purchasing power and consumption potential.

At the end of 2024, Gansu Province had a permanent resident population of 24.6 million and an urbanisation rate of 56.83%, indicating that the province remains in a stage of ongoing urbanisation and gradual retail market development. The province therefore represents a market where consumer demand continues to broaden alongside income growth and urban expansion, providing a supportive macro backdrop for the further penetration of organised retail and value-for-money consumer offerings.

Within Gansu Province, Lanzhou is the principal city-level consumer market. As the provincial capital and an important transport and logistics hub in Northwest China, urban residents in Lanzhou recorded per capita disposable income of RMB50,489 and per capita consumption expenditure of RMB32,312 in 2024. In the same year, Lanzhou's permanent resident population reached 4.4 million and its urbanisation rate was 85.83%. Lanzhou's relatively concentrated urban population base and hub position support the continued development of organised, specialised and service-oriented retail formats in Gansu Province.

Consumer Expenditure Per Capita in Gansu Province (2019–2024)



Source: National Bureau of Statistics of China

OVERVIEW OF EYEWEAR RETAIL INDUSTRY IN CHINA

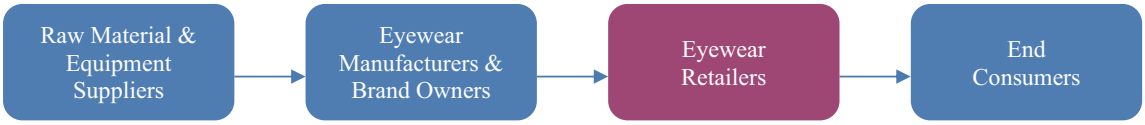
The eyewear retail industry refers to retail activities conducted through offline physical stores, online platforms, or omnichannel models that sell various types of eyewear and related products to end consumers and provide professional services related to eyewear dispensing and delivery.

Products typically include prescription spectacles, readymade spectacles, and contact lenses and solutions. Services typically include refraction and parameter capture, product selection and try-on guidance, lens fitting/processing and delivery, wear adjustment, and after-sales maintenance and follow-up.

This definition excludes medical service revenue generated from diagnosis and treatment services provided by ophthalmology departments of hospitals or other medical institutions. With respect to "optometry/vision centres," those operated under eyewear retailers/chain systems with eyewear dispensing as the primary service are included within the scope of this industry; those operated within ophthalmic hospitals or other medical institution systems are treated as hospital channels.

Value chain analysis

The value chain of China's eyewear retail industry, from upstream supply to end-consumer markets, can be broadly divided into four segments: (i) the origin segment consisting of suppliers of raw materials and equipment required for eyewear manufacturing; (ii) the upstream segment consisting of eyewear manufacturers and their proprietary eyewear brands; (iii) the midstream segment consisting of eyewear retailers; and (iv) the downstream segment consisting of end consumers.



I. Origin: materials and equipment suppliers

The origin suppling segment primarily comprises suppliers of materials/consumables of lens and frames, and equipment/instruments required for eyewear production and end-point dispensing/verification, providing essential inputs for both manufacturing and retail/service operations.

II. Upstream: raw eyewear manufacturers and brand owners

The upstream manufacturing segment mainly covers the production and brand operation of lenses, frames, contact lenses, and certain finished eyewear products (e.g., sunglasses and reading glasses). Manufacturers typically supply retailers through direct sales, distribution, and/or customised cooperation models. Some players also develop proprietary brands and reach consumers through directly operated outlets or partner channels.

III. Midstream: eyewear retailers

The midstream retail and service delivery segment is the core of the eyewear retail value chain. Value creation extends beyond product transactions to professional capabilities built on refraction and fit, in-store experience and trust building, and the resulting repeat purchase and customer management.

The market remains primarily offline store-led, with physical stores undertaking most refraction, try-on and fulfilment functions. Key retail formats include:

- **Professional chain eyewear retailers:** focused on vision-care dispensing and professional services, with relatively standardised processes and stronger after-sales and membership operations.
- **Fast-fashion eyewear retailers:** emphasise fashion/accessory attributes and speed, typically positioned for mass-market pricing and encouraging multiple pairs per person through diverse styles.
- **Warehouse-style eyewear retailers:** positioned on value-for-money and promotions, optimising cost structure through scale display and direct sourcing.
- **Independent shops:** predominantly single-store owner-operated and fragmented, serving communities and lower-tier markets with local dispensing needs and basic after-sales services.

In chain expansion, a combination of directly operated and franchised stores is relatively common, enabling faster network coverage with lighter capital investment. Franchise models in China's eyewear retail industry generally range from relatively light-touch pure supply, brand authorisation or regional agency arrangements to stronger management models with greater headquarters oversight over sourcing, operations and service standards. Given the high requirements for refraction accuracy, fulfilment quality and after-sales service, and as competition increasingly shifts toward more professional, branded and standardised operations, leading players typically apply stronger controls over franchised stores to improve service consistency, maintain pricing discipline, protect brand reputation and support the long-term stability of franchise networks.

A considerable proportion of offline and franchised eyewear stores in China are operated by sole proprietorships or small and medium-sized corporate entities. Due to their relatively limited scale and less standardised financial systems, some such operators may face practical difficulties in opening business bank accounts. Against this backdrop, settlement through third-party payors is relatively common in the industry, helping facilitate timely payment settlement and improve transaction efficiency.

Meanwhile, offline-led retailers are strengthening online reach and transaction capabilities and gradually forming O2O models: online channels increasingly support direct sales of standardised categories, while for prescription dispensing products that require refraction parameters, online touchpoints primarily facilitate content reach, appointment-driven traffic acquisition and voucher/payment, with refraction, try-on, processing/fulfilment and after-sales completed in stores. The development of e-commerce platforms has also supported online-led supply, improving price transparency and consumer reach and further promoting omnichannel coordination and service capability upgrades across the industry.

IV. Downstream: end consumers

Downstream end-user demand is the ultimate destination of value creation in eyewear retail. Changes in consumer demand directly shape the direction of upstream manufacturing and midstream retail evolution. By age structure and needs, key consumer segments include youth myopia management segment, middle-aged and elderly segment and young consumers with diversified needs.

Cost analysis

Core cost item of eyewear retailers in China	Share of sales revenue
COGS	30–35%
Rental expenses	15–20%
Labour costs	15–20%
Marketing expenses	3–10%
Operating expenses	~5%

Source: Euromonitor International

Eyewear retailers' core cost items mainly include COGS, rental expenses, labour costs, marketing expenses and operating expenses.

(1) COGS is typically the largest cost item and is mainly driven by sourcing model, product mix and pricing strategy.

(2) Rental expenses are largely determined by store location, store format and catchment quality.

(3) Labour costs mainly consist of compensation for store managers, sales staff, optometrists and spectacle fitting and edging personnel.

(4) Marketing expenses mainly comprise expenses incurred for traffic acquisition, customer conversion and membership operations.

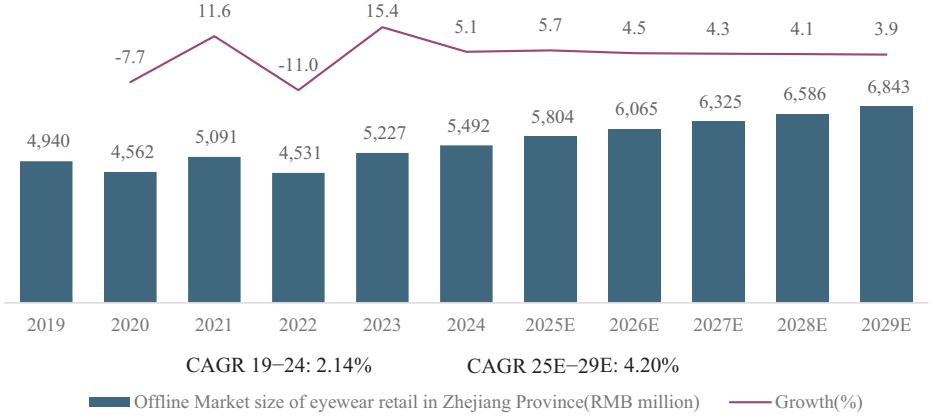
(5) Operating expenses mainly comprise routine store operation and back-office support costs.

Market size analysis

Offline eyewear retail market in Zhejiang Province

Zhejiang Province is one of China's important eyewear industry cluster regions. Industrial belts such as Ouhai in Wenzhou and Taizhou possess relatively complete capabilities across design, manufacturing, sales and related support services, which enhance the province's retail market in terms of style iteration, supply responsiveness and replenishment efficiency, and also provide an industrial foundation for regional processing hubs and fast-response supply-chain models. In terms of retail sales value, Zhejiang's offline eyewear retail market increased, with fluctuations, from RMB4,940 million in 2019 to RMB5,492 million in 2024, representing a CAGR of approximately 2.14%. It is further expected to expand to approximately RMB6,843 million by 2029E, representing a CAGR of approximately 4.20% from 2025E to 2029E. In 2024, the province had approximately 8,100 eyewear retail stores.

Market size of offline eyewear retail industry in Zhejiang (2019–2029E, in retail sales value)



Source: *Euromonitor International*

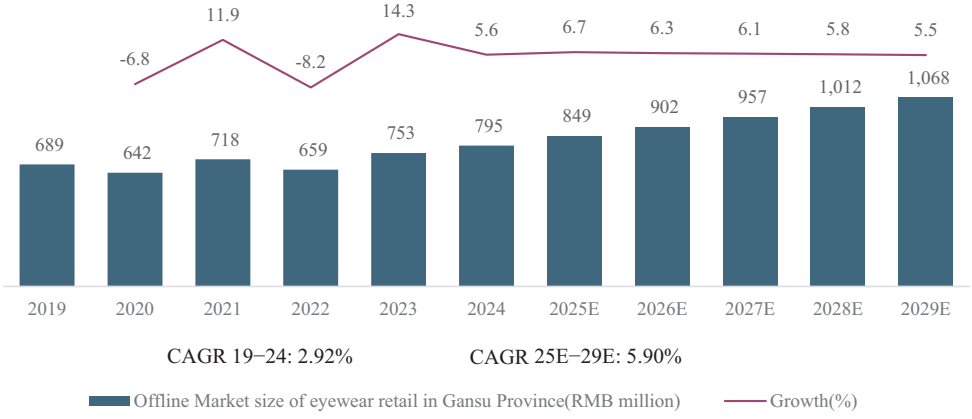
At the city level within Zhejiang Province, Hangzhou and Shaoxing are two representative eyewear consumer markets. As the provincial capital and an important city in the Yangtze River Delta, Hangzhou has relatively high-income levels, a comparatively concentrated young working population and frequent near-work scenarios, which together support relatively stable demand for vision correction, functional lenses, comfort-oriented frames and optometry and dispensing services. At the same time, Hangzhou has seen relatively fast development in youth myopia prevention and control, digitalised retail and online-offline integration, which may further support continued product and service model iteration in the local eyewear retail market. Shaoxing has a relatively stable population base and household consumption structure. In recent years, with rising income levels, greater acceptance of standardised optometry and dispensing services, and continued advancement of children's and adolescents' vision health management, market demand in Shaoxing has gradually shifted from one-off transactions toward a pattern placing greater emphasis on professional services, repurchase management and longer-term vision care.

Looking ahead, the offline eyewear retail market in Zhejiang Province is expected to continue benefiting from the further development of youth myopia prevention and control systems, consumption upgrading, population ageing and the increasing penetration of functional products. In addition to conventional vision correction demand, functional lenses, progressive multifocal lenses, anti-fatigue products and customised fitting services are expected to achieve broader penetration. Meanwhile, offline stores may further extend from basic optometry and dispensing functions toward screening, follow-up checks, visual fatigue management and other value-added services, thereby supporting the steady growth of the industry.

Offline eyewear retail market in Gansu Province

Overall, the offline eyewear retail market in Gansu Province remains relatively small in scale, and market supply is still dominated by fragmented stores. However, as public awareness of eye health continues to improve, industry regulation is gradually strengthened, and chain-based and standardised operating models progressively penetrate the market, the province continues to offer room for further development. In terms of retail sales value, Gansu's offline eyewear retail market increased from RMB689 million in 2019 to RMB795 million in 2024, representing a CAGR of approximately 2.92%, and is expected to further expand to approximately RMB1,068 million by 2029E, representing a CAGR of approximately 5.90% from 2025E to 2029E. In 2024, the province had approximately 2,000 eyewear retail stores.

Market size of offline eyewear retail industry in Gansu (2019–2029E, in retail sales value)



Source: Euromonitor International

Within Gansu Province, Lanzhou is the principal city-level market. As the provincial capital of Gansu Province and an important transport and logistics hub in Northwest China, Lanzhou has a relatively concentrated population base and a comparatively solid urban consumption foundation, which support the development of more standardised and professional eyewear retail services. In recent years, against the backdrop of continued advancement in youth vision screening, school-based vision health management and related industry regulation, the rigid demand foundation of Lanzhou's eyewear retail market has been further consolidated. At the same time, as local consumers place greater emphasis on professional optometry, compliant dispensing services and recognised brands, demand for corrective products, youth-oriented products, durable frames and certain functional lenses is also expected to continue to grow.

From a broader provincial perspective, the eyewear retail market in Gansu Province remains in a stage of ongoing formalisation and gradual upgrading. In the future, as policies relating to myopia prevention and control, eye health education and industry standardisation continue to advance, consumers are expected to place greater emphasis on professional services, compliant retail outlets and branded products. Meanwhile, offline retailers may gradually extend from a single sales function toward more comprehensive service capabilities covering optometry, dispensing, follow-up checks and comfort management, while digital tools may help improve customer acquisition, repurchase rates, replenishment efficiency and inventory management. Supported by a relatively low base, continued penetration into lower-tier markets and gradual optimisation on the supply side, the offline eyewear retail market in Gansu Province is expected to maintain comparatively fast growth during the forecast period.

Retailer analysis

Different retail formats in China's offline eyewear retail market demonstrate relatively clear differences in service depth, target customer base and average price to suit to different consumption scenarios and consumer needs.

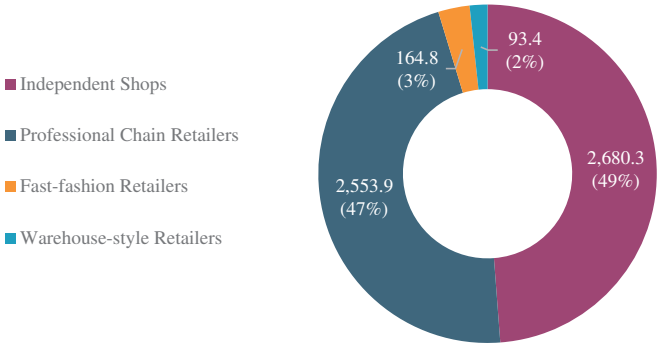
Dimension	Professional chain eyewear retailers	Fast-fashion eyewear retailers	Warehouse-style eyewear retailers	Independent eyewear shops
Geographic footprint	National chains and strong regional chains coexist; cross-city/ cross-province expansion is relatively common	Usually national in footprint, but more concentrated in urban clusters with stronger consumption power and mature mall resources	More often regional or local in footprint, typically built around price-sensitive catchments	Widely present nationwide but highly fragmented, typically serving local communities or county-level markets
Service and equipment capabilities	Typically equipped for fuller refraction, dispensing, lens processing/ fulfilment and after-sales support	Usually equipped for standardised refraction and routine dispensing, with stronger emphasis on efficiency and shopping experience than on deep vision-health screening	Usually capable of basic refraction and routine dispensing, with leaner staffing, simpler service processes and more controlled equipment investment	Usually provides basic refraction and after-sales maintenance; service depth and equipment vary widely and depend heavily on the owner/optometrist
Target customers	Families, students and parents, office workers, and consumers who are more sensitive to prescription accuracy, progressive lenses or service assurance	Younger consumers, students, white-collar workers, and users with styling or multi-pair demand	Price-sensitive households, replacement demand and pragmatic buyers	Nearby residents, older consumers, repeat local customers and convenience-led buyers
Average spectacles purchase price	Typically around RMB 800–1000	Typically around RMB 600–800	Typically around RMB 300–400	Typically around RMB 300–400

Zhejiang Province's offline eyewear retail market exhibited a relatively balanced dual-lead structure, with independent shops and professional chain retailers accounting for approximately 49% and 47% of the market, respectively.

This was mainly driven by two factors. First, Zhejiang Province has a relatively mature eyewear industry base, which supports product supply efficiency, replenishment flexibility and speed of style renewal, thereby benefiting both independent shops and professional chain retailers. Second, consumers in Zhejiang Province place relatively greater emphasis on prescription accuracy, service standardisation and after-sales assurance. Against the backdrop of strengthening regulation and improving service standards, professional chain retailers have secured a relatively high market share through standardised operations and more comprehensive service systems. At the same time, independent shops have remained competitive by relying on community coverage, local customer relationships and operating flexibility.

Going forward, as consumers place greater emphasis on professional services, functional products and after-sales assurance, the market is expected to continue shifting towards retailers with stronger professional service capabilities and more standardised operating systems.

Retailer split of eyewear retail industry in Zhejiang Province (2024, in retail sales value)



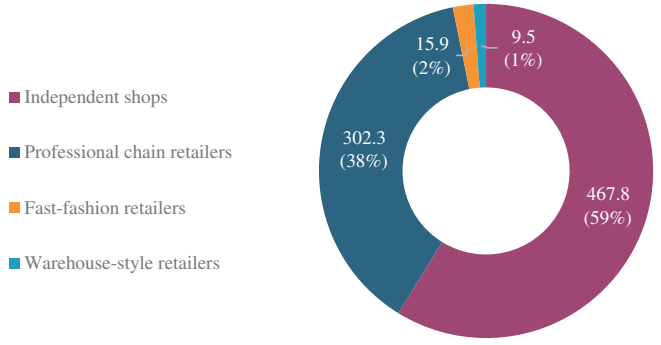
Source: Euromonitor International

Gansu Province's offline eyewear retail market remained dominated by independent shops, which accounted for approximately 59% of the market, while professional chain retailers have already established a meaningful presence, accounted for approximately 38%.

This market structure was mainly driven by the following factors. First, the market base in Gansu Province remains relatively fragmented, and community-based and street-front independent shops continue to offer strong convenience, particularly outside core urban districts and in lower-tier markets, thereby supporting their relatively high share. Second, as industry regulation and compliance requirements relating to metrology, refraction and dispensing continue to strengthen, professional chain retailers have gradually increased their market share in core cities and key commercial areas through more standardised operations and more complete service capabilities. By contrast, fast-fashion and warehouse-style formats depend more heavily on shopping mall networks, younger consumer groups and high-traffic retail environments, and therefore remain relatively limited in scale in Gansu Province.

Overall, Gansu Province's offline eyewear retail market remains in a stage of gradual transition from fragmentation to standardisation. As consumers place greater emphasis on professional services and compliant operations, retailers with stronger brand recognition, professional capability and standardised operating systems are expected to capture more growth opportunities.

Retailer split of eyewear retail industry in Gansu Province (2024, in retail sales value)



Source: Euromonitor International

Market drivers analysis

Diversified consumer demands

Eyewear consumption is evolving from single-purpose vision correction toward broader needs spanning myopia management, visual comfort and style. According to monitoring data released by the National Disease Control and Prevention Administration, the overall myopia rate among children and adolescents nationwide was 51.9% in 2022, supporting a relatively stable demand base and service-oriented consumption such as functional lenses and follow-up reviews. In parallel, heavy screen use among working-age consumers is increasing demand for segmented solutions (e.g., blue-light filtering and anti-fatigue), while population ageing is raising interest in more sophisticated fitting solutions such as progressive addition lenses.

Enhanced online reach and traffic acquisition

Over the past 3–5 years, customer acquisition has increasingly shifted from organic walk-in traffic to an "online reach → appointment/voucher → in-store refraction and fulfilment" pathway. Short-video, local-services and social platforms have become more controllable traffic entry points for stores. E-commerce has also improved purchase convenience for more standardised categories. Overall, online channels have not replaced offline refraction and fulfilment, but they have materially reshaped the acquisition and conversion journey.

Policy support and regulatory standardisation

Regulations such as the Measures for the Metrological Supervision and Administration of Optical Dispensing strengthen requirements for metrology instruments and testing equipment in refraction and dispensing, enhancing compliance and accuracy in service delivery. The Regulations on the Supervision and Administration of Medical Devices place medically regulated products such as contact lenses and orthokeratology lenses under stricter oversight, raising professional and compliance thresholds. In addition, policy documents including the 14th Five-Year National Eye Health Plan (2021–2025) and the Guidelines for Myopia Prevention and Control (2024 Edition) reinforce expectations around scientific refraction, compliant dispensing and follow-up management, providing policy direction for retailers to expand into myopia management and eye-health services.

Constraints analysis

Fragmented competitive landscape intensifies homogenised competition

The market features a long tail of stores and relatively low concentration. Basic correction categories typically have limited differentiation and are therefore more exposed to homogenised competition. The prevalence of online price comparison and low-price traffic tactics further increases price sensitivity, which may pressure gross margin headroom and profitability stability for stores lacking differentiated service capability or brand premium support.

Rising investment in professional talent and standardised operations

As consumers place greater emphasis on refraction accuracy and service professionalism, retailers' reliance on certified personnel and specialised training continues to increase. To ensure consistent service quality across stores, operators typically invest in training and apprenticeship mechanisms, quality inspections, equipment configuration and maintenance, and SOP-based process management. Such investments are more pronounced in cross-regional expansion and franchise networks, raising requirements for capital strength and organisational capability.

Growth pressure under more rational consumption

Eyewear (particularly adult prescription frames) has durable-goods characteristics with longer replacement cycles; as a result, growth is more reliant on structural drivers such as functional product penetration, price-tier upgrading and channel coverage. Meanwhile, offline traffic is increasingly linked to paid acquisition, elevating customer acquisition costs and volatility and requiring stronger capabilities in content operations, media optimisation and in-store fulfilment coordination. Offline channel optimisation (store closures, relocations and new openings) may also entail one-off costs and short-term operating fluctuations.

Transitional volatility from offline store network optimisation

Chain operators have been optimising their offline store networks by closing or consolidating underperforming stores, adjusting location mix, and allocating incremental openings toward prime commercial districts or shopping malls with more stable traffic, alongside store image and experience upgrades. While such initiatives may enhance operating quality over the medium to long term, they may in the short term involve one-off costs and ramp-up effects (e.g., closure and opening/refurbishment expenditure, higher rents/deposits and staff adjustments), which could lead to temporary volatility and pressure on revenue, profitability and cash flow.

Market entry barriers analysis

Compliance and licencing barriers

Medically regulated categories such as contact lenses and orthokeratology lenses require more stringent operating qualifications, facilities and personnel to ensure compliant sales. In addition, eye-health related policies raise requirements for equipment standards, process compliance and information management at the retail terminal, increasing overall compliance costs and entry thresholds.

Professional talent and training systems barriers

As the industry combines consumer retail attributes with professional optometry service characteristics, store-level service quality depends heavily on the supply of certified optometry and processing technicians. Talent development and certification typically involve longer lead times, and scaled expansion often requires standardised training and quality-control systems, which are difficult for new entrants to replicate in the short term.

Brand and trust barriers

Given the professional nature and long-wearing cycles of eyewear, purchasing decisions are influenced by brand endorsement and in-store service experience. Leading operators benefit from accumulated reputation and system capabilities across quality control, supply chain and store operations, increasing initial costs for customer acquisition and consumer education for new entrants.

Capital requirements and scalable replication barriers

Store start-up investment usually spans rent, refurbishment, professional equipment, staffing, marketing and inventory; premium locations and specialised devices further increase upfront capex. Cross-regional scale-up also requires investment in site-selection models, supply-chain systems, talent replication and digital tools, raising requirements for both capital strength and management capability.

COMPETITIVE LANDSCAPE ANALYSIS

Ranking of eyewear retailer brand by offline retail sales value in Zhejiang Province

The Mao Yuan Chang brand was the largest eyewear retailer brand in Zhejiang Province with an approximate market share of 8.8% in terms of offline retail sales value in 2024.

Ranking	Brand Name	Brief Introduction	Offline retail sales value 2024* *RMB million*	Market share
1	**Mao Yuan Chang**		**480.8**	**8.8%**
2	Brand A	A Hangzhou-headquartered regional professional chain eyewear retailer brand	417.2	7.6%
3	Brand B	A Hangzhou-headquartered regional professional chain eyewear retailer brand	368.5	6.7%
	Top 3		**1,266.5**	**23.1%**
	Total		**5,492.3**	**100.0%**

** Note:* *Includes sales from both self-owned and franchised stores*

Source: *Euromonitor International*

Zhejiang's offline eyewear retail market features a competitive structure in which multiple regional leaders coexist alongside a highly fragmented long tail. Overall, leading brands' shares are limited, the top three brands' market share is 23.1% in 2024 and each individual brand holds a market share below 10%, indicating that market share remains widely distributed among numerous regional chains and independent stores and no single regional leader has been established.

Ranking of eyewear retailer brand by offline retail sales value in Gansu Province

The **Lan Keda** brand (previously Keda, before rebranding in March 2026) was the largest eyewear retailer brand in Gansu Province with an approximate market share of 10.2% in terms of offline retail sales value in 2024.

Ranking	brand name	Brief introduction	Offline retail sales value 2024* *RMB million*	Market share
1	**Lan Keda**		**80.7**	**10.2%**
2	Brand C	A Xi'an-headquartered national professional chain eyewear retailer brand	38.5	4.8%
3	Brand D	A Lanzhou-headquartered regional professional chain eyewear retailer brand	32.5	4.1%
	Top 3		**151.7**	**19.1%**
	Total		**795.5**	**100.0%**

* *Note:* Includes sales from both self-owned and franchised stores

Source: *Euromonitor International*

Gansu's offline eyewear retail market likewise exhibits low concentration with clearer tiering among players. Overall, the leading players' shares remain limited and the top three together account for 19.1% of the market in 2024, indicating that supply remains fragmented with a large base of small and mid-sized stores and competition is relatively open. Going forward, competitive dynamics are expected to depend more on local store coverage and professional refraction and fulfilment capabilities, as well as the ability to organise products and services around differentiated needs such as myopia management.

Source of information

We have commissioned Euromonitor International Limited ("**Euromonitor International**"), an independent market research company, to conduct an analysis of, and to produce a report on, the eyewear retail industry in China (the Euromonitor Report) for the purpose of the "Industry Overview" section of this document. The Euromonitor Report was commissioned by us for a fee of RMB250,000, and is disclosed with the consent of Euromonitor International. Such fee is not contingent upon the results of its research or analysis.

In compiling and preparing the Euromonitor Report, Euromonitor International used the following methodologies to collect multiple sources, validate the data and information collected, and cross-check each respondent's information and views against those of others:

- Secondary research involved the review of published sources and official sources, specialist trade press, trade associations, and company reports, including audited financial statements, where available, and independent research reports. Passport, Euromonitor's proprietary database, was also utilised.
- Primary research involved interviews with a sample of leading industry participants and experts for the latest data and insights into historic and future trends, supplemented by verification and cross-checking of data and research estimates for consistency.
- Review and cross-check all sources and conduct independent analyses to develop final estimates. These include the size, shape, drivers, future trends and competitive landscape impacting the eyewear retail industry.

In preparing the Euromonitor Report, Euromonitor International adopted the following assumptions:

- The eyewear retail industry in China is expected to maintain steady growth over the forecast period;
- The social, economic and political environments are expected to remain stable during the forecast period; and
- Key market drivers are expected to continue to support industry development.

Except as otherwise noted, all data and forecasts contained in this section are derived from the Euromonitor Report. Our Directors confirm that, after taking reasonable care, the sources of information used in this section are reliable and not misleading, and there has been no material adverse change in the overall market information since the date of the Euromonitor Report that would materially qualify, contradict or have an impact on such information.

REGULATIONS ON CORPORATION

The establishment, operation and management of corporate entities in the PRC are governed by the PRC Company Law (《中華人民共和國公司法》) (the "**PRC Company Law**"), which was promulgated by the Standing Committee of the National People's Congress (the "**SCNPC**") in December 1993 and further amended in December 1999, August 2004, October 2005, December 2013, October 2018 and December 2023, respectively. The latest amendment is effective since July 2024. According to the PRC Company Law, companies are generally classified into two categories: limited liability companies and companies limited by shares. The PRC Company Law also applies to foreign-invested limited liability companies and companies limited by shares.

General

A "joint stock limited company" is an incorporated enterprise in China under the PRC Company Law with independent legal person properties and entitlements to such legal person properties and with its registered capital divided into shares of equal par value. The liability of the company for its debts is limited to all the properties it owns and the liability of its shareholders for the company is limited to the extent of the shares they subscribe for.

Shareholders' meetings

According to the PRC Company Law, a shareholders' meeting for a company limited by shares is constituted by all shareholders, functioning as the company's authoritative body.

A shareholders' meeting is required to be held once every year. An extraordinary meeting is required to be held within two months in case of certain events specified in the PRC Company Law.

Shareholders present at a shareholders' meeting have one vote for each share they hold, save that the company's shares held by the company are not entitled to any voting rights.

Resolutions of the shareholders' meeting must be passed by more than half of the voting rights held by shareholders present at the meeting, except matters relating to merger, division or dissolution of the company, increase or reduction of registered share capital, change of corporate form or amendments to the articles of association, which in each case must be passed by at least two-thirds of the voting rights held by the shareholders present at the meeting.

The shareholders may appoint the entrusted representative to attend a shareholders' meeting; the entrusted representative shall submit a power of attorney to the company and exercise the voting rights within the scope of authorisation.

Audit Committee in lieu of Supervisory Board

A joint stock limited company may, under the articles of association, set up an audit committee composed of directors in the board of directors, which shall exercise the functions and powers of the board of supervisors as provided for in this Law. It may not have a board of supervisors or supervisors. The audit committee shall be composed of at least three members, and more than half of the members shall not assume any position other than the director in the company and shall not have any relationship with the company that may affect their independent and objective judgments. Among the members of the board of directors of the company, an employees' representative may become a member of the audit committee.

A resolution made by the audit committee shall be adopted by more than half of the members thereof. For voting on a resolution of the audit committee, each member shall have one vote.

The discussion methods and voting procedures of the audit committee shall be prescribed in the articles of association, unless it is otherwise provided for by this Law. A company may set up other committees in the board of directors under the articles of association.

Transfer of shares

The shares held by the shareholder of a company may be transferred according to the law. Where the articles of association have any restriction on the transfer of shares, the transfer shall be carried out in accordance with the articles of association. Under the Company Law, a shareholder should affect a transfer of his shares on the stock exchange established in accordance with the law or by any other means as required by the State Council. The transfer of shares by a shareholder shall be conducted through legally established stock exchanges or other methods prescribed by the State Council. Following the transfer of shares, the company shall enter the names and domiciles of the transferee into its share register. The change of the register of members described in the preceding paragraph shall not be registered within 20 days before the convening of a shareholders' meeting or 5 days prior to the base date on which the company decides to distribute dividends. However, where it is otherwise provided for in any law, administrative regulation or by the securities regulatory authority of the State Council for the modification of the register of shareholders of a listed company, such provisions shall prevail.

Pursuant to the Company Law, shares of the company issued prior to the public issue of shares may not be transferred within one year of the date of the company's listing on the stock exchange. Where it is otherwise provided for in any law, administrative regulation or by the securities regulatory authority of the State Council for the transfer of shares held by the shareholders or actual controllers of a listed company, such provisions shall prevail. Directors and senior management of the company shall declare to the company the shares they hold and the changes thereof during the term of office as determined when they assume the posts, the shares transferred each year shall not exceed 25% of the total shares they hold of the company. They shall not transfer the shares they hold within one year of the date of the company's listing on the stock exchange, nor within six months after they leave their positions in the company. The articles of association may set out other restrictive provisions in respect of the transfer of shares in the company held by its directors and the senior management.

REGULATIONS ON FOREIGN INVESTMENT

On 15 March 2019, the National People's Congress (the "**NPC**") promulgated the Foreign Investment Law of the PRC (《中華人民共和國外商投資法》) (the "**FIL**"), which came into effect on 1 January 2020, pursuant to which, it is applicable to the investment activities in the PRC carried out directly or indirectly by foreign natural persons, enterprises or other organisations. The Implementation Rules to the Foreign Investment Law of the PRC (《中華人民共和國外商投資法實施條例》),which were promulgated by the State Council on 26 December 2019, and became effective on 1 January 2020, the state actively encourages and supports foreign investment, ensuring the protection of the lawful rights and interests of foreign investors. The administration of foreign investment is regulated to create an environment conducive to foreign investors. Continuous efforts are made to optimise the foreign investment environment, promoting a more open and inviting landscape for foreign participation at an elevated level. As confirmed by the PRC Legal Advisor, the Group's business is not under foreign investment restrictions.

On 30 December 2019, the MOFCOM and the State Administration for Market Regulation (the "**SAMR**") jointly promulgated the Measures for Information Reporting on Foreign Investment (《外商投資信息報告辦法》), which became effective on 1 January 2020, pursuant to which, in the event that a foreign investor engages in investment activities in the PRC, either directly or indirectly, the market regulatory authorities are required to transmit the investment information provided by the foreign investor or the foreign-invested enterprise to the relevant competent commerce administrative authorities.

REGULATIONS ON PRODUCT QUALITY

Pursuant to the Product Quality Law of the PRC (《中華人民共和國產品質量法》) promulgated by the SCNPC on 22 February 1993 and last revised on 29 December 2018, producers and sellers shall establish a sound internal product quality control system and strictly adhere to a job responsibility system in relation to quality standards and quality liabilities together with implementing corresponding examination and inspection measures. The counterfeiting or imitation of quality marks such as certification marks, falsifying the place of origin of products, and falsifying or imitating the name or address of another factory or adulteration of, or mixing of improper elements with products, passing off the sham as the genuine or passing off the inferior as the superior is prohibited.

REGULATIONS ON ADVERTISEMENT

According to the Advertising Law of the PRC (the "**Advertising Law**",《中華人民共和國廣告法》) promulgated by the SCNPC on 27 October 1994 and most recently revised on 29 April 2021, no advertisement shall contain any false or misleading information, and shall not deceive or mislead consumers. Any advertiser, advertising agent or advertisement publisher shall, when engaging in advertising activities, comply with laws and administrative regulations, act in good faith, and conduct fair competition. In any advertisement, where there are statements regarding the performance, function, place of origin, purpose, quality, ingredients, price, producer, valid period and guarantees of the product, or the content, provider, form, quality, price and guarantees of the service, such statements shall be accurate, clear and explicit.

REGULATIONS ON MEDICAL DEVICES

According to the Regulation on the Supervision and Administration of Medical Devices (《醫療器械監督管理條例》), which was promulgated by Decree No. 276 of the State Council of the People's Republic of China on 4 January 2000, most recently revised on 6 December 2024 and implemented on 20 January 2025, medical devices are subject to classified management based on their risk levels.

According to the Notice on the Management of Decorative Coloured Plano Contact Lenses as Medical Devices (《關於裝飾性彩色平光隱形眼鏡按照醫療器械管理有關工作的通知》) issued and implemented by the former State Food and Drug Administration on 27 February 2012, and the Notice on the Classification and Definition of Products such as Oxygen Flow Metres (《國家食品藥品監督管理局關於氧氣流量計等產品分類界定的通知》) issued by the former State Food and Drug Administration on 14 November 2003 and implemented on 1 June 2004, contact lenses (including decorative coloured plano contact lenses) and their lubricating solutions and care solutions are all managed as Class III Medical Devices. Class III medical devices are those that pose a higher risk and require special measures for strict control and management to ensure their safety and effectiveness.

Entities engaged in the distribution of Class III medical devices shall have business premises and storage conditions suitable for their business scale and scope, as well as quality management systems and quality management institutions or personnel compatible with the medical devices being distributed. The business entity shall apply for a Medical Device Business Licence (《醫療器械經營許可證》) from the drug regulatory department of the municipal people's government at the districted city level where it is located. The Medical Device Business Licence is valid for 5 years. To renew the licence upon expiration, the renewal procedures shall be handled in accordance with the relevant laws and regulations on administrative licencing.

In case of engaging in the production of Class III medical devices without approval or engaging in the business operations of Class III medical devices without approval, the drug regulatory authority shall confiscate the illegal gains, illegally produced or operated medical devices as well as the tools, equipment, raw materials and other articles that are used in the illegal production or operation; if the goods value of illegally produced or operated medical devices is less than 10,000 yuan, a fine of not less than 50,000 yuan but not more than 150,000 yuan shall be imposed; if the goods value is not less than 10,000 yuan, a fine of not less than 15 times but not more than 30 times of the goods value shall be imposed; if the circumstances are serious, the production or operation shall be ordered to be suspended, and the application for medical device permit filed by the relevant liable person or an entity shall not be accepted within 10 years; for the legal representative, principal, person directly in charge and other liable persons of the entity that violates the law, the income obtained from the entity during the period of illegal act shall be confiscated, a fine of not less than 30% but not more than 3 times of the income obtained from the entity shall be imposed on them, and they shall be prohibited from engaging in the production or business operation of medical devices for life.

REGULATIONS ON PROFESSIONAL EQUIPMENT AND PERSONNEL

According to the Measures for the Metrological Supervision of Eyeglasses Production and Fitting (《眼鏡製配計量監督管理辦法》) promulgated by the State Administration for Market Regulation (formerly the General Administration of Quality Supervision, Inspection and Quarantine) on 15 October 2003, released by the State Administration for Market Regulation on 29 September 2022, and officially effective on 1 November 2022 , operators engaged in eyeglasses production and fitting must comply with the Metrology Law of the People's Republic of China (《中華人民共和國計量法》).

Eyeglasses producers and fitters shall abide by the following provisions: (1) Comply with metrology laws, regulations, and rules, establish systems for metrological management in eyeglasses production/fitting and consumer rights protection, improve the metrological assurance system, and accept metrological supervision from market regulatory departments according to law. (2) Employ dedicated (or part-time) metrological management and professional technical personnel who have passed metrology professional knowledge training to be responsible for metrological work in eyeglasses production and fitting. (3) Measuring instruments subject to compulsory verification must be registered as required, reported to the local county-level market regulatory department for filing, and submitted to its designated metrological verification institution for periodic verification. If local verification is unavailable, apply to the metrological verification institution designated by the market regulatory department at the next higher level. (4) It is prohibited to use measuring instruments that have not been verified, are beyond the verification cycle, or have failed verification. (5) It is prohibited to use non-legal units of measurement in violation of regulations. (6) Fees for applying for verification of measuring instruments shall be paid according to the items and rates approved by the pricing authority.

Sellers of ophthalmic lenses, corneal contact lenses, and finished eyeglasses, as well as operators engaged in optometry for prescription, finished eyeglasses fitting, and corneal contact lens fitting, shall also abide by the following provisions: (1) Establish a sound measurement inspection and acceptance system for incoming and outgoing goods. (2) Equip metrological testing equipment suitable for sales and business operations, such as for optometry, pupillary distance, vertex power, transmittance, and thickness. (3) Operators engaged in corneal contact lens fitting shall also equip ophthalmic metrological testing equipment suitable for their business operations. (4) Ensure the accuracy and reliability of the metrological data issued for eyeglass products.

REGULATIONS ON CLINICS AND MEDICAL INSTITUTIONS

In accordance with the Notice on Issuing the Provisional Measures for the Filing Administration of Clinics (《關於印發<診所備案管理暫行辦法>的通知》), promulgated by the National Health Commission and the State Administration of Traditional Chinese Medicine on 20 December 2022, and which came into effect on 20 December 2022, and the Administrative Regulation on Medical Institutions (《醫療機構管理條例(2022修訂)》), promulgated by Decree No.149 of the State Council of the People's Republic of China on 26 February 1994, last revised on 29 March 2022, establishes a clinic shall file with the health administrative department or the competent TCM department of the county-level people's government at the proposed location of the clinic. After obtaining the Clinic Filing Certificate, the clinic may commence practice activities. Where any clinic practises before record-filing, the health administrative department under the people's government at the county level or above shall order it to make corrections, confiscate its illegal gains and impose a fine of less than 30,000 yuan on it; if it refuses to make corrections, it shall be ordered to cease practising activities.

REGULATIONS ON ONLINE SALES OF MEDICAL DEVICES

According to the Measures for the Supervision and Administration of Online Sales of Medical Devices (《醫療器械網絡銷售監督管理辦法》), which was promulgated by the State Administration for Market Regulation on 20 December 2017 and implemented on 1 March 2018, marketing authorisation holders or their entrusted manufacturers may engage in the online sale of their own medical devices without obtaining a separate business licence or filing, provided that their sales activities and conditions comply with the Regulation on the Supervision and Administration of Medical Devices and these Measures.

When entrusting sales, the marketing authorisation holder must assess and confirm the entrusted party's legal qualifications, sales conditions, technical level, and quality management capabilities, provide guidance and supervision over the online sales process and quality control, and assume ultimate responsibility for the quality of the medical devices sold online. Online sales of medical devices must be conducted through self-built websites or third-party platforms. Entities using self-built websites must obtain an Internet Drug Information Service Certificate and possess office space, data backup, and disaster recovery technical conditions commensurate with their scale. The enterprise shall file a record in advance with the food and drug regulatory department of the municipal people's government at the districted city level where it is located by submitting a Medical Device Online Sales Information Form containing information such as enterprise details, website information, and licence numbers. Any changes to this information shall be updated in the filing promptly. On the main page of the enterprise, its medical device production or business licence or filing certificate must be clearly displayed in a prominent position; on product pages, the corresponding medical device registration certificate or filing certificate for that product must be displayed, with the licence/filing number presented in text format. Displayed content shall be updated timely when information changes. All information about the medical device published online by the enterprise, including its name, model, specifications, registration certificate number, manufacturer information, and contraindications, must be completely consistent with the officially registered or filed content.

The enterprise must maintain truthful, complete, and traceable records of medical device sales information. The retention period shall be 2 years after the expiration date of the medical device; for devices without an expiration date, the records shall be kept for no less than 5 years; sales information for implantable medical devices shall be permanently retained.

The scope of online sales shall not exceed the scope of its production, business licence, or filing. Medical device retail enterprises selling online to individual consumers may only sell products that can be used by consumers themselves. The instructions for such products must comply with relevant regulations on medical device labelling and instructions and include special instructions for safe use. The enterprise must store and transport medical devices according to the conditions indicated on their labels and instructions. If storage and transportation are entrusted to another unit, the enterprise must assess and evaluate the entrusted party's capability to ensure the quality and safety of medical devices during storage and transportation, clearly define the responsibility for quality and safety during the process, and ensure safety throughout storage and transportation.

REGULATIONS ON FOOD SAFETY

In accordance with the Food Safety Law of the PRC (the "**Food Safety Law**",《中華人民共和國食品安全法》), which was promulgated on 28 February 2009 and amended on 24 April 2015 and 29 December 2018 and 29 April 2021 and 12 September 2025 respectively, food producers and traders must be liable for the safety of the food produced or traded by them and shall produce and trade food in accordance with relevant laws, regulations and food safety standards. Food producers and traders must ensure food safety, act in good faith and be self-disciplined, be accountable to society and the public, accept public supervision, and comply with their social responsibilities.

According to the Announcement on Matters relating to the Record-filing for the Sale of Only Pre-packaged Food (Announcement [2021] No. 40 of the State Administration for Market Regulation, "**SAMR**"), promulgated and effective on 29 November 2021, food business operators that engage in the activities of only selling pre-packaged food shall strictly fulfill their food safety responsibilities as subjects, establish sound rules and regulations to guarantee food safety, and regularly carry out food safety self-inspection to guarantee food safety. Where only prepackaged food is sold online, the relevant filing information such as the name of the food business operator, the address of business premises and the filing number shall be announced in a prominent position on the homepage of the business operator for its business activities.

REGULATIONS ON CONSUMER RIGHTS AND BENEFITS

The principal legal provisions for the protection of consumer interests are set out in the PRC Consumer Rights and Interests Protection Law (the "**Consumer Protection Law**",《中華人民共和國消費者權益保護法》), which was promulgated on 31 October 1993, and came into effect on 1 January 1994, and was subsequently amended in 2009 and 2013. Pursuant to the Consumer Protection Law, business operators must guarantee that the commodities they sell satisfy the requirements for personal or property safety, provide consumers with authentic information about the commodities, and guarantee the quality, function, usage, and term of validity of the commodities. Failure to comply with the Consumer Protection Law may subject business operators to civil liabilities such as refunding purchase prices, replacing or repairing the commodities, mitigating the damages, compensation, and restoring the reputation, and subject the business operators or the responsible individuals to criminal penalties if business operators commit crimes by infringing the legitimate rights and interests of consumers. According to the Consumer Protection Law, where operators knowingly provide consumers with defective commodities or services causing death or serious damage to the health of consumers or other victims, the victims may require operators to compensate them for losses in accordance with the Consumer Protection Law and other relevant provisions, and claim punitive compensation of not more than two times the amount of losses incurred. The Food Safety Law also provides the amount of punitive compensation that the operators knowingly provide food failing to meet the food safety standards shall paid the victims, which is ten times the price paid or three times the loss unless the amount of the additional compensation is less than RMB1,000 where the punitive compensation shall be RMB1,000.

REGULATIONS ON COMMERCIAL FRANCHISING

Pursuant to the Regulations on the Administration of Commercial Franchising (《商業特許經營管理條例》), or the Franchising Regulations, which promulgated by the State Council on 6 February 2007, and became effective on 1 May 2007, commercial franchising refers to the business activities where a franchisor, being an enterprise possessing registered trademarks, corporate logos, patents, proprietary technology, or other business resources, licences through contracts its business resources to the franchisees, being other business operators, and the franchisees carry out business operation under a uniform business model and pay franchising fees to the franchisor pursuant to the contracts. The Franchising Regulations requires that any enterprise engaging in trans-provincial franchise business shall register with the MOFCOM, and any enterprise engaging in franchise business within one province shall register with the provincial counterpart of the MOFCOM. The Franchising Regulations also set forth a number of requirements for the franchisors and to govern the franchise agreements. For example, the franchisors and franchisees are required to enter into franchising agreements containing certain required terms, and the franchise term thereunder shall be no less than three years unless otherwise agreed by the franchisee.

On 30 April 2007, the MOFCOM promulgated the Administrative Measures for the Filing of Commercial Franchisees (《商業特許經營備案管理辦法》), which became effective on 1 May 2007, was most recently amended on 29 December 2023, and sets forth in detail the procedures and documents required for such filing, including, among other things, within 15 days after executing the first franchise agreement, the franchisor shall file with the MOFCOM or its local counterparts for record, and if there occurs any change to the franchisor's business registration, business resources, and the distribution of all franchisee outlets throughout China, the franchisor shall apply to the MOFCOM for alteration within 30 days after the occurrence of such change. Furthermore, within the first quarter of each year, the franchisor shall report the execution, revocation, termination, and renewal of the franchise agreements occurring in the previous year to the MOFCOM or its local counterparts, the failure of which may subject the franchisor to an order of rectification and a fine up to RMB50,000. Where a franchiser fails to file in accordance with the Regulations and these Measures, the commerce administrative department at or above the prefecture-level city shall order it to file within a prescribed period and impose a fine of not less than RMB10,000 but not more than RMB50,000; if it still fails to file within the prescribed period, a fine of not less than RMB50,000 but not more than RMB100,000 shall be imposed, and a public announcement shall be made.

Pursuant to the Administrative Measures on the Information Disclosure of Commercial Franchising (《商業特許經營信息披露管理辦法》), promulgated by the MOFCOM on 30 April 2007, amended on 23 February 2012 and effective on 1 April 2012, the franchisor shall disclose to franchisees a list of information in writing at least 30 days prior to the execution of the franchising agreements, such as basic information of the franchisor and the franchise activities, basic information of business resources owned by the franchisor and basic information on franchise expenses.

REGULATIONS ON REAL ESTATE LEASING

According to the PRC Civil Code (《中華人民共和國民法典》) which became effective on 1 January 2021, an owner of immovable or movable property is entitled to possession, use, earnings, and disposal of such property in accordance with the law. Subject to the consent of the lessor, the lessee may sublease the leased premises to a third party. Where a lessee subleases the premises, the lease contract between the lessee and the lessor remains valid. The lessor is entitled to terminate the lease if the lessee subleases the premises without the consent of the lessor. In addition, if the ownership of the leased premises changes during the lessee's possession in accordance with the terms of the lease contract, the validity of the lease contract shall not be affected.

On 1 December 2010, the Ministry of Housing and Urban-Rural Development promulgated the Administrative Measures on Leasing of Commodity Housing (《商品房屋租賃管理辦法》),which became effective on 1 February 2011. According to such measures, the lessor and the lessee are required to complete property leasing registration and filing formalities within 30 days from the execution of the property lease agreement with the development authorities or real estate authorities of the municipality or county where the leased property is located. If a company fails to do so, it may be ordered to rectify within a stipulated period, and if such company fails to rectify, a fine ranging from RMB1,000 to RMB10,000 may be imposed on each lease agreement.

REGULATIONS ON PRICING

According to the Pricing Law of the PRC (《中華人民共和國價格法》), which was promulgated by SCNPC on 29 December 1997 and took effect on 1 May 1998, business operators must, as required by the government departments in charge of pricing, mark the prices explicitly and indicate the name, production origin, specifications, and other related particulars clearly. Business operators may not sell products at a premium or charge any fees that are not explicitly indicated. Business operators must not commit the specified unlawful pricing activities, such as colluding with others to manipulate the market price, providing fraudulent discounted price information, using false or misleading prices to deceive customers to transact, or conducting price discrimination against other business operators. Failure to comply with the Pricing Law or other rules or regulations on pricing may subject business operators to administrative sanctions such as warning, orders to cease unlawful activities, payment of compensation to customers, confiscation of illegal gains, and/or fines. The business operators may be ordered to suspend business for rectification, or have their business licences revoked if the circumstances are severe.

REGULATIONS ON E-COMMERCE

The E-commerce Law of the PRC (《中華人民共和國電子商務法》), enacted by the SCNPC on 31 August 2018, and implemented from 1 January 2019, establishes fundamental guidelines for e-commerce operators engaged in commercial activities. According to this legislation, e-commerce operators are obligated to uphold principles of voluntariness, equality, fairness, and good faith in their business dealings. They are further mandated to comply with legal provisions and business ethics, participate equitably in market competition, fulfil responsibilities pertaining to consumer rights protection, environmental preservation, intellectual property safeguarding, network security, and personal information confidentiality. E-commerce operators are also held accountable for the quality of their products and services.

In instances where e-commerce operators fail to meet their contractual obligations, breach agreed-upon terms, or cause harm to others, they are liable for civil consequences as stipulated by the Law. Moreover, e-commerce entities conducting business activities without obtaining required administrative permits, offering goods or services prohibited by laws or administrative regulations, or neglecting their obligations to provide necessary information, may incur penalties imposed by the market supervision and management authorities, in accordance with pertinent laws and administrative regulations. The E-commerce Law emphasises the importance of ethical conduct and legal compliance in the realm of electronic commerce, aiming to ensure integrity, fairness, and accountability within the digital marketplace.

REGULATIONS ON CYBERSECURITY AND PRIVACY PROTECTION

Cybersecurity

The Cybersecurity Law of the PRC (the "**Cybersecurity Law**",《中華人民共和國網絡安全法》) was promulgated by the SCNPC on 7 November 2016 and came into effect on 1 June 2017, which was amended on 28 October 2025. The Cybersecurity Law applies to network construction, operation, maintenance and use of the network as well as to the supervision and administration of cybersecurity within PRC territory.

According to the Cybersecurity Law, network operators, while carrying out business and service activities, must abide by laws and administrative regulations, show respect for social moralities, follow business ethics, act in good faith, comply with cybersecurity protection obligations, accept supervision by the government and society and comply with their social responsibilities. For the construction and operation of a network or the provision of services through a network, in accordance with the provisions of laws administrative regulations and mandatory national standards, technical and other necessary measures are required to ensure the secure and stable operation of the network, effectively respond to cybersecurity incidents, prevent crimes committed on the network, and to maintain the integrity, confidentiality and availability of cyber data.

Network operators must keep users' personal information that they have collected strictly confidential, and establish and improve their system for the protection of users' information. To collect and use personal information, network operators must follow the principles of legitimacy, integrity and necessity, disclose their rules of data collection and use, clearly express the purpose, means and scope of collecting and using the information, and obtain the consent of the persons whose data is gathered. Network operators must adopt technical and other necessary measures to ensure the security of the personal information they have collected and to prevent such information from being divulged, damaged or lost. If personal information has been or may be divulged, damaged or lost, it is necessary to take immediate remedial measures and inform users promptly according and report the same to the relevant competent departments. Network operators who do not comply with the Cybersecurity Law may be subject to fines, suspension of their businesses, shutdown of their websites, and revocation of their business licences.

On 30 July 2021, the State Council promulgated the Regulations for Safe Protection of Critical Information Infrastructure (《關鍵信息基礎設施安全保護條例》) (the "**Safe Protection Regulations**") which came into effect on 1 September 2021. Pursuant to the Safe Protection Regulations, critical information infrastructure refers to important network infrastructure and information system in public telecommunications, information services, energy sources, transportation and other critical industries and domains, in which any destruction or data leakage will have severe impact on national security, the nation's welfare, the people's living and public interests.

According to the Cybersecurity Review Measures (2021) (《網絡安全審查辦法(2021)》) promulgated by the Cyberspace Administration of China on 28 December 2021 and effective on 15 February 2022, critical information infrastructure operators who purchase network products and services that affect or may affect national security shall report to the cybersecurity review office for a cybersecurity review. Online platform operators possessing personal information of more than 1 million users must report to the cybersecurity review office for a cybersecurity review before going public abroad. According to the Administration Regulations on Cyber Data Security (《網絡數據安全管理條例》) promulgated by the State Council of China on 24 September 2024 and came into effect on 1 January 2025, where network data handlers carry out network data processing activities that affect or may affect national security, they shall undergo a national security review in accordance with relevant national regulations.

Personal information protection

Pursuant to the PRC Civil Code (《中華人民共和國民法典》), personal information of a natural person shall be protected by the law. Any organisation or individual that needs to obtain personal information of others shall obtain such information legally and ensure the safety of such information, and shall not illegally collect, use, process or transmit personal information of others, or illegally purchase or sell, provide, or make public personal information of others.

Further, the Ninth Amendment to the Criminal Law of the PRC (《中華人民共和國刑法修正案(九)》), which issued by the SCNPC on 29 August 2015, and became effective on 1 November 2015, stipulates that any network service provider that fails to fulfil the obligations related to information network security management as required by applicable laws and administrative regulations and refuses to take corrective measures, will be subject to criminal liability for causing (1) any large-scale dissemination of illegal information; (2) any severe effect due to the leakage of users' information; (3) any serious loss of evidence of criminal activities; or (4) other severe situations, and any individual or entity that (i) sells or provides personal information to others unlawfully or (ii) steals or illegally obtains any personal information will be subject to criminal liability in severe situations.

The Data Security Law of the PRC (《中華人民共和國數據安全法》), which was promulgated by the SCNPC on 10 June 2021 and took effect on 1 September 2021, provides that China shall establish a data classification and grading protection system, formulate the important data catalogues to enhance the protection of important data and establish national core data management system to provide stricter protection of national core data. The conduct of data processing activities shall be in compliance with the provisions of laws and regulations, establishing and completing a data security management system for the entire workflow, organising and conducting data security education and training, adopting corresponding technical measures and other necessary measures to ensure data security, strengthening risk monitoring, taking immediately disposition measures and promptly reporting to relevant authorities when data security incidents occur. Besides, data collection by any organisation or individual shall be conducted by lawful and proper means and the data shall not be acquired by theft or other illegal means. Processors of important data shall specify the person responsible for data security and management agencies, implement data security protection responsibilities, periodically conduct risk assessments of such data processing activities as provided and submit risk assessment reports to the relevant authorities.

On 20 August 2021, the SCNPC promulgated the Law of Personal Information Protection of PRC (the "**Personal Information Protection Law**", 《中華人民共和國個人信息保護法》), which became effective on 1 November 2021. Pursuant to the Personal Information Protection Law, the processing of personal information includes the collection, storage, use, processing, transmission, provision, disclosure, deletion, etc. of personal information, and before processing personal information, personal information processors should truthfully, accurately and completely inform individuals of the following matters in a conspicuous manner and in clear and easy-to-understand language: (1) the name and contact information of the personal information processor; (2) purpose of processing personal information, processing method, type of personal information processed, and retention period; (3) methods and procedures for individuals to exercise their rights under the Personal Information Protection Law; and (4) other matters that should be notified as required by laws and administrative regulations. Personal information processors should also take the following measures to ensure that personal information processing activities comply with laws and administrative regulations based on the processing purpose, processing methods, types of personal information, impact on personal rights and interests, and possible security risks, etc., and to prevent unauthorised access and personal information leakage, tampering, and loss: (i) formulating internal management systems and operating procedures; (ii) implementing classified management of personal information; (iii) adopting corresponding security technical measures such as encryption and de-identification; (iv) reasonably determining the operating authority for personal information processing, and regularly conduct safety education and training for practitioners; (v) formulating and organising the implementation of emergency plans for personal information security incidents; and (vi) other measures stipulated by laws and administrative regulations.

Where personal information is processed in violation of the provisions of the Personal Information Protection Law, or the processing of personal information fails to fulfil the personal information protection obligations hereunder, the department performing personal information protection duties shall order corrections, give warnings, confiscate illegal gains, and order to suspend or terminate the provision of services by the applications that illegally process personal information; if the personal information processor refuses to make corrections, a fine of not more than RMB1 million shall be imposed; the directly responsible person in charge and other directly responsible personnel shall be fined not less than RMB10,000 but not more than RMB100,000. For any aforesaid illegal act with serious circumstances, the department performing personal information protection duties at or above the provincial level shall order the personal information processor to make corrections, confiscate the illegal gains, and impose a fine of less than RMB50 million or less than 5% of the previous year's turnover. It can also order the suspension of relevant business or suspend business for rectification, notify the relevant competent authority to revoke the relevant permits or the business licence; impose a fine of RMB100,000 up to RMB1 million on the directly responsible person in charge and other directly responsible personnel, and may decide to prohibit them from serving as a director, supervisor, senior manager and person in charge of personal information protection of related companies within a certain period of time.

REGULATIONS ON FIRE PREVENTION

According to the Fire Prevention Law of the PRC (the "**Fire Prevention Law**",《中華人民共和國消防法》) promulgated by the NPC on 29 April 1998 and amended on 28 October 2008, 23 April 2019 and 29 April 2021, respectively, and the Interim Provisions on Design Inspection and Acceptance of Fire Protection of Construction Projects (《建設工程消防設計審查驗收管理暫行規定》) promulgated by the Ministry of Housing and Urban-Rural Development of the PRC on 1 April 2020 and amended on 21 August 2023 and came into effect on 30 October 2023, the competent housing and urban-rural development authority replaced fire prevention and rescue departments to monitor and administer the fire protection as-built acceptance check and filing. Upon completion of construction of a development project which is required to apply for fire safety inspection and acceptance as stipulated by the housing and urban-rural development authority, the developer shall apply to the housing and urban-rural development authority for fire safety inspection and acceptance. For other development projects, the developer shall complete filing formalities with the housing and urban-rural development authority following the inspection and acceptance, the housing and urban-rural development department shall conduct spot check. Pursuant to the Fire Prevention Law, the construction project that fails to complete as-built acceptance check on fire prevention shall be ordered by the relevant government authorities to close and shall be fined not less than RMB30,000 but not more than RMB300,000. The construction project that fails to complete fire safety filing shall be ordered to rectify and be subject to a fine of up to RMB5,000.

Furthermore, pursuant to the Fire Prevention Law (revised in 2019 and 2021), before the use of or commencement of the business operations in public gathering places, any construction entities or entities using such places must apply for a fire safety inspection with the fire rescue agencies of the local people's governments of such places at or above the county level. Putting a public gathering place into use or into business operation without permission and when the place has not undergone fire safety and protection inspections or has failed to meet fire safety and protection requirements shall result in an order to suspend construction, use, production or business operations and a fine of not less than RMB30,000 and not more than RMB300,000 from the competent departments of housing and urban-rural development and the relevant fire rescue agencies (according to their respective duties).

LAWS AND REGULATIONS ON ENVIRONMENTAL PROTECTION

The Environmental Protection Law of the PRC (the "**Environmental Protection Law**",《中華人民共和國環境保護法》) was promulgated and effective on 26 December 1989, and amended on 24 April 2014. This legislation has been formulated for the purpose of protecting and improving both the living environment and the ecological environment, preventing and controlling pollution, other public hazards and safeguarding people's health. According to the provisions of the Environmental Protection Law, in addition to other relevant laws and regulations of the PRC, the Ministry of Environmental Protection and its local counterparts take charge of administering and supervising said environmental protection matters. According to the provisions of the Environmental Protection Law, the environmental impact statement shall be made for any such construction project and construction projects which have not carried out environmental impact assessment shall not commence construction. Installations for the prevention and control of pollution in construction projects must be designed, built and commissioned together with the principal part of the project. Installations for the prevention and control of pollution shall not be dismantled or left idle without authorisation.

The Environmental Protection Law makes it clear that the liabilities for any violation of said law include, fine, rectification within a time limit, compulsory ceasing of operations, compulsory shutout or closedown, restitution, or even criminal punishment.

Environment Impact Assessment

Pursuant to Law of the PRC on Environment Impact Assessment (《中華人民共和國環境影響評價法》), which was issued on 28 October 2002 and amended on 2 July 2016 and 29 December 2018, the State implements a classification-based management on the environmental impact assessment (the "**EIA**") of construction projects according to the impact of the construction projects on the environment. Construction units shall prepare the Environmental Impact Report (the "**EIR**") or the Environmental Impact Statement (the "**EIS**") or fill out the Environmental Impact Registration Form (the "**EIRF**") (hereinafter collectively referred to as the "**EIA documents**") according to the following rules: (i) For projects with potentially serious environmental impacts, an EIR shall be prepared to provide a comprehensive assessment of their environmental impacts; (ii) For projects with potentially mild environmental impacts, an EIS shall be prepared to provide an analysis or specialised assessment of their environmental impacts; and (iii) For projects with very small environmental impacts so that an EIA is not required, an EIRF shall be filled out. The EIR or EIS of a construction project shall be submitted by the construction unit in accordance with the regulations of the State Council to the ecological environment department with powers to approve the project for review and approval. The State shall implement a record-filing-based management on EIRF.

REGULATIONS ON LABOUR RIGHTS

Labour Law and Labour Contracts Law

According to the Labour Law of the PRC (《中華人民共和國勞動法》) promulgated on 5 July 1994 and amended on 27 August 2009 and 29 December 2018, enterprises shall establish and improve their system of workplace safety and sanitation, strictly abide by state rules and standards on workplace safety, and conduct employee training on labour safety and sanitation in the PRC. Labour safety and sanitation facilities shall comply with statutory standards. Enterprises and institutions shall provide employees with a safe workplace and sanitation conditions which are in compliance with applicable laws and regulations of labour protection. The Labour Contract Law of the PRC (《中華人民共和國勞動合同法》) promulgated on 29 June 2007 and amended on 28 December 2012, and the Implementation Rules of the Labour Contract Law of the PRC (《中華人民共和國勞動合同法實施條例》) promulgated on 18 September 2008, set out specific provisions in relation to the execution, terms and termination of a labour contract and the rights and obligations of the employees and employers, respectively. At the time of hiring, the employers shall truthfully inform the employees of the scope of work, working conditions, working place, occupational hazards, work safety, salary and other matters which the employees request to be informed about.

Law on Work Safety

Pursuant to the Law on Work Safety of the PRC (the "**Law on Work Safety**",《中華人民共和國安全生產法》) effective on 1 November 2002 and amended on 27 August 2009, 31 August 2014 and 10 June 2021 respectively, enterprises engaged in production activities must strengthen safety production management, establish and improve the responsibility system for safe production and ensure a safe production environment. The State establishes and implements a system for the accountability of production safety accidents. If the company fails to comply with the provisions of the Law on Work Safety, the supervisory authority on production safety may issue a rectification order, impose a fine, order the company to cease production and operation.

Regulations and Law on Social Insurance and Housing Fund

Pursuant to the Social Insurance Law of the PRC (《中華人民共和國社會保險法》), which was promulgated on 28 October 2010, became effective on 1 July 2011 and most recently amended on 29 December 2018, and the Interim Regulations on the Collection of Social Insurance Fees (《社會保險費徵繳暫行條例》) issued by the State Council on 22 January 1999 and most recently amended on 24 March 2019, employees shall participate in basic pension insurance, basic medical insurance and unemployment insurance. Basic pension, medical and unemployment insurance contributions shall be paid by both employers and employees. Employees shall also participate in work-related injury insurance and maternity insurance. Work-related injury insurance and maternity insurance contributions shall be paid by employers rather than employees. Pursuant to the Notice of the General Office of the State Council on Issuing the Plan for the Pilot Programme of Combined Implementation of Maternity Insurance and Basic Medical Insurance for Employees (《國務院辦公廳關於印發<生育保險和職工基本醫療保險合併實施試點方案>的通知》) and the Opinions of the General Office of the State Council on Comprehensively Promoting the Implementation of the Combination of Maternity Insurance and Basic Medical Insurance for Employees (《國務院辦公廳關於全面推進生育保險和職工基本醫療保險合併實施的意見》) promulgated on 19 January 2017 and 6 March 2019, maternity insurance and basic medical insurance for employees shall be consolidated. According to the Social Insurance Law of PRC, employers must carry out social insurance registration at the local social insurance agency, provide social insurance and pay or withhold the relevant social insurance premiums for or on behalf of employees. For employers failing to conduct social insurance registration, the administrative department of social insurance shall order them to make corrections within a prescribed time limit; if they fail to do so within the time limit, employers shall have to pay a penalty over one time but no more than three times of the amount of the social insurance premium payable by them. Where an employer fails to pay social insurance premiums in full or on time, the social insurance premium collection agency shall order it to pay or make up the balance within a prescribed time limit, and shall impose a daily late fee at the rate of 0.05% of the outstanding amount from the due date; if still failing to pay within the time limit prescribed, a fine of one time to three times the amount in default will be imposed on them by the competent administrative department.

Pursuant to the Regulations on the Administration of Housing Provident Fund (《住房公積金管理條例》) which was promulgated on 3 April 1999 and amended on 24 March 2002 and 24 March 2019, employers shall timely pay the housing provident fund in full and overdue or insufficient payment shall be prohibited. Employers shall process the housing provident fund payment and deposit registration in the housing provident fund administrative centre. For enterprises which violate the above laws and regulations and fail to apply for housing provident fund deposit registration or open housing provident fund accounts for their employees, the housing provident fund administrative centre shall order the relevant enterprises to make corrections within a designated period. Those enterprises failing to process registration provident fund accounts for their employees within designated period shall be subject to a fine ranging from RMB10,000 to RMB50,000. When enterprises violate those provisions and fail to pay the housing provident fund in full amount as due, the housing provident fund administrative centre will order such enterprises to pay up the amount within a prescribed period; if those enterprises still fail to comply with the regulations upon the expiration of the above-mentioned time limit, further application will be made to the People's Court for mandatory enforcement.

REGULATIONS ON INTELLECTUAL PROPERTY RIGHTS

Trademarks

Trademarks are protected by the PRC Trademark Law (《中華人民共和國商標法》) which was adopted in 1982 and subsequently amended in 1993, 2001, 2013 and 2019, respectively, as well as the Implementation Regulation of the PRC Trademark Law (《中華人民共和國商標法實施條例》) adopted in 2002 and amended in 2014 by the State Council. The Trademark Office under National Intellectual Property Administration (the "**NIPA**") handles trademark registrations and grants a term of ten years to registered trademarks which may be renewed for consecutive ten-year periods upon request by the trademark owner. The trademark registrant may, by concluding a trademark licencing contract, authorise other persons to use the registered trademark. The licensor shall supervise the quality of the goods for which the licensee uses the licensor's registered trademark, and the licensee shall guarantee the quality of the goods for which the registered trademark is used. The party authorised to use another's registered trademark must indicate the name of the licensee and the place of origin on the goods that bear the registered trademark. When granting others use of the registered trademarks, the licensor shall file the trademark licence with the Trademark Office for their records, and the Office shall announce the same. Without putting the trademark licence on record, the trademark may not be used to defend a bona fide third party.

The Patent Law

Pursuant to the Patent Law of the PRC (《中華人民共和國專利法》) latest amended by the SCNPC on 17 October 2020 and came into effect on 1 June 2021 and the Implementation Rules of The Patent Law of the PRC (《中華人民共和國專利法實施細則》) amended by the State Council on 9 January 2010 and last amended on 11 December 2023 and came into effect on 20 January 2024, patents in China are divided into invention patent, utility patent and design patent. Invention patent refers to new technical solutions for a product, method or its improvement; utility patent refers to new technical solutions for the shape, structure or the combination of both shape and structure of a product, which is applicable for practical use; design patent refers to new designs of the shape, pattern or the combination of shape and pattern, or the combination of the colour, the shape and pattern of a product with aesthetic feeling and industrial application value. Invention patent shall be valid for 20 years from the date of application while utility patent shall be valid for 10 years and design patent shall be valid for 15 years from the date of application. The patent right entitled to its owner shall be protected by the laws. Any person shall be licenced or authorised by the patent owner before using such patent. Otherwise, the use constitutes an infringement of the patent right.

Domain names

The Measures for the Administration of Internet Domain Names (the "**Domain Name Measures**", 《互聯網域名管理辦法》) was promulgated by the Ministry of Industry and Information Technology of the PRC on 24 August 2017 and came into effect on 1 November 2017. The Implementation Rules for National Top-level Domain Name Registration (the "**Implementation Rules for Registration**", 《國家頂級域名註冊實施細則》) was promulgated by the China Internet Network Information Centre on 18 June 2019 and came into effect on the same date. The Domain Name Measures regulate the registration of domain names. Application for registration of national top-level domain names ".CN" and ".China" and provision of national top-level domain name registration related services shall further comply with the Implementation Rules for Registration.

The copyright

The PRC has enacted various laws and regulations relating to copyright protection. The Copyright Law of the PRC (《中華人民共和國著作權法》), which was promulgated on 7 September 1990 amended on 27 October 2001 and became effective on the same day, and amended on 26 February 2010 and became effective from 1 April 2010 by the SCNPC, amended on 11 November 2020 and became effective from 1 June 2021 by the SCNPC provides that PRC citizens, legal persons, or other organisations, whether published or not, enjoy copyright in their works, which include, among others, works of literature, art, natural science, social science, engineering technology, and computer software. The term "copyright" includes moral rights and economic rights, and anyone who commits copyright infringement is subject to civil liability.

The Regulations on Computer Software Protection (《計算機軟件保護條例》), which was promulgated on 4 June 1991 amended on 20 December 2001 and became effective on 1 January 2002, amended on 30 January 2013 and became effective on 1 March 2013 by the State Council, stipulates that Chinese residents, legal entities or other organisations enjoy copyright in the software which they have developed, whether published or not, and a software copyright owner may register it with the software registration institution recognised by the copyright administration department of the State Council. The Measures for the Registration of Computer Software Copyright (《計算機軟件著作權登記辦法》), promulgated by the National Copyright Administration on 20 February 2002 with immediate effect, amended on 18 June 2004 and became effective 1 July 2004, regulates registration of software copyright, exclusive licencing contracts for software copyright and transfer contracts. The Copyright Protection Centre of China (the "**CPCC**") is the designated software registration authority. The CPCC grants registration certificates to computer software copyright applicants which conform to the provisions of both the Regulations on Computer Software Protection and the Measures for the Registration of Computer Software Copyright.

The PRC is also a signatory to some major international conventions on the protection of copyright. For example, the PRC became a member of the Berne Convention for the Protection of Literary and Artistic Works in October 1992, the Universal Copyright Convention in October 1992, and the Agreement on Trade-Related Aspects of Intellectual Property Rights in December 2001. According to these conventions, a qualified foreign copyright owner may enjoy certain copyright in China and a copyright owner in China may also acquire specific foreign copyright protection.

REGULATIONS ON OVERSEAS SECURITIES OFFERING AND LISTING

On 17 February 2023, the China Securities Regulatory Commission (the "**CSRC**") promulgated Trial Administrative Measures of the Overseas Securities Offering and Listing by Domestic Companies (《境內企業境外發行證券和上市管理試行辦法》) and five ancillary interpretive guidelines (collectively, the "**Overseas Listing Trial Measures**"), which came into effect on 31 March 2023.

Pursuant to the Overseas Listing Trial Measures, PRC domestic companies that seek to offer and list securities in overseas markets, either directly or indirectly, are required to fulfil the filing procedure with the CSRC and report the relevant information through filing reports and legal opinions. The Overseas Listing Trial Measures provides that an overseas listing or offering is explicitly prohibited, if any of the following: (i) such securities offering and listing is explicitly prohibited by provisions in laws, administrative regulations and relevant state rules; (ii) the intended securities offering and listing may endanger national security as scrutinised and determined in accordance with law by competent authorities under the State Council; (iii) the domestic company intending to make the securities offering and listing, or the controlling shareholder(s) and the actual controller of such company, have committed relevant crimes such as corruption, bribery, embezzlement, misappropriation of property or undermining the order of the socialist market economy during the latest three years; (iv) the domestic company intending to make the securities offering and listing is currently under investigations for suspicion of criminal offences or major violations of laws and regulations, and no conclusion has yet been made thereof; or (v) there are material ownership disputes over equity held by the domestic company's controlling shareholder(s) or by other shareholder(s) that are controlled by the controlling shareholder(s) and/or actual controller.

Where an issuer submits an application for offering or listing to competent overseas regulators or overseas stock exchanges, such issuer must file with the CSRC within three business days after such application is submitted to the overseas regulators. The Overseas Listing Trial Measures also requires subsequent reports to be filed with the CSRC on any material events, such as change of control, investigation or punishment taken by overseas securities regulatory authorities or other competent authorities, change of listing status or listing plate, or voluntary or forced delisting of the issuer(s) who have completed overseas offerings and listings.

If domestic companies fail to fulfil the above-mentioned filing procedures or offer and list in an overseas market against the prohibited circumstances, they would be ordered to rectify, warned, and fined between RMB1 million and RMB10 million. The directly liable personnel would be warned and fined between RMB0.5 million and RMB5 million. The controlling shareholders and actual controllers of such domestic companies that organise or instruct the aforementioned violations would be warned and fined between RMB1 million and RMB10 million. The directly liable personnel would be fined between RMB0.5 million and RMB5 million. The securities companies and securities service providers failing to supervise the domestic companies for compliance of relevant rules would be warned and fined between RMB0.5 million and RMB5 million. The directly liable personnel would be warned and fined between RMB0.2 million and RMB2 million. Also, if there is any false records, misleading statement or any material omission in the filing documents, the domestic companies would be ordered to rectify, warned, and fined between RMB1 million and RMB10 million. The directly liable personnel would be imposed warnings and fined between RMB0.5 million and RMB5 million. The controlling shareholders and actual controllers of such domestic companies who organise or instruct the aforementioned violations or conceal the relevant matters leading to the occurrence of the aforementioned violations would be warned and fined between RMB1 million and RMB10 million. The directly liable personnel would be fined between RMB0.5 million and RMB5 million.

REGULATIONS ON DIVIDEND DISTRIBUTION

The principal regulations governing the distribution of dividends of foreign-invested enterprises include the PRC Company Law. Under the PRC Company Law, when a company distributes its after-tax profit for the current year, 10% of the profit shall be accrued and included in the company's statutory reserve. Such accrual is no longer required when the accumulated amount of the company's statutory reserve is 50% or more of the company's registered capital. Where the accumulative amount of the company's statutory reserve is not enough to make up for the losses of the previous year, the current year's profits shall first be used to make up for the losses before the statutory reserve is accrued according to the provisions of the preceding paragraph. After having accrued statutory reserve from the after-tax profits, a company can also set aside discretionary reserve from the after-tax profits upon a resolution made by the shareholders' meeting. The residual after-tax profits after a company has made up its losses and accrued reserve shall be distributed by the company (in the case of a limited liability company) in proportion to the capital contribution paid up by its shareholders, except where all the shareholders have agreed not to distribute the profits in accordance with the proportion of the capital contribution; or such profits shall be distributed by the company (in the case of a joint stock limited company) in proportion to the shares held by its shareholders, except as otherwise provided for in the company's articles of association. Profit shall not be distributed for a company's shares held by this company.

REGULATIONS ON FOREIGN EXCHANGE

Pursuant to the Foreign Exchange Administrative Regulations of the PRC (《中華人民共和國外匯管理條例》), as amended in 5 August 2008, the RMB is freely convertible for current account items, including for the distribution of dividends, interest payments, trade and service-related foreign exchange transactions, but not for capital account items, such as direct investments, loans, repatriation of investments and investments in securities outside the PRC, unless prior approval of the State Administration of Foreign Exchange (the "**SAFE**") is obtained and prior registration with SAFE is made.

According to the Circular of the State Administration of Foreign Exchange on Further Simplifying and Improving the Foreign Exchange Management Policies for Direct Investment (《國家外匯管理局關於進一步簡化和改進直接投資外匯管理政策的通知》) (the "**Circular 13**"), which was promulgated on 13 February 2015 and with effect from 1 June 2015 partially abolished on 30 December 2019, enterprises are not required to get foreign exchange registration approval under domestic direct investment or overseas direct investment. Domestic investors (including domestic foreign-invested enterprises, domestic investing entities of foreign enterprises) should carry out foreign exchange registration of direct investment with banks.

According to the Circular of the State Administration of Foreign Exchange on Reforming the Management Approach regarding the Settlement of Foreign Exchange Capital of Foreign invested Enterprises (《國家外匯管理局關於改革外商投資企業外匯資本金結匯管理方式的通知》) (the "**Circular 19**") promulgated on 30 March 2015 and effective on 1 June 2015 partially abolished on 30 December 2019 and amended on 23 March 2023 and the Circular of the State Administration of Foreign Exchange on Reforming and Regulating Policies on the Control over Foreign Exchange Settlement under Capital Accounts (《國家外匯管理局關於改革和規範資本項目結匯管理政策的通知》) (the "**Circular 16**") promulgated and effective on 9 June 2016 and amended on 4 December 2023, domestic enterprises (including Chinese funded enterprises and foreign-invested enterprises, excluding financial institutions) may go through foreign exchange settlement formalities for their foreign debts at their discretion. Where the current regulations contain any restrictive provisions on the foreign exchange settlement of foreign exchange receipts under capital accounts of domestic institutions, such provisions shall prevail. Domestic institutions may, at their discretion, settle up to 100% of foreign exchange receipts under capital accounts for the time being. The SAFE may adjust the above proportion in due time according to the balance of payments. While being eligible for discretionary settlement of foreign exchange receipts under capital accounts, domestic institutions may also opt to use their foreign exchange receipts according to the payment-based settlement system. A bank shall, in handling each transaction of foreign exchange settlement for a domestic institution according to the principle of payment-based settlement, review the authenticity and compliance of the use of the funds settled in the previous transaction (including discretionary settlement and payment-based settlement) of such institution.

The Circular of the State Administration of Foreign Exchange on Further Promoting Cross-border Trade and Investment Facilitation (《國家外匯管理局關於進一步深化改革促進跨境貿易投資便利化的通知》) (the "**Circular28**") was promulgated and became effective on 23 October 2019 and amended on 4 December 2023. According to the Circular 28, non-investment foreign-funded enterprises are allowed to lawfully make domestic equity investments using their capital if the domestic investment projects are in compliance with the prevailing special administrative measures for access of foreign investments and the relevant regulations.

REGULATIONS ON TAXES

Corporate income tax

Pursuant to the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得税法》), which was promulgated on 16 March 2007 and last amended on 29 December 2018, and the Regulation on the Implementation of the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得税法實施條例》) which was promulgated on 6 December 2007 and lately amended on 6 December 2024, the income tax rate for both domestic and foreign invested enterprises is 25%. Furthermore, resident enterprises, which are enterprises that are set up in accordance with PRC law, or that are set up in accordance with the law of a foreign country (region) but with their actual administration institution in the PRC, must pay enterprise income tax originating both within and outside the PRC. While non-resident enterprises that have set up institutions or premises in the PRC shall pay enterprise income tax in relation to their income originating from the PRC and obtained by their institutions or establishments, and their income incurred outside the PRC but where there is an actual relationship with the institutions or establishments set up by such enterprises. Non-resident enterprises that have not set up institutions or establishments in the PRC, or where institutions or establishments are set up but where there is no actual relationship with the income obtained by the institutions or establishments set up by such enterprises, they must pay enterprise income tax in relation to the income originating from the PRC at the rate of 10%.

Value-added tax

Pursuant to the Value-added Tax Law of the People's Republic of China (《中華人民共和國增值税法》) and its implementing rules, which were promulgated by the SCNPC on 25 December 2024, and will take effect on 1 January 2026, all entities or individuals in the PRC engaged in the sale of goods, the provision of processing, repair and replacement services, or the importation of goods are required to pay value-added tax ("**VAT**"). Pursuant to the Circular on Comprehensively Promoting the Pilot Programme of the Collection of Value-added Tax in Lieu of Business Tax (《關於全面推開營業税改徵增值税試點的通知》) promulgated on 23 March 2016 and as amended on 11 July 2017, 25 December 2017 and 20 March 2019 respectively, upon approval of the State Council, as at 1 May 2016, the pilot programme of the collection of value-added tax in lieu of business tax shall be promoted nationwide in a comprehensive manner, and all taxpayers of business taxpayers engaged in the building industry, the real estate industry, the financial industry and the life service industry shall be included in the scope of the pilot programme with regard to payment of value-added tax instead of business tax.

Pursuant to the Provisional Regulations on Value-added Tax of the PRC, the Circular on Comprehensively Promoting the Pilot Programme of the Collection of Value-added Tax in Lieu of Business Tax, the Circular of the Ministry of Finance and the State Administration of Taxation on Adjusting Value-added Tax Rates (《財政部、税務總局關於調整增值税税率的通知》) promulgated by Ministry of Finance and State Administration of Taxation on 4 April 2018 and became effective on 1 May 2018, and the Announcement on Relevant Policies for Deepening Value-Added Tax Reform (《財政部、税務總局、海關總署關於深化增值税改革有關政策的公告》) promulgated by the Ministry of Finance, the State Administration of Taxation and General Administration of Customs on 20 March 2019 and became effective on 1 April 2019, with respect to VAT taxable sales of a VAT general taxpayer, the applicable VAT rates are 13%, 9% and 6% respectively.

REGULATIONS RELATED TO THE "FULL CIRCULATION" OF H SHARE

"Full circulation" refers to the process of listing and trading on the Stock Exchange the domestically unlisted shares of an H-share listed company. This includes unlisted domestic shares owned by domestic shareholders before the overseas listing, unlisted domestic shares issued additionally after the overseas listing, as well as unlisted shares held by foreign shareholders.

On 14 November 2019, the CSRC announced the Guidelines for the "Full Circulation" Programme for Domestic **[REDACTED]** Shares of H-share Listed Companies (《H股公司境內未上市股份申請"全流通"業務指引》) ("**Guidelines for the 'Full Circulation'**"), which were amended on 10 August 2023. As outlined in the Guidelines for "Full Circulation," shareholders of domestic unlisted shares have the flexibility to jointly determine the amount and proportion of shares that will be included in the circulation application. This determination should be reached through mutual consultation, ensuring compliance with relevant laws, regulations and policies governing state-owned asset administration, foreign investment and industry regulation. Subsequently, the H-share listed company corresponding to these shares may be authorised to file for "full circulation" with the CSRC. An unlisted domestic joint stock company may file with the CSRC for "full circulation" at the time of its initial public offering and listing overseas. After domestic unlisted shares are listed and circulated on the Stock Exchange, they may not be transferred back to China. Pursuant to the Overseas Listing Measures, which came into effect on 31 March 2023, for a domestic company directly offering and listing overseas, shareholders of its domestic unlisted shares applying to convert such shares into shares listed and traded on an overseas trading venue shall conform to relevant regulations promulgated by the CSRC. Additionally, they are required to authorise the domestic company to submit the conversion application to the CSRC on their behalf.

On 31 December 2019, China Securities Depository and Clearing Corporation Limited (the "**CSDC**") and Shenzhen Stock Exchange (the "**SZSE**") jointly announced the Measures for Implementation of H-share "Full Circulation" Business (《H股"全流通"業務實施細則》) (the "**Measures for Implementation**"). The operations related to the "full circulation" of H-share, including cross-border conversion registration, deposit and holding details maintenance, transaction entrustment, instruction transmission, settlement, management of settlement participants and services of nominal holders, are regulated by the Measures for Implementation. In cases where the Measures for Implementation do not provide specific guidance, procedures shall be followed by referring to other business rules established by the CSDC and China Securities Depository and Clearing (Hong Kong) Company Limited, as well as the SZSE.

OVERVIEW

Mao Yuan Chang (毛源昌眼鏡), our flagship brand, was founded in 1862. With a heritage spanning over 160 years, the brand was recognised by the MOFCOM as a "China Time-honoured Brand" (中華老字號) in 2006. In 2012, Mr. Jin (the chairman of our Board, the chief executive officer, an executive Director and a Controlling Shareholder) acquired (through his wholly-owned company) a controlling stake in Maoyuanchang Holdings, which at the time operated **Mao Yuan Chang**. For further details on the acquisition, see "– Acquisition of Maoyuanchang Holdings by Mr. Jin" in this section.

Mr. Jin has many years of experience in the eyewear and optometry industry. Mr. Jin rented a store in Lanzhou, Gansu Province, in 1986. The store was operated as a sole proprietorship under Keda (科達眼鏡). He subsequently established Lanzhou Keda (now one of our principal operating subsidiaries) in 1996, which continued to operate under Keda, and which subsequently developed into a regional eyewear retail chain in Lanzhou, Gansu Province. Keda has been rebranded as **Lan Keda** (蘭科達眼鏡). For further details on the background and expertise of Mr. Jin, see "Directors and Senior Management" in this Document.

In August 2020, our Company was established in the PRC as a wholly-owned subsidiary of Maoyuanchang Holdings. Following its establishment, the business operations of Maoyuanchang Holdings, including those conducted under **Mao Yuan Chang**, were transferred to our Company, and our Company became the holding company of our Group. In December 2021, our Company acquired the entire equity interest in Lanzhou Keda. This strategic acquisition integrated Keda (which has been rebranded as **Lan Keda**) and Lanzhou Keda's established retail network into our Group. For further details on the acquisition, see "– Acquisition of Lanzhou Keda by Our Company" in this section.

Through years of development, our Group has developed into a leading regional eyewear retail chain operator in Zhejiang Province and Gansu Province.

OUR MILESTONES

The following table sets forth the key milestones of our Group:

Year	Milestones
2012	Mr. Jin (through his wholly-owned company) acquired a controlling stake in Maoyuanchang Holdings, which operated **Mao Yuan Chang** (now our flagship brand). Founded in 1862, the brand was recognised as a "China Time-honoured Brand" by the MOFCOM in 2006.
2015	**Mao Yuan Chang** was recognised as a "China Well-known Trademark" by the State Administration for Industry and Commerce of the PRC (now the SAMR).
2020	Our Company was established and became the holding company of our Group, which operates **Mao Yuan Chang**.
2021	Our Company acquired Lanzhou Keda. Founded in 1996, Lanzhou Keda operated Keda, which has been rebranded as **Lan Keda**. The acquisition expanded our business scale and established our foothold in the eyewear market in Lanzhou, Gansu Province.
2022	**Mao Yuan Chang** was designated as the official supplier of eyewear and optical services for the 19th Asian Games and the 4th Asian Para Games in Hangzhou.

Year	Milestones
2024	Our Company was converted into a joint stock limited company and was renamed as Zhejiang Maoyuanchang Eyewear Co., Ltd. (浙江毛源昌眼鏡股份有限公司)
	Aspiring to become the representative of mid-to-high-end eyewear in Zhejiang Province, our Company held the "New Starting Point, Quality Future"* ("新起點，質未來") Maoyuanchang 2024 Brand Upgrade Press Conference, during which new brand visual system and store design concept were unveiled.

ACQUISITION OF MAOYUANCHANG HOLDINGS BY MR. JIN

In 2011, Mr. Jin and the late Mr. Huang Chuanxiang ("**Mr. Huang**"), his acquaintance, agreed to jointly participate in a public auction at the Hangzhou Equity Exchange (杭州產權交易所) (the "**Auction**") for 75% of the then state-owned equity interest (the "**Target Interest**") in Maoyuanchang Holdings, then known as Hangzhou Maoyuanchang Eyewear Co., Ltd.* (杭州毛源昌眼鏡有限公司) ("**Hangzhou Maoyuanchang**"). It was agreed that Ruibiao Group Co., Ltd.* (瑞標集團有限公司) (**"Ruibiao Group**") would submit a bid on behalf of Mr. Jin and Mr. Huang. In December 2011, Ruibiao Group successfully won the Target Interest at the Auction with a bid price of RMB79,000,000 (the "**Winning Bid Price**"). In addition to the Winning Bid Price, Ruibiao Group had to pay the employee resettlement fee and the intermediary fee of the Hangzhou Equity Exchange of RMB10,000,000 and RMB1,975,000, respectively (collectively, the "**Ancillary Fees**").

Mr. Huang passed away subsequently. On 10 August 2012, Ruibiao Group and Hangzhou Dashengchang (a company wholly-owned by Mr. Jin) entered into an equity transfer agreement, pursuant to which Ruibiao Group transferred the Target Interest to Hangzhou Dashengchang.

Hangzhou Dashengchang paid a total of RMB92,561,034.72 for the Target Interest, comprising (i) the Winning Bid Price; (ii) the Ancillary Fees; and (iii) RMB1,586,034.72, being the accrued interests on the part of the Winning Bid Price yet to be settled.

The transfer was completed on 13 August 2012. As a result, Maoyuanchang Holdings (then known as Hangzhou Maoyuanchang) became owned as to 75% by Hangzhou Dashengchang and 25% by Hangzhou Industrial Assets Operation and Investment Group Co., Ltd.* (杭州市工業資產經營投資集團有限公司), now known as Hangzhou Industrial Investment.

MAJOR SHAREHOLDING CHANGES OF OUR COMPANY

Establishment of our Company

Our Company, formerly known as Zhejiang Maoyuanchang Eyewear Co., Ltd. (浙江毛源昌眼鏡有限公司), was established in the PRC as a limited liability company on 3 August 2020, with a registered share capital of RMB50,000,000. At the time of its establishment, our Company was wholly-owned by Maoyuanchang Holdings.

Maoyuanchang Holdings is one of our Controlling Shareholders. For further details on the shareholding structure of Maoyuanchang Holdings as at the Latest Practicable Date, see "Relationship with Our Controlling Shareholders" in this Document.

Reduction of registered capital in January 2022

On 10 January 2022, the registered capital of our Company was reduced from RMB50,000,000 to RMB10,000,000. Upon completion of the aforesaid capital reduction, our Company continued to be owned as to 100% by Maoyuanchang Holdings.

Increase of registered capital in January 2022

On 27 January 2022, the registered capital of our Company was increased from RMB10,000,000 to RMB18,000,000, which was subscribed by Mr. Jin and Hangzhou Maosifa as to RMB6,200,000 at a consideration of RMB75,392,000 and RMB1,800,000 at a consideration of RMB21,888,000, respectively. The considerations were determined with reference to the value of our Company as at 30 September 2021 as appraised by an independent valuer, and were fully settled by Mr. Jin and Hangzhou Maosifa on 4 February 2024 and 26 January 2024, respectively.

Hangzhou Maosifa is one of our Controlling Shareholders and a limited partnership set up as an employee shareholding platform. The aforesaid subscription of registered capital by Hangzhou Maosifa was conducted in anticipation of the implementation of the Employee Incentive Schemes. For further details on the shareholding structure of Hangzhou Maosifa, see "– Our Shareholding Structure Immediately Prior to the **[REDACTED]**" in this section.

Upon completion of the aforesaid increase in registered capital, the equity structure of our Company is set out as below:

Shareholders	**Registered capital subscribed** *RMB*	**Equity interest in our Company**(1)
Maoyuanchang Holdings	10,000,000	55.56%
Mr. Jin	6,200,000	34.44%
Hangzhou Maosifa	1,800,000	10.00%
Total	18,000,000	100.00%

Note:

(1) Percentages may not add up to 100% due to rounding.

First equity transfer in February 2024

On 1 February 2024, Mr. Jin and Ms. Peng entered into an equity transfer agreement, pursuant to which Mr. Jin agreed to transfer approximately 29.44% of the equity interest in our Company to Ms. Peng at a consideration of RMB64,448,000. The transfer was made as an intra-family arrangement between spouses and was completed on 5 February 2024. The consideration was deemed by Mr. Jin to be fully settled. On the same date, Hangzhou Maosifa transferred approximately 0.44% of the equity interest in our Company to each of Ms. Liu Lifei ("**Ms. Liu**") and Ms. Yang Hong ("**Ms. Yang**") at a consideration of RMB1,120,000, which were equity awards granted pursuant to the 2023 Employee Incentive Schemes. The respective considerations were fully settled by Ms. Liu and Ms. Yang on 29 December 2023 and 28 December 2023, respectively. Ms. Liu is an executive Director and a deputy general manager of our Company. Ms. Yang is the general manager of Lanzhou Keda, one of our principal operating subsidiaries. Upon completion of the aforesaid equity transfers, the shareholding structure of our Company is set out below:

Shareholders	**Registered capital subscribed** *RMB*	**Equity interest in our Company**[(1)]
Maoyuanchang Holdings	10,000,000	55.56%
Ms. Peng	5,300,000	29.44%
Hangzhou Maosifa	1,640,000	9.11%
Mr. Jin	900,000	5.00%
Ms. Yang	80,000	0.44%
Ms. Liu	80,000	0.44%
Total	18,000,000	100.00%

Note:

(1) Percentages may not add up to 100% due to rounding.

Second equity transfer in February 2024

On 29 February 2024, Mr. Jin transferred 5% of the equity interest in our Company to Mr. Ke Jinliang (柯金良) ("**Mr. Ke**") at a consideration of RMB20,000,000. For further details, see "– Pre-**[REDACTED]** Investments" in this section. Upon completion of the aforesaid equity transfer, the equity structure of our Company is set out as below:

Shareholders	**Registered capital subscribed** *RMB*	**Equity interest in our Company**(1)
Maoyuanchang Holdings	10,000,000	55.56%
Ms. Peng	5,300,000	29.44%
Hangzhou Maosifa	1,640,000	9.11%
Mr. Ke	900,000	5.00%
Ms. Yang	80,000	0.44%
Ms. Liu	80,000	0.44%
Total	18,000,000	100.00%

Note:

(1) Percentages may not add up to 100% due to rounding.

Conversion into a joint stock limited company in 2024

On 19 April 2024, our Company was converted into a joint stock limited company and was renamed as Zhejiang Maoyuanchang Eyewear Co., Ltd. (浙江毛源昌眼鏡股份有限公司). RMB178,559,018.86 of the audited net assets of our Company as at 29 February 2024 was converted into 23,000,000 Shares with a nominal value of RMB1.00 each, and hence the registered capital of our Company was increased from RMB18,000,000 to RMB23,000,000. The excess of net assets over registered capital, being RMB155,559,018.86, was credited to the capital reserve of the joint stock limited company as share premium.

Upon completion of the aforesaid conversion into a joint stock company, our Company was owned as to 23,000,000 Shares, which were held by the following shareholders:

Shareholders	Number of Shares held	Approximate percentage of shareholdings in our Company[(1)]
Maoyuanchang Holdings	12,777,788	55.56%
Ms. Peng	6,772,212	29.44%
Hangzhou Maosifa	2,095,556	9.11%
Mr. Ke	1,150,000	5.00%
Ms. Liu	102,222	0.44%
Ms. Yang	102,222	0.44%
Total	23,000,000	100.00%

Note:

(1) Percentages may not add up to 100% due to rounding.

Increase in registered capital in November 2024

On 7 November 2024, the registered capital of our Company was increased from RMB23,000,000 to RMB26,407,404, through a capital contribution by Hangzhou Industrial Investment which subscribed for 3,407,404 Shares at a consideration of RMB64,933,268.40. For further details, see "– Pre-**[REDACTED]** Investments" in this section.

Upon completion of the aforesaid increase in registered capital, our Company was owned as to 26,407,404 Shares, which were held by the following shareholders:

Shareholders	Number of Shares held	Approximate percentage of shareholdings in our Company[(1)]
Maoyuanchang Holdings	12,777,788	48.39%
Hangzhou Maosifa	2,095,556	7.94%
Ms. Peng	6,772,212	25.65%
Ms. Liu	102,222	0.39%
Mr. Ke	1,150,000	4.35%
Ms. Yang	102,222	0.39%
Hangzhou Industrial Investment	3,407,404	12.90%
Total	26,407,404	100.00%

Note:

(1) Percentages may not add up to 100% due to rounding.

Increase in registered capital in February 2026

On 24 February 2026, the registered capital of our Company was increased from RMB26,407,404 to RMB27,614,952, through capital contribution by Mr. Ke, Ms. Liu, Ms. Yang, Mr. Liao Peng ("**Mr. Liao**") and Mr. Zhou Wendong (周文棟) ("**Mr. Zhou**"). Mr. Ke subscribed for 557,330 Shares at a consideration of RMB12,000,000, Ms. Liu subscribed for 69,666 Shares at a consideration of RMB1,500,000, Ms. Yang subscribed for 23,222 Shares at a consideration of RMB500,000, and Mr. Liao and Mr. Zhou each subscribed for 278,665 Shares at a consideration of RMB6,000,000. For further details, see "– Pre-**[REDACTED]** Investments" in this section.

Upon completion of the aforesaid increase in registered capital, our Company was owned as to 27,614,952 Shares, which were held by the following shareholders:

Shareholders	Number of Shares held	Approximate percentage of shareholdings in our Company[(1)]
Maoyuanchang Holdings	12,777,788	46.27%
Hangzhou Maosifa	2,095,556	7.59%
Ms. Peng	6,772,212	24.52%
Ms. Liu	171,888	0.62%
Mr. Ke	1,707,330	6.18%
Ms. Yang	125,444	0.45%
Hangzhou Industrial Investment	3,407,404	12.34%
Mr. Liao	278,665	1.01%
Mr. Zhou	278,665	1.01%
Total	27,614,952	100.00%

Note:

(1) Percentages may not add up to 100% due to rounding.

ACQUISITION OF LANZHOU KEDA BY OUR COMPANY

Lanzhou Keda (now one of our principal operating subsidiaries) was established in the PRC as a limited liability company on 22 November 1996, with Mr. Jin holding a controlling stake. Upon completion of a few rounds of increase in registered capital and equity transfer, as at 8 June 2011, Lanzhou Keda was held as to 4% by Mr. Jin and 96% by Ms. Peng.

On 27 December 2021, Mr. Jin transferred 4% of the equity interest in Lanzhou Keda to our Company at a consideration of RMB477,006.08, and Ms. Peng transferred 96% of the equity interest in Lanzhou Keda to our Company at a consideration of RMB11,448,145.85. Upon completion of the above transfers, Lanzhou Keda became a wholly-owned subsidiary of our Company.

The considerations for the aforesaid transfers were determined with reference to the audited net asset value of Lanzhou Keda as at 30 September 2021. The consideration for the transfer by Mr. Jin was fully settled on 29 December 2021, while the consideration for the transfer by Ms. Peng was fully settled on 28 December 2021.

DEREGISTRATION OF OUR SUBSIDIARIES DURING THE TRACK RECORD PERIOD

During the Track Record Period, to streamline our business operations, 4 wholly-owned subsidiaries of our Company were deregistered. The following table sets forth such deregistered subsidiaries:

Name	Place of incorporation	Date of incorporation	Date of deregistration	Registered share capital	Principal business activities
Hangzhou Maoyuanchang Minghao Eyewear Co., Ltd.* (杭州毛源昌明豪眼鏡有限公司)	PRC	8 July 2019	19 March 2025	RMB100,000	Retail sales of eyewear products
Xining Zuojiayou Eyewear Co., Ltd.* (西寧左加右眼鏡有限公司)	PRC	7 January 2020	26 April 2024	RMB50,000	Retail sales of eyewear products
Hangzhou Maoyuanchang Xigu Eyewear Co., Ltd.* (杭州毛源昌溪谷眼鏡有限公司)	PRC	9 March 2022	10 April 2024	RMB100,000	Retail sales of eyewear products
Lanzhou Jianlan Keda Eyewear Co., Ltd.* (蘭州建蘭科達眼鏡有限公司)	PRC	29 June 2020	12 December 2023	RMB100,000	Retail sales of eyewear products

CONFIRMATION BY THE PRC LEGAL ADVISOR

As confirmed by our PRC Legal Advisor, the shareholding changes as discussed above, including the changes in registered capital, share issuances and transfers, complied with all applicable PRC laws and regulations. As confirmed by our PRC Legal Advisor, all applicable regulatory approvals in relation to the above deregistrations have been obtained, and the above deregistrations have been properly and legally completed and settled.

OUR PRINCIPAL OPERATING SUBSIDIARIES

As at the Latest Practicable Date, our Group had 38 subsidiaries. The following table sets forth our principal operating subsidiaries:

Name	Place of incorporation	Date of incorporation	Registered capital	Principal business activities
Maoyuanchang Shaoxing	PRC	11 May 2021	RMB100,000	Retail sales of eyewear products
Lanzhou Hongsheng Keda	PRC	23 February 2021	RMB100,000	Retail sales of eyewear products
Lanzhou Huisheng Keda	PRC	28 January 2021	RMB100,000	Retail sales of eyewear products

Name	Place of incorporation	Date of incorporation	Registered capital	Principal business activities
Maoyuanchang Mingxin	PRC	26 April 2019	RMB100,000	Retail sales of eyewear products
Maoyuanchang Minghui	PRC	16 April 2019	RMB100,000	Retail sales of eyewear products
Maoyuanchang Binbao	PRC	13 February 2019	RMB100,000	Retail sales of eyewear products
Lanzhou Maoyuanchang	PRC	9 March 2016	RMB50,000	Wholesales and retail sales of eyewear products
Lanzhou Keda	PRC	22 November 1996	RMB10,000,000	Wholesales and retail sales of eyewear products

Pre-[REDACTED] Investments

Details of the Pre-**[REDACTED]** Investments are summarised below:

*Pre-***[REDACTED]** *Investments completed in 2024*

Name of the investor	Mr. Ke	Hangzhou Industrial Investment
Date of agreement	20 December 2023	21 October 2024
Percentage of equity/number of Shares subscribed for	5%	3,407,404 Shares
Shareholding in our Company immediately upon completion of the [REDACTED][(1)]	**[REDACTED]**%	**[REDACTED]**%
Consideration	RMB20,000,000	RMB64,933,268.40
Basis of consideration	After arm's length negotiation between the parties, which is comparable to the value of our Company as at 31 December 2023 as appraised by an independent valuer	After arm's length negotiation between the parties with reference to the value of our Company as at 30 April 2024 as appraised by an independent valuer
Settlement date of consideration	27 December 2023	5 November 2024
Cost per Share	HK$19.68	HK$21.57
Discount to the [REDACTED][(2)]	**[REDACTED]**%	**[REDACTED]**%
Public float	Yes	Yes

Lock-up	None under the agreements, but see "– Lock-up Period" in this section for further details on lock-up period under applicable PRC laws.	
Special rights	No special rights were granted to the Pre-**[REDACTED]** Investors.	Hangzhou Industrial Investment has the right to nominate 1 Director and has nominated Mr. Sun To, who is our non-executive Director. Such right will be terminated upon **[REDACTED]**.
Use of proceeds and its utilisation	As the investment was effected by way of transfer by our then Shareholder, no proceeds were received by our Company.	General working capital. As at the Latest Practicable Date, the proceeds had been fully utilised.
Strategic benefits	Our Directors are of the view that our Company would benefit from the additional capital provided by the Pre-**[REDACTED]** Investment (in the case of Hangzhou Industrial Investment) and the investments demonstrate their confidence in the operations of our Group and serve as an endorsement of the performance and prospects of our Group.	

Note:

1. Assuming the **[REDACTED]** is not exercised.

2. The discount to the **[REDACTED]** is calculated based on the assumption that the **[REDACTED]** is HK$**[REDACTED]** per H Share (being the mid-point of the indicative **[REDACTED]** of HK$**[REDACTED]** to HK$**[REDACTED]**).

*Pre-***[REDACTED]** *Investments completed in 2026*

Name of the investor	Mr. Ke	Ms. Liu	Ms. Yang	Mr. Liao	Mr. Zhou
Date of agreement	12 February 2026	12 February 2026	12 February 2026	12 February 2026	12 February 2026
Number of Shares subscribed for	557,330 Shares	69,666 Shares	23,222 Shares	278,665 Shares	278,665 Shares
Shareholding in our Company immediately upon completion of the [REDACTED][(1)]	**[REDACTED]**%	**[REDACTED]**%	**[REDACTED]**%	**[REDACTED]**%	**[REDACTED]**%
Consideration	RMB12,000,000	RMB1,500,000	RMB500,000	RMB6,000,000	RMB6,000,000
Basis of consideration	After arm's length negotiation between the parties with reference to the value of our Company as at 31 December 2025 as appraised by an independent valuer				
Settlement date of consideration	14 February 2026	14 February 2026	14 February 2026	13 February 2026	13 February 2026
Cost per Share			HK$24.37		
Discount to the [REDACTED][(2)]			**[REDACTED]**%		

Public float	Yes	No (Ms. Liu is an executive Director)	No (Ms. Yang is a director and supervisor of certain subsidiaries of our Company)	No (Mr. Liao is an executive Director)	Yes
Lock-up	24 months following the **[REDACTED]**				
Special rights	No special rights were granted to the Pre-**[REDACTED]** Investors.				
Use of proceeds and its utilisation	General working capital. As at the Latest Practicable Date, none of the proceeds received had been utilised.				
Strategic benefits	Our Directors are of the view that our Company would benefit from the additional capital provided by the Pre-**[REDACTED]** Investments and the investments demonstrate their confidence in the operations of our Group and serve as an endorsement of the performance and prospects of our Group.				

Note:

1. Assuming the **[REDACTED]** is not exercised.

2. The discount to the **[REDACTED]** is calculated based on the assumption that the **[REDACTED]** is HK$**[REDACTED]** per H Share (being the mid-point of the indicative **[REDACTED]** of HK$**[REDACTED]** to HK$**[REDACTED]**).

Background of the Pre-[REDACTED] Investors

Mr. Ke is the single largest shareholder of Zhejiang Ruigang Machinery Co., Ltd.* (浙江瑞港機械有限公司), a company principally engaged in machinery manufacturing. We became acquainted with Mr. Ke through Mr. Jin, who is a long-term acquaintance of Mr. Ke.

Hangzhou Industrial Investment is a state-owned enterprise owned as to 90% by the State-owned Assets Supervision and Administration Commission of Hangzhou Municipal Government (杭州市人民政府國有資產監督管理委員會) and 10% by Zhejiang Financial Development Group Co., Ltd.* (浙江省財開集團有限公司), also a state-owned enterprise. Hangzhou Industrial Investment wholly owned Maoyuanchang Holdings immediately prior to the transfer of its 75% equity interest in Maoyuanchang Holdings by way of public auction in 2012, and continued to hold a 25% interest in Maoyuanchang Holdings as at the Latest Practicable Date. Hangzhou Industrial Investment held approximately 12.34% of the share capital of our Company as at the Latest Practicable Date.

Ms. Liu is an executive Director and a deputy general manager of our Company. See "Directors and Senior Management" in this Document.

Ms. Yang is a deputy general manager of our Company and the general manager of Lanzhou Keda, our principal operating subsidiary. She is also a director and supervisor of certain subsidiaries of our Company. See "Directors and Senior Management" in this Document.

Mr. Liao is an executive Director and a deputy general manager of our Company. See "Directors and Senior Management" in this Document.

Mr. Zhou is the general manager of Scene Aesthetics Design (Shenzhen) Co., Ltd.* (場景美學設計(深圳)有限公司), a company that focuses on aesthetic design with spatial experience creation. We became acquainted with Mr. Zhou through business collaboration.

Compliance with Chapter 4.2 of the Guide for New Listing Applicants

Based on the documents provided by the Company relating to the Pre-**[REDACTED]** Investments, the Sole Sponsor confirms that the Pre-**[REDACTED]** Investments are in compliance with Chapter 4.2 of the Guide for New Listing Applicants.

MAJOR ACQUISITIONS, DISPOSALS AND MERGERS

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

PREVIOUS LISTING ATTEMPT

Our Company had began to explore a potential listing of its shares on the NEEQ in the PRC (the "**Previous Listing Attempt**") in late 2023 and engaged professional advisors to conduct preliminary assessments and preparatory work. The preparatory work remained at an initial stage and no formal application for listing on the NEEQ was submitted to the relevant regulatory authorities. We subsequently discontinued the preparatory work for the proposed NEEQ listing in mid 2024. The exploration of the potential NEEQ listing did not result in any regulatory feedback, filing, acceptance of materials or comments from the NEEQ or other regulatory authorities. To the best of our Directors' knowledge and belief, our Directors confirmed that our Company did not encounter any material disagreement or dispute with the then professional parties during the preparation of the Previous Listing Attempt. In addition, our Directors are not aware of any other matters relating to the Previous Listing Attempt that are required to be brought to the attention of the investors.

Based on due diligence conducted by the Sole Sponsor, nothing has come to the Sole Sponsor's attention that would cause the Sole Sponsor to disagree with the Directors' views mentioned above in relation to the Previous Listing Attempt. The Sole Sponsor also concurs the view of the Directors that there is no other matter in relation to the Previous Listing Attempt that should be brought to the attention of the Stock Exchange and/or the prospective investors.

REASONS FOR THE [REDACTED]

Our Company is seeking a **[REDACTED]** of its H Shares on the Stock Exchange. We believe that the **[REDACTED]** will expand our investor base, provide further capital for the development and expansion of our business, broaden our access to capital markets and provide an additional fundraising platform for our Company should the need arise, and further strengthen our business profile and market position in the eyewear industry. We currently intend to use the net **[REDACTED]** from the **[REDACTED]** for establishment of optical operation centre, establishment of self-operated stores, brand building and precision marketing, and general corporate purposes and working capital. See "Future Plans and Use of **[REDACTED]**" in this Document.

LOCK-UP PERIOD

Pursuant to applicable PRC laws, all of our existing Shareholders are subject to a lock-up period of 12 months following the **[REDACTED]**. However, some of our Pre-**[REDACTED]** Investors are subject to a lock-up period of longer than 12 months following the **[REDACTED]** under the relevant investment agreements. For further details, see "– Pre-**[REDACTED]** Investments" in this section.

PUBLIC FLOAT

So far as our Directors are aware, immediately following the completion of the **[REDACTED]** (assuming the **[REDACTED]** is not exercised), the **[REDACTED]** H Shares held by our core connected persons will not be counted towards the public float. Details of these core connected persons are set out below:

- Maoyuanchang Holdings, a Controlling Shareholder, is a core connected person of our Company, holding approximately **[REDACTED]**% of the total issued share capital of our Company;

- Ms. Peng, being an executive Director and a Controlling Shareholder, is a core connected person of our Company, holding approximately **[REDACTED]**% of the total issued share capital of our Company;

- Hangzhou Maosifa, a close associate of Mr. Jin and Ms. Peng, is a core connected person of our Company, holding approximately **[REDACTED]**% of the total issued share capital of our Company;

- Ms. Liu, being an executive Director, is a core connected person of our Company, holding approximately **[REDACTED]**% of the total issued share capital of our Company;

- Ms. Yang, a director and supervisor of certain subsidiaries of our Company, is a core connected person of our Company, holding approximately **[REDACTED]**% of the total issued share capital of our Company; and

- Mr. Liao, being an executive Director, is a core connected person of our Company, holding approximately **[REDACTED]**% of the total issued share capital of our Company.

Rule 19A.13A of the Listing Rules requires that there must be an open market in the securities for which listing is sought. This will normally mean that for a class of securities new to listing, at least a minimum prescribed percentage of that class of securities must be held by the public at the time of listing. Where the expected market value of the class of securities at the time of listing does not exceed HK$6,000,000,000, the minimum prescribed percentage is 25%.

Pursuant to Rule 19A.13A(1) of the Listing Rules, assuming that the **[REDACTED]** is not exercised, (i) based on an **[REDACTED]** of HK$**[REDACTED]** per **[REDACTED]** (being the low-end of the indicative **[REDACTED]** range), our expected market capitalisation upon **[REDACTED]** is HK$**[REDACTED]**; (ii) based on an **[REDACTED]** of HK$**[REDACTED]** per **[REDACTED]** (being the mid-point of the indicative **[REDACTED]**), our expected market capitalisation upon **[REDACTED]** is HK$**[REDACTED]**; and (iii) based on an **[REDACTED]** of HK$**[REDACTED]** per **[REDACTED]** (being the high-end of the indicative **[REDACTED]** range), our expected market capitalisation upon **[REDACTED]** is HK$**[REDACTED]**. Accordingly, at least **[REDACTED]**% of the total number of issued shares must be held by the public upon **[REDACTED]** (based on the minimum **[REDACTED]** of the indicative **[REDACTED]** range).

Except as stated above, all the **[REDACTED]** H Shares held by other Shareholders and the **[REDACTED]** H Shares to be issued under the **[REDACTED]** (assuming the **[REDACTED]** is not exercised) will be counted towards the public float for the purpose of Rule 19A.13A(1) of the Listing Rules, representing **[REDACTED]**% of total issued Shares. The details are set out below:

Shareholder	Number of Shares held	Approximate percentage of shareholdings in our Company
Existing Shareholders		
Hangzhou Industrial Investment	**[REDACTED]**	**[REDACTED]**%
Mr. Ke	**[REDACTED]**	**[REDACTED]**%
Mr. Zhou	**[REDACTED]**	**[REDACTED]**%
Other Shareholders upon completion of the [REDACTED][(1)]		
Other public Shareholders	**[REDACTED]**	**[REDACTED]**%
Total	**[REDACTED]**	**[REDACTED]**%

Note:

(1) Assuming the **[REDACTED]** is not exercised.

Accordingly, at the time of **[REDACTED]**, we will maintain a sufficient public float as required under Rule 19A.13A(1) of the Listing Rules.

FREE FLOAT

Rule 19A.13C of the Listing Rules provides that, where a new applicant is a PRC issuer with no other listed shares at the time of listing, this will normally mean that the portion of H shares for which listing is sought that are held by the public and not subject to any disposal restrictions (whether under contract, the Listing Rules, applicable laws or otherwise), at the time of listing, must: (a) represent at least 10% of the total number of issued shares in the class to which H shares belong at the time of listing (excluding treasury shares), with an expected market value at the time of listing of not less than HK$50,000,000; or (b) have an expected market value at the time of listing of not less than HK$600,000,000.

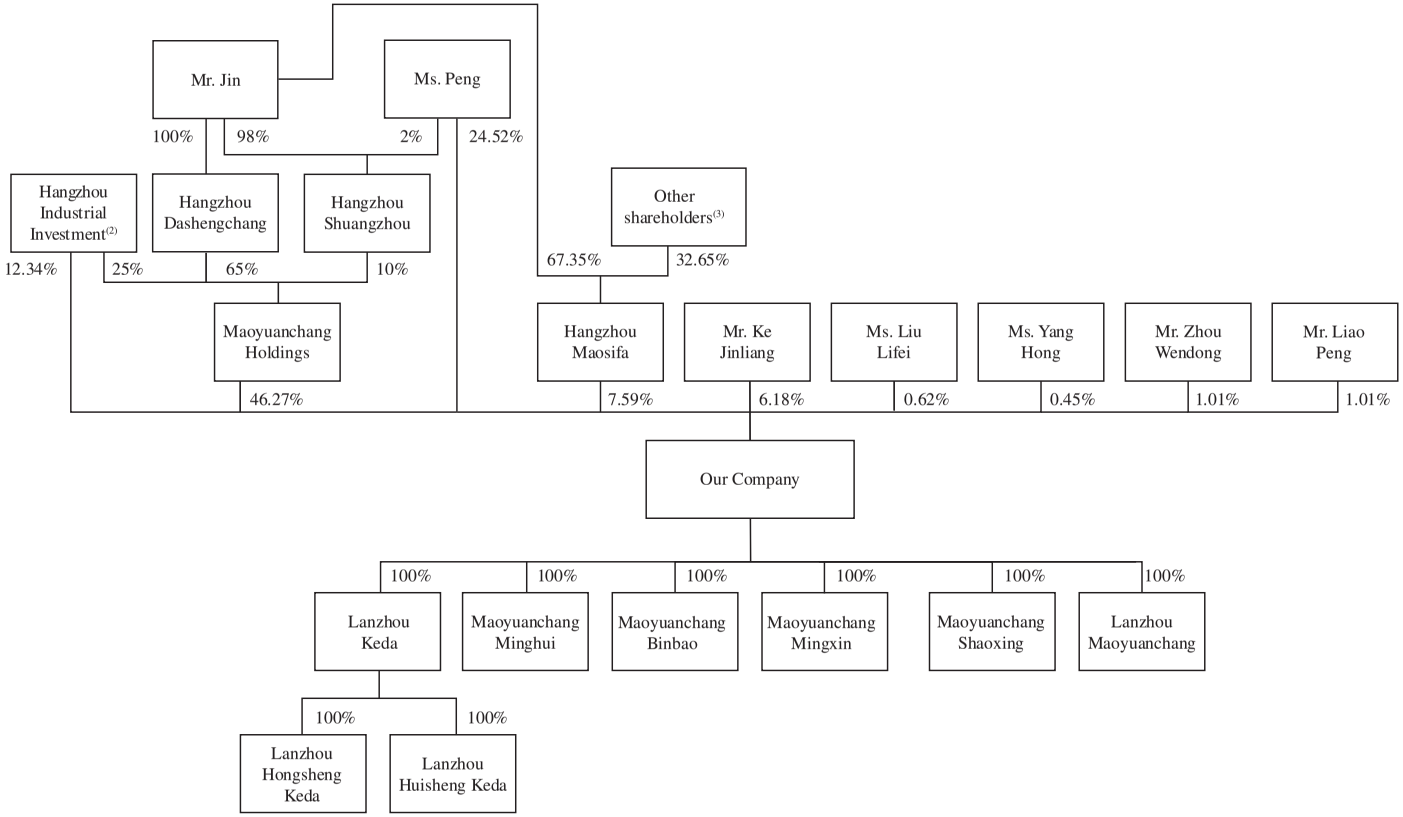
Immediately following completion of the **[REDACTED]** and the Conversion of **[REDACTED]** Shares into H Shares, assuming that the **[REDACTED]** is not exercised, the total number of Shares of our Company will be **[REDACTED]**. We expect **[REDACTED]** Shares, representing **[REDACTED]**% of the total number of our issued Shares, with an expected market capitalisation of approximately HK$**[REDACTED]** (assuming an **[REDACTED]** of HK$**[REDACTED]** per **[REDACTED]**, being the low-end of the indicative **[REDACTED]** range), being held by the public and not subject to any disposal restrictions at the time of **[REDACTED]**. Therefore, our Company is expected to satisfy the free float requirement under Rule 19A.13C(1) of the Listing Rules.

FULL CIRCULATION

Our Company has applied for H Share full circulation to convert an aggregate of **[REDACTED]** **[REDACTED]** Shares held by **[REDACTED]** existing Shareholders, representing **[REDACTED]**% of the total issued Shares of our Company as at the date of this Document and approximately **[REDACTED]**% of the total issued Shares of our Company upon completion of the Conversion of **[REDACTED]** Shares into H Shares and the **[REDACTED]** (assuming the **[REDACTED]** is not exercised). For further details, see "Share Capital – Upon Completion of the **[REDACTED]**" in this Document.

OUR SHAREHOLDING STRUCTURE IMMEDIATELY PRIOR TO THE [REDACTED]

The following diagram illustrates the corporate and shareholding structure of our Group immediately prior to the completion of the **[REDACTED]**[(1)]:



Notes:

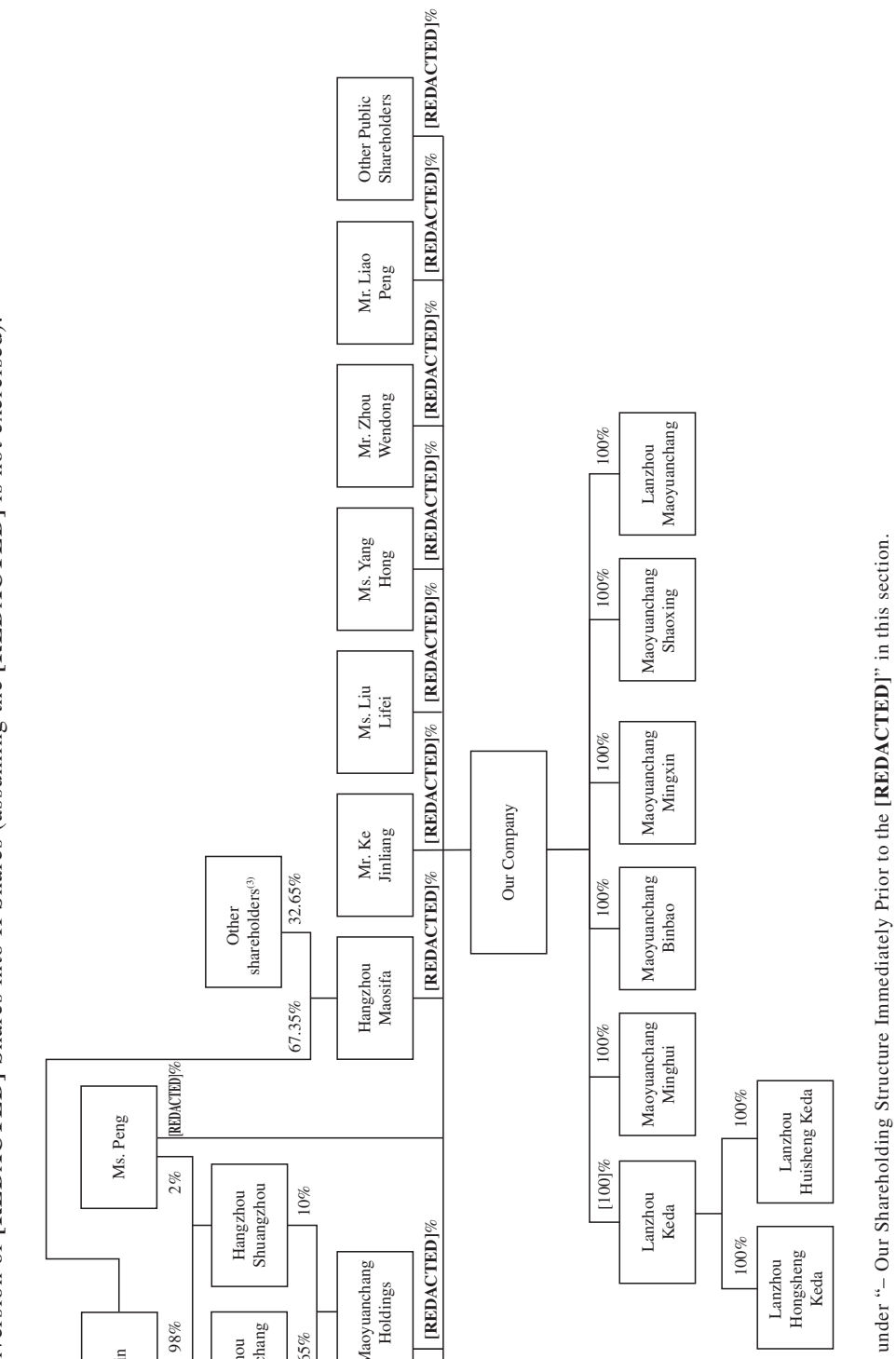
(1) This corporate structure only includes our principal operating subsidiaries.

(2) For details of the shareholding structure of Hangzhou Industrial Investment, see "– Pre-**[REDACTED]** Investments – Background of the Pre-**[REDACTED]** Investors"

(3) Of the 32.65% equity interest in Hangzhou Maosifa held by such shareholders, approximately 3.05% is held by Ms. Liu Lifei and Ms. Yang Hong respectively, 4.27% is held by Mr. An Yukun (安昱坤) (director and supervisor of certain of our subsidiaries), 2.44% is held by Ms. He Shuwen, and the remaining interests, each representing less than 2%, are held by other participants of the Employee Incentive Schemes.

OUR SHAREHOLDING STRUCTURE IMMEDIATELY FOLLOWING THE [REDACTED]

The following diagram illustrates the corporate and shareholding structure of our Group immediately following the completion of the **[REDACTED]** and the Conversion of **[REDACTED]** Shares into H Shares (assuming the **[REDACTED]** is not exercised):



Note: See notes (1) to (3) under "– Our Shareholding Structure Immediately Prior to the **[REDACTED]**" in this section.

OVERVIEW

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

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

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

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

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

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

COMPETITIVE STRENGTHS

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

A recognised heritage brand with over 160 years of history

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

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

Professional optometry service capabilities

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

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

Leading and diversified retail network in Zhejiang Province and Gansu Province

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

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

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

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

Wide product range comprising proprietary and third-party brands

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

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

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

Experienced and stable management team with deep industry expertise

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

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

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

DEVELOPMENT STRATEGIES

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

Strategic initiative: optical operation centre and advanced processing centre

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

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

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

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

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

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

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

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

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

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

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

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

Deepened customer segmentation: brand building and precision marketing

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

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

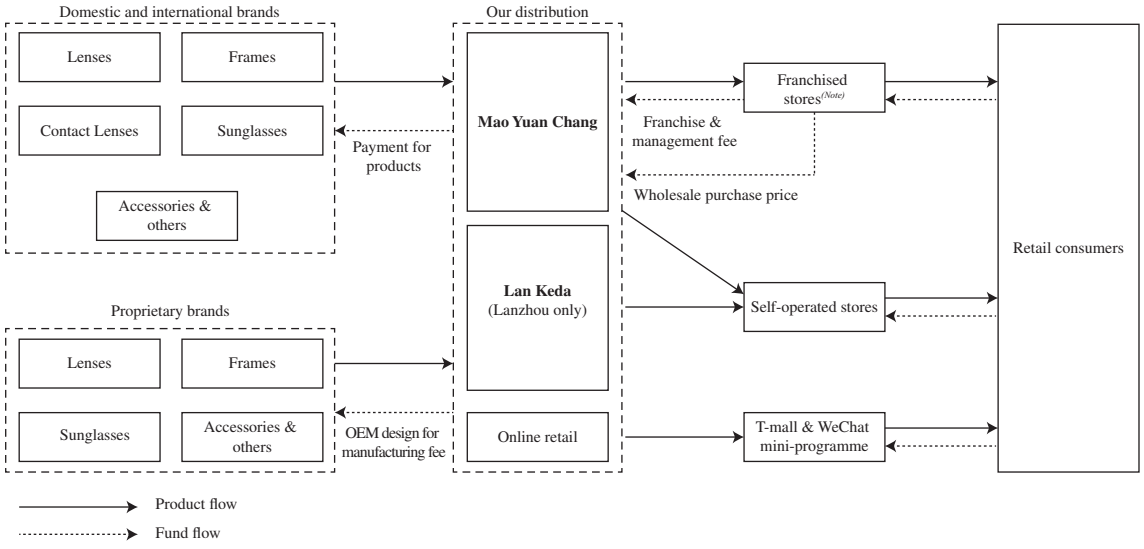
We intend to produce and distribute high-quality brand content online, which includes short videos, customer testimonials, educational materials on vision health (such as myopia prevention and lens technology explanations), and lifestyle imagery that highlights the role of prescription spectacles in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

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

OUR BUSINESS MODEL

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

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



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

OUR PRODUCTS AND SERVICES

Products

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

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

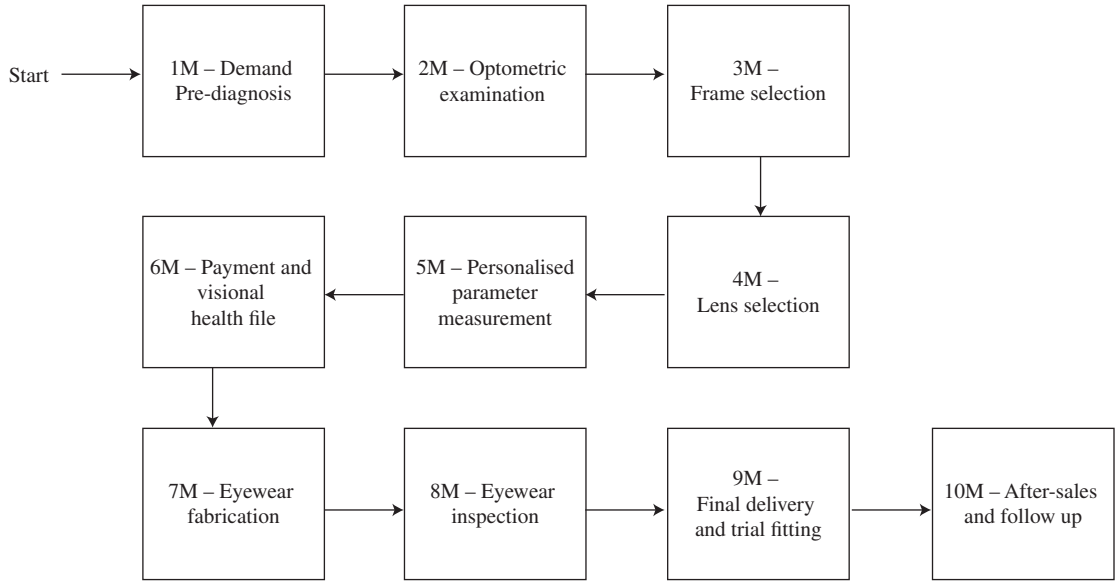
	For the year ended 31 December					
	2023		2024		2025	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Prescription spectacles	**216,853**	**79.7**	**200,579**	**80.1**	**211,338**	**79.6**
Proprietary brands	80,799	29.7	66,701	26.6	70,624	26.6
Third-party brands	136,054	50.0	133,878	53.5	140,714	53.0
Prescription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

Notes:

1. All products are third-party brands
2. Others include revenue from wholesale to our Associate Store, and sales of non-eyewear related consumables to franchised stores.

Sales procedure for prescription spectacles and prescription services

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



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

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

2M: Optometric examination

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

Every examination follows a strict protocol:

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

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

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

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

3M: Frame selection (professional personal image guidance)

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

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

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

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

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

6M: Payment and vision health file

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

7M: Eyewear fabrication (master-level processing)

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

8M: Eyewear inspection (strict national standard testing)

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

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

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

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

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

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

Our optometrists and professional vision-care expertise

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

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

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

Our brands

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

Our proprietary brands

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

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

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

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

Third-party brands

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

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

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

Pricing, promotion and margin management for our retail business

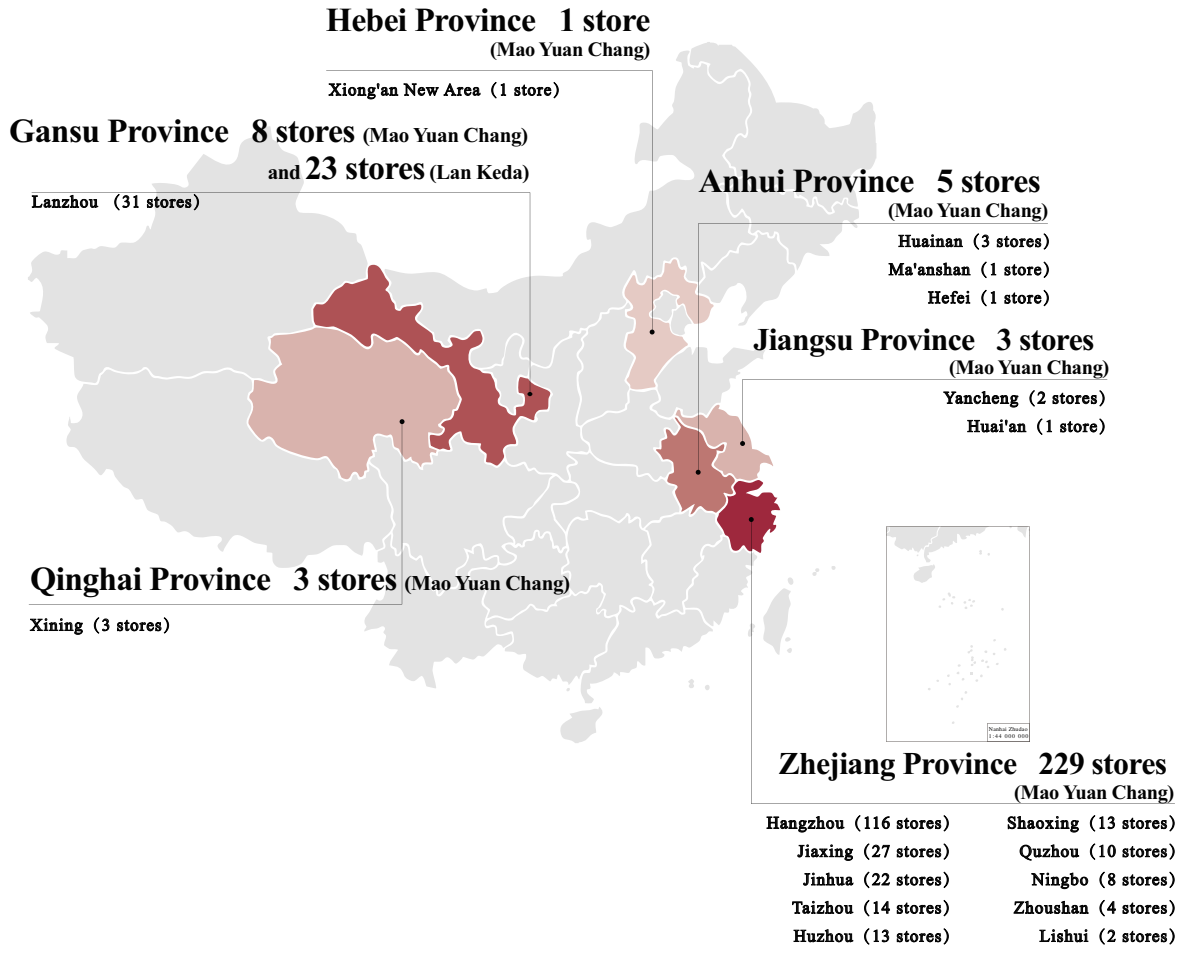
The retail prices of our proprietary brand eyewear products are determined based on various factors, including our OEM and operation costs of eyewear products, the price of comparable products in the market and market conditions. For third-party brands eyewear products, we align with recommended market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

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

OUR SALES NETWORK

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

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



Revenue breakdown by operating model and region

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

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

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

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

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

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

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

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

Self-operated model

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

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

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

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

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

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

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

Standardised Store Expansion and Management Process for Self-operated Stores

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

Market Research and Network Planning

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

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

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

Site Selection

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

- *Demographic & Economic Profile*: Average disposable income, population density, age distribution, and white-collar concentration in the catchment area.
- *Traffic & Accessibility*: Estimated pedestrian and vehicular traffic, visibility, proximity to public transport hubs, and parking availability.
- *Competitive Landscape*: Number, quality, and positioning of other eyewear retailers and complementary retail brands in the vicinity.
- *Commercial Terms*: Rental costs, lease terms, maintenance fees, and the projected return on investment (ROI).

Lease Negotiation and Finalisation

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

Store Design, Construction, and Fit-Out

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

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

Staff Recruitment and Training

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

Operational Breakeven Period and Investment Payback Period

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

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

Loss-Making Stores

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

Our Lan Keda Brand

1. Business Profile

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

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

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

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

2. Prior Use and Good-Faith Efforts

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

3. Legal assessment and potential exposure

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

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

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

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

i. Successful implementation of brand transition

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

ii. Financial impact and current status

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

iii. Trademark protection

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

iv. Indemnity from Mr. Jin

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

Franchise model

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

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

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

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

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

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

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

Notes:

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

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

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

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

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

Salient terms of the franchising agreement

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

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

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

Pricing for our wholesaling business

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

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

Franchised store ordering and procurement process

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

1. Ordering conferences

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

2. Ad-hoc Orders

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

Evolution and Pricing of Franchise Fees and Franchise Management Fees

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

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

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

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

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

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

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

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

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

The status as at the Latest Practicable Date remained unchanged.

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

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

Management and ongoing support to our franchised stores

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

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

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

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

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

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

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

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

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

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

Selection of franchised stores and approval of franchised store openings

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

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

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

Franchisee Group

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

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

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

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

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

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

For the year ended 31 December 2025

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

For the year ended 31 December 2024

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

For the year ended 31 December 2023

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

Notes:

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

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

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

Channel stuffing risk management

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

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

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

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

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

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

Third-Party Payment Arrangements

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

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

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

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

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

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

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

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

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

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

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

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

Reasons for using Third-Party Payment Arrangements

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

Rectifications of the Third-Party Payment Arrangements

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

Enhanced internal control measures for Third-Party Payment Arrangements

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

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

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

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

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

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

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

OPERATIONS MANAGEMENT

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

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

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

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

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

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

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

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

ANTI-CANNIBALISATION RISK MANAGEMENT

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

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

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

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

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

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

INVENTORY MANAGEMENT

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

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

PROCUREMENT

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

Our suppliers

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

Supplier selection and evaluation

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

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

Supply agreements and management

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

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

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

Key terms of supply agreements

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

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

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

For the year ended 31 December 2025

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

For the year ended 31 December 2024

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

For the year ended 31 December 2023

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

Note:

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

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

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

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

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

Proprietary Brands and OEM Arrangements

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

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

OEM Partner Selection and Management

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

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

Salient terms of our supply agreements with our OEM suppliers

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

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

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

Design and development process

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

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

Intellectual property protection

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

Quality assurance

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

Benefits of the OEM model

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

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

Consignment arrangements

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

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

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

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

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

Cost Management and Price Sensitivity Analysis

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

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

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

Anti-bribery and Anti-corruption Measures

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

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

LOGISTICS

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

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

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

PRODUCT SAFETY, PRODUCT QUALITY AND COMPLIANCE CONTROL

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

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

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

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

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

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

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

CUSTOMER BASE AND MARKETING

Scale and Engagement and our Loyalty Programme

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

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

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

Broad Demographic Appeal

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

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

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

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

Marketing and Brand Building

Our core marketing initiatives include:

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

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

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

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

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

OUR TECHNOLOGIES AND INTELLECTUAL PROPERTY

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

Core proprietary systems and digital infrastructure

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

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

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

Patented hardware innovations

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

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

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

USER PRIVACY AND DATA SAFETY

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

Scope and method of personal information collection

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

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

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

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

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

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

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

Data storage, retention, and the principle of minimum necessity

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

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

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

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

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

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

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

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

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

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

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

Organisational and Process Controls

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

Compliance Record and Legal Advisories

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

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

Cybersecurity Review Considerations

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

Going Forward

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

COMPETITION

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

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

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

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

EMPLOYEES

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

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

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

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

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

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

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

INSURANCE

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

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

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

INTELLECTUAL PROPERTY

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

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

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

PROPERTIES AND FACILITIES

Owned Properties

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

Leased Properties

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

LICENCES, PERMITS AND APPROVALS

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

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

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

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

ESG GOVERNANCE

ESG Management Structure

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

Material ESG Topics

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

ESG Risk Management

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

ENVIRONMENT

Climate change

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

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

Notes:

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

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

Packaging and waste management

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

SOCIAL RESPONSIBILITY

Franchised Store Management

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

Supply Chain Management

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

Product Quality Management

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

Customer Service Management

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

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

Community Relationship Management

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

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

Information Security and Privacy Protection

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

Employees

Recruitment and Protection of Rights and Interests

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

Remuneration and Benefits

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

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

Promotion and Training

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

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

Occupational Health and Safety

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

CORPORATE GOVERNANCE

Anti-corruption and Anti-bribery

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

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

LEGAL PROCEEDINGS AND COMPLIANCE

Litigation

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

Non-Compliance Incidents

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

Leased Properties

Leased Properties with Title Defects

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

Lease Registration and Filing

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

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

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

Internal Control Measures

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

Fire Protection

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

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

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

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

Social Insurance and Housing Provident Funds

Background

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

Potential Legal Consequences

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

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

Latest Status and Remedial Measures

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

RISK MANAGEMENT AND INTERNAL CONTROL

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

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

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

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

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

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

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

OUR CONTROLLING SHAREHOLDERS

As at the Latest Practicable Date, Maoyuanchang Holdings held approximately 46.27% of our Company, and Maoyuanchang Holdings was in turn owned as to (i) 65% by Hangzhou Dashengchang, a company wholly-owned by Mr. Jin, and (ii) 10% by Hangzhou Shuangzhou, a limited partnership controlled by Mr. Jin as the general partner and also held as to 98% by Mr. Jin and 2% by Ms. Peng.

As at the Latest Practicable Date, Ms. Peng and Hangzhou Maosifa held direct interest of approximately 24.52% and 7.59% in our Company, respectively. Hangzhou Maosifa is a limited partnership controlled by Mr. Jin as the general partner and also owned as to approximately 67.35% by Mr. Jin. Mr. Jin and Ms. Peng are spouse. For further details of Mr. Jin and Ms. Peng, see "Directors and Senior Management – Board of Directors" in this Document.

Accordingly, as at the Latest Practicable Date, Maoyuanchang Holdings, Hangzhou Dashengchang, Hangzhou Shuangzhou, Mr. Jin, Ms. Peng and Hangzhou Maosifa were together entitled to control approximately 78.38% of the voting rights of our Company, and are therefore regarded as a group of Controlling Shareholders of our Company.

Immediately following the completion of the **[REDACTED]** and the Conversion of **[REDACTED]** Shares into H Shares (assuming the **[REDACTED]** is not exercised), Maoyuanchang Holdings, Hangzhou Dashengchang, Hangzhou Shuangzhou, Mr. Jin, Ms. Peng and Hangzhou Maosifa will together be entitled to control the exercise of [63.34]% voting rights of the enlarged issued share capital of our Company and therefore will remain a group of Controlling Shareholders of our Company.

INTERESTS OF OUR CONTROLLING SHAREHOLDERS IN OTHER BUSINESSES

Each of our Controlling Shareholders and Directors confirms that he/she, and his/her respective close associates do not have any interest in a business, apart from the business of our Company, which competes or is likely to compete, directly or indirectly, with our businesses, which would require disclosure under Rule 8.10 of the Hong Kong Listing Rules.

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

Our Directors consider that we are capable of carrying out our business independently from, and does not place undue reliance on, our Controlling Shareholders and their respective close associates after the **[REDACTED]**, taking into account the following factors:

Management Independence

Our Board consists of nine Directors, comprising five executive Directors, one non-executive Director and three independent non-executive Directors. Although each of Mr. Jin and Ms. Peng is an executive Director, and both of them comprise our group of Controlling Shareholders, our management and operational decisions are made by our Board and senior management, all of whom have substantial experience in the industry in which we are engaged and/or in their respective fields of expertise. Also, Mr. Jin and Ms. Peng have a track record of devoting sufficient time and energy to discharge their duties as our Directors and senior management and they will continue to focus on our Group's business. When performing their duties as Directors, they have been and will continue to be supported by the separate and senior management team of the Group. The balance of power and authority is ensured by the operation of the senior management and our Board. See "Directors and Senior Management" in this Document for further details.

In addition, although Mr. Jin and Ms. Peng are our Controlling Shareholders, we consider that our Board and members of the senior management will function independently from our Controlling Shareholders and their respective close associates because of the following reasons:

(a) each of our Directors is aware of his/her fiduciary duties as a Director which require, among others, that he/she must act for the benefit of and in the best interests of our Company and not allow any conflict between his/her duties as a Director and his/her personal interests;

(b) three out of our nine Directors are independent non-executive Directors who have extensive experience in different professions. They have been appointed pursuant to the requirements under the Listing Rules to ensure that the decisions of the Board are made only after due consideration of independent and impartial opinions. We believe our independent non-executive Directors will be able to exercise their independent judgement to the decision-making process of our Board;

(c) where a Board meeting or Shareholders' meeting is held to consider a proposed transaction in which our Directors or our Controlling Shareholders or any of his or her close associates have a material interest, the relevant Directors or our Controlling Shareholder and his or her close associates shall abstain from voting on the relevant resolutions and shall not be counted towards the quorum for the voting;

(d) our daily management and operations are carried out by a senior management team. Except Mr. Jin, Ms. Peng and Mr. Lei Jin, our senior management team members are independent from our Controlling Shareholders and their close associates, all of whom have substantial experience in the industry in which our Company is engaged, and will therefore be able to make business decisions that are in the best interest of our Group; and

(e) we have adopted a series of corporate governance measures to manage conflicts of interest, if any, between our Group and our Controlling Shareholders which would support our independent management. See "– Corporate Governance" in this section for further details.

Based on the above, our Directors are satisfied that our Board as a whole together with our senior management team are able to perform their roles in our Company independently, and our Directors are of the view that our Company is capable of managing our business independently from our Controlling Shareholders after the **[REDACTED]**.

Operational Independence

We do not rely on our Controlling Shareholders and their close associates for our business operations. We have our own departments specialising in these respective areas which have been in operation and are expected to continue to operate separately and independently from our Controlling Shareholders and their close associates. In addition, we have our own headcount of employees for our operations and management for human resources.

As at the Latest Practicable Date, save as the transactions disclosed in "Connected Transactions" in this Document, our Directors do not expect that there will be any other significant transactions between our Group and our Controlling Shareholders and/or their close associates.

Based on the foregoing, our Directors believe that we are able to operate independently of our Controlling Shareholders and their close associates.

Financial Independence

Despite the fact that Ms. Peng, one of our Controlling Shareholders, also serves as our chief financial officer, our Company has established a dedicated finance department that operates independently with its own internal control, accounting, reporting and financial systems. Ms. Peng is assisted by an independent financial manager, Ms. He Shuwen, and a team of independent financial staff who are responsible for day-to-day financial operations, treasury functions, financial reporting, credit management and the implementation of internal control procedures of our Group.

Our finance department operates independently and is able to function without any undue influence from our Controlling Shareholders or their close associates. We have implemented a comprehensive internal control system covering key financial processes, including segregation of duties, authorisation hierarchies, reconciliation procedures, budgeting and forecasting controls, and risk assessment mechanisms for financial reporting and treasury activities. In addition, we have adopted standardised accounting policies based on applicable accounting standards and maintain an independent audit function to monitor the effectiveness of our financial controls on an ongoing basis. Further, upon **[REDACTED]**, the Audit Committee (comprising independent non-executive Directors only) will supervise our financial reporting process and internal control system, and will review the adequacy and effectiveness of our risk management and internal control measures on an ongoing basis.

Our Group has sufficient capital to operate its business independently, and has adequate internal resources and a strong credit profile to support its daily operations. During the Track Record Period, our Group had certain non-trade related amounts due from Mr Jin and Ms. Peng. For details, see Note 31 to the Accountant's Report in Appendix I to this document. All such amounts have been fully settled as at the Latest Practicable Date.

As at the Latest Practicable Date, there were no outstanding loans, advances or balances due to our Controlling Shareholders and/or their respective close associates, and there were no outstanding pledges or guarantees provided for our benefit by our Controlling Shareholders or their respective close associates.

There will be no financial assistance, security and/or guarantee provided by our Controlling Shareholders or their close associates in favour of our Group or vice versa upon the **[REDACTED]**. We engaged an independent internal control consultant to assist us in putting in place controls in relation to transactions with connected persons and their associates to ensure that any advances to or from such persons are in compliance with the Listing Rules.

Having considered that our future operations are not expected to be financed by our Controlling Shareholders or their close associates, our Directors are of the view that our Group is financially independent from our Controlling Shareholders and their close associates.

CORPORATE GOVERNANCE

We have put in place sufficient corporate governance measures to manage the conflict of interest and potential competition from our Controlling Shareholders and safeguard the interest of our Shareholders, including:

(a) where a Shareholders' meeting is to be held for considering proposed transactions in which our Controlling Shareholders or any of their close associates has a material interest, our Controlling Shareholders will not vote on the resolutions and shall not be counted in the quorum in the voting;

(b) our Company has established internal control mechanism to identify connected transactions. After the **[REDACTED]**, our Company will comply with the requirements in connection with connected transactions under the Listing Rules;

(c) where our Directors reasonably request the advice of independent professionals, such as independent financial advisors, the appointment of such independent professional will be made at our Company's expense;

(d) we have appointed Quam Capital Limited as our compliance advisor to provide advice and guidance to us in respect of compliance with the applicable laws and regulations, as well as the Listing Rules, including various requirements relating to corporate governance;

(e) we have established the audit committee, remuneration committee and nomination committee with written terms of reference in compliance with the Listing Rules and the Corporate Governance Code;

(f) our Controlling Shareholders will confirm the status of their non-competing interest on an annual basis and to provide all information necessary, including all relevant financial, operational and market information and any other necessary information as required by our Company;

(g) our independent non-executive Directors will review, on an annual basis, whether there are any conflicts of interests between our Group and our Controlling Shareholders and provide impartial and professional advice to protect the interests of our minority Shareholders; and

(h) our Company will disclose decisions (with basis), if any, on matters reviewed by the independent non-executive Directors either in its annual report or by way of announcements.

Our Directors consider that the above corporate governance measures are sufficient to manage any potential conflict of interests between our Controlling Shareholders and their respective close associates and our Group and to protect the interests of our Shareholders, in particular, the minority Shareholders.

OVERVIEW

We have entered into certain transactions with certain parties which will, upon the **[REDACTED]**, become our connected persons. Upon the **[REDACTED]**, the transactions disclosed under this section will constitute connected transactions under Chapter 14A of the Listing Rules.

CONNECTED PERSONS

Upon completion of the **[REDACTED]**, the following persons and entities with whom we have entered into transactions will be regarded as our connected persons under the Listing Rules:

Connected person	Connected relationship
Mr. Jin	Mr. Jin is an executive Director and a Controlling Shareholder.
Ms. Peng	Ms. Peng is an executive Director and a Controlling Shareholder.
Maoyuanchang Holdings	Maoyuanchang Holdings is held as to 65% by Hangzhou Dashengchang, which is in turn wholly-owned by Mr. Jin. Maoyuanchang Holdings is hence an associate of a connected person of our Company.
Lanzhou Dashengchang Business Management Co., Ltd.* (蘭州達盛昌商業管理有限公司) ("**Lanzhou Dashengchang**")	Lanzhou Dashengchang is held as to 90% by Mr. Chen Minghu (陳明虎) (uncle of Mr. Jin) and 10% by Mr. Jin Zengting (金增挺) (brother of Mr. Jin). As such, Lanzhou Dashengchang is an associate of a connected person of our Company.

ONE-OFF CONNECTED TRANSACTIONS

Property Lease Agreements

Principal terms

We have entered into property lease agreements (the "**Property Lease Agreements**") with Mr. Jin, Ms. Peng, Maoyuanchang Holdings and Lanzhou Dashengchang, respectively, to lease premises located in Lanzhou and Hangzhou (the "**Leased Premises**") as our self-operated stores. Details of the Property Lease Agreements are set out below:

Date of Agreement	Term of the Lease	Landlord	Tenant	Location of the Premise	Total Area	Annual Rental
1 January 2025	1 January 2025 to 31 December 2027	Mr. Jin	Lanzhou Xingyue Keda Eyewear Co., Ltd.* (蘭州星月科達眼鏡有限公司), our wholly-owned subsidiary	No. 25, Xigu Middle Street, Xigu District, Lanzhou	157.93 sq.m	RMB480,000

Date of Agreement	Term of the Lease	Landlord	Tenant	Location of the Premise	Total Area	Annual Rental
1 January 2025	1 January 2025 to 31 December 2027	Ms. Peng	Lanzhou Qiyao Keda Eyewear Co., Ltd.* (蘭州奇耀科達眼鏡有限公司), our wholly-owned subsidiary	No. 14 Heshui Road, Xigu District, Lanzhou	104.62	RMB420,000
1 January 2026	1 January 2026 to 31 December 2027	Ms. Peng	Lanzhou Huisheng Keda Eyewear Co., Ltd.* (蘭州輝盛科達眼鏡有限公司), our wholly-owned subsidiary	Unit 25, 1st Floor, No. 137 Zhangye Road, Chengguan District, Lanzhou	437.20 sq.m	RMB3,600,000
1 December 2021	1 January 2022 to 31 December 2027	Maoyuanchang Holdings	Our Company	No. 3 Xinmin Village, Qingbo Road, Shangcheng District, Hangzhou	70.00 sq.m	2022: RMB95,557.00 2023: RMB96,990.36 2024 to 2027: RMB98,445.21
1 April 2025	10 April 2025 to 9 April 2026	Lanzhou Dashengchang	Lanzhou Shengchang Maoyuanchang Eyewear Co., Ltd.* (蘭州盛昌毛源昌眼鏡有限公司), our wholly-owned subsidiary	No. 159 Anning West Road, Anning District, Lanzhou	115 sq.m	RMB477,000

Pricing policies

The annual rental for each of the leases under the Property Lease Agreements was arrived at after arm's length negotiations with reference to the prevailing market rates for similar properties in the vicinity of the Leased Premises and the historical transaction amounts. According to the fair rent letter issued by an independent valuer in relation to the Leased Premises who was engaged to perform an appraisal on the prevailing market rent for the Leased Premises, the annual rental of each of the Leased Premises is comparable to the prevailing market rate of similar properties in the vicinity. Our Directors are therefore of the view that the Property Lease Agreements have been entered into after arm's length negotiations, are on normal commercial terms and are fair and reasonable and in the interests of our Company and our Shareholders as a whole.

Right-of-use assets and lease liabilities

The value of the right-of-use assets and lease liabilities recognised by our Group in respect of each of the Property Lease Agreements according to IFRS 16 as at the commencement date of the leases are set out below:

Leased Premises	**Right-of-use asset and lease liabilities**
No. 25, Xigu Middle Street, Xigu District, Lanzhou	RMB1,372,000
No. 14 Heshui Road, Xigu District, Lanzhou	RMB1,190,000
Unit 25, 1st Floor, No. 137 Zhangye Road, Chengguan District, Lanzhou	RMB7,078,000
No. 3 Xinmin Village, Qingbo Road, Shangcheng District, Hangzhou	RMB511,000
No. 159 Anning West Road, Anning District, Lanzhou	RMB470,000

Reasons for and benefits of the transactions

We have been leasing the Leased Premises for our operations substantially throughout the Track Record Period. To avoid any unnecessary disruption to our store operations and the additional administrative burden and relocation costs associated with moving our self-operated stores to alternative locations, and given that the rental levels of the Leased Premises are consistent with prevailing market rates, our Directors consider that maintaining these leases is cost-efficient and beneficial to our business operations. Accordingly, our Directors are of the view that the Property Lease Agreements have been entered into after arm's length negotiations, are on normal commercial terms and are fair and reasonable and in the interests of our Group and our Shareholders as a whole.

Listing Rules Implications

In accordance with IFRS 16 "Leases", our Group recognised a right-of-use asset on the statement of financial position in respect of each lease of the Leased Premises. As a result, each lease of the Leased Premises under the Property Lease Agreements is regarded as an acquisition of a capital asset by our Group and constitutes a one-off connected transaction entered into by our Group prior to the **[REDACTED]**, rather than a continuing connected transaction, for the purpose of Chapter 14A of the Listing Rules. Accordingly, the reporting, announcement, annual review, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules will not apply to the leases of the Leased Premises under the Property Lease Agreements.

BOARD OF DIRECTORS

Our Board comprises nine Directors, including five executive Directors, one non-executive Director and three independent non-executive Directors. The Board is responsible and has general powers for the management and conduct of our business.

Our Board is responsible for, and has the general authority of, the management and operation of our Company. The major powers and duties of our Board include, but are not limited to, convening general meetings and reporting our Board's work at the general meetings of our Company, determining our Group's business and investment plans, determining the annual financial budgets and final accounts of our Company, formulating proposals for profit distributions and exercising other powers, functions and duties as conferred by the Articles of Association.

The table below sets out certain information regarding our Directors:

Name	Age	Position(s)	Date of joining our Group	Date of first appointment as Director	Roles and responsibilities	Relationship with other Directors and/or senior management
Executive Directors						
Mr. Jin Zengmin (金增敏)	52	Chairman of our Board, executive Director, chief executive officer, general manager	November 1996	August 2020	Planning overall development strategies, brand positioning, making major investment and operational decisions and overseeing corporate governance of our Group	Spouse of Ms. Peng
Ms. Peng Meiliu (彭美柳)	53	Executive Director, chief financial officer	November 1996	April 2024	Managing our Group's daily operations, overseeing our Group's financial management and implementing internal control policies and decision of our Board	Spouse of Mr. Jin
Mr. Lei Jin	33	Executive Director, product director	May 2022	August 2024	Executing product strategies, developing procurement systems, managing proprietary brands and coordinating supply chains	Son of Mr. Jin and Ms. Peng
Ms. Liu Lifei (劉立菲)	40	Executive Director, deputy general manager	August 2003	April 2024	Overseeing the overall operations of our Group's direct-operated and franchise businesses	None
Mr. Liao Peng (廖鵬)	40	Executive Director, deputy general manager	May 2025	March 2026	Overseeing brand strategy, developing market system, product planning, informatisation and operational management	None

Name	Age	Position(s)	Date of joining our Group	Date of first appointment as Director	Roles and responsibilities	Relationship with other Directors and/or senior management
Non-executive Director						
Mr. Sun Tao (孫濤)	30	Non-executive Director	September 2024	September 2024	Responsible for providing advice and making recommendation on the operation and management of our Group	None
Independent Non-executive Directors						
Prof. Zhang Guobiao (章國標)	48	Independent non-executive Director	April 2024[(1)]	April 2024[(1)]	Providing independent advice and judgement to our Board	None
Prof. Zhang Hongsheng (張洪勝)	37	Independent non-executive Director	April 2024[(2)]	April 2024[(2)]	Providing independent advice and judgement to our Board	None
Mr. Choi Tze Kit Sammy (蔡子傑)	63	Independent non-executive Director	March 2026	March 2026	Providing independent advice and judgement to our Board	None

Note:

(1) Prof. Zhang Guobiao served as an independent director of our Company from April 2024 to August 2024. He has been appointed as an independent non-executive Director since March 2026.

(2) Prof. Zhang Hongsheng served as an independent director of our Company from April 2024 to August 2024. He has been appointed as an independent non-executive Director since March 2026.

Executive Directors

Mr. Jin Zengmin (金增敏), aged 52, has served as the chairman of our Board and a Director since the establishment of our Company. He was redesignated as an executive Director in March 2026. He is also our chief executive officer and general manager. He is primarily responsible for planning overall development strategies, brand positioning, making major investment and operational decisions and overseeing corporate governance of our Group at the Board level.

Mr. Jin has many years of experience in the eyewear and optometry industry. In 1996, Mr. Jin founded Lanzhou Keda, one of the principal operating subsidiaries of our Group. From August 2012 to July 2020, Mr. Jin led the strategic transformation of Maoyuanchang Holdings from a traditional heritage eyewear enterprise to a mid-to-high-end eyewear service group.

Mr. Jin graduated from Zhejiang Industry and Trade Vocational College* (浙江工貿職業技術學院) with a major in optometry in June 2016 and is currently pursuing a Doctor of Business Administration (DBA) degree in the programme jointly offered by Peking University HSBC Business School and Singapore Management University. He holds the National Level II Optometrist Professional Qualification obtained in March 2017.

Mr. Jin is Ms. Peng's spouse and Mr. Lei Jin's father.

Mr. Jin was previously a director, supervisor and/or operator of the following PRC companies before their deregistration:

Company name	Position held	Date of dissolution	Nature of proceeding	Nature of business before dissolution
Maoyuanchang Eyewear (Wenzhou) Co., Ltd.* (毛源昌眼鏡(溫州)有限公司)	Director	11 August 2022	Dissolved by deregistration	Sales of eyewear products
Zhongshan Road Keda Ophthalmology Clinic* (中山路科達眼科診所)	Operator	1 July 2021	Dissolved by deregistration	Clinic services
Xining Zuojiayou Eyewear Co., Ltd.* (西寧左加右眼鏡有限公司)	Supervisor	26 April 2024	Dissolved by deregistration	Retail sales of eyewear products
Lanzhou Zhonghui Keda Eyewear Co., Ltd.* (蘭州中匯科達眼鏡有限公司)	Supervisor	24 June 2021	Dissolved by deregistration	Retail of eyewear products
Lanzhou Jianlan Keda Optical Co., Ltd.* (蘭州建蘭科達眼鏡有限公司)	Supervisor	12 December 2023	Dissolved by deregistration	Retail sales of eyewear products
Lanzhou Meiyuan Eyewear Co., Ltd.* (蘭州美源眼鏡有限責任公司)	Director	24 May 2007	Dissolved by deregistration	Retail of eyewear products
Lanzhou Leimeng Advertising Co., Ltd.* (蘭州雷蒙廣告有限公司)	Director	14 September 2012	Dissolved by deregistration	Design and production of advertisements

Company name	Position held	Date of dissolution	Nature of proceeding	Nature of business before dissolution
Lanzhou Chengguan District Zhonghui Microloan Co., Ltd.* (蘭州市城關區中匯小額貸款股份有限公司)	Director	24 February 2022	Dissolved by deregistration	Provision of microloan services
Meiyuan Optical Store (Zhongshan Road, Chengguan District)* (城關區中山路美源眼鏡店)	Operator	30 November 2010	Dissolved by deregistration	Retail of eyewear products
Anning Youku Optical Shop* (安寧優酷眼鏡行)	Operator	19 July 2018	Dissolved by deregistration	Retail of eyewear products
Keda Optical Shop (Jinchang South Road, Chengguan District)* (城關區金昌南路科達眼鏡行)	Operator	29 August 2018	Dissolved by deregistration	Retail of eyewear products
Maoyuanchang Optical Store (Yanbei Road, Chengguan District)* (城關區雁北路毛源昌眼鏡店)	Operator	6 July 2016	Dissolved by deregistration	Retail of eyewear products
Peacebird Clothing Store (Zhangye Road Pedestrian Street)* (張掖路步行街太平鳥服裝專賣店)	Operator	13 July 2015	Dissolved by deregistration	Clothing retail
Kalunmani Clothing Store (Zhangye Road)* (張掖路卡倫曼尼服裝店)	Operator	25 April 2018	Dissolved by deregistration	Clothing retail
Keda Eyewear Store (Xigu Middle Street)* (西固中街科達眼鏡店)	Operator	12 June 2017	Dissolved by deregistration	Retail of eyewear products
Keda Eyewear Store (Gannan Road, Chengguan District)* (城關區甘南路科達眼鏡店)	Operator	30 December 2016	Dissolved by deregistration	Retail of eyewear products

Ms. Peng Meiliu (彭美柳), aged 53, has been the chief financial officer of our Company since its establishment. Ms. Peng was appointed as a Director in April 2024 and redesignated as an executive Director in March 2026. She is primarily responsible for managing our Group's daily operations, overseeing our Group's financial management, and implementing internal control policies and decisions of our Board.

Ms. Peng has many years of experience in the eyewear and optometry industry. She commenced her career as operations manager at Lanzhou Keda in 1996. From 2010 to 2021, Ms. Peng served as the general manager of Lanzhou Keda. Since February 2012, Ms. Peng has been part of the management team of Maoyuanchang Holdings, where she has assisted in the establishment of a unified financial management and subsidiary governance framework, and overseen the executive management and operational coordination across multiple subsidiaries. Throughout her career, Ms. Peng has been responsible for corporate management, financial planning and team development, and has extensive experience in the standardised operation of regional chain enterprises.

Ms. Peng obtained her Associate degree in business administration from Northwest Normal University (西北師範大學) in June 2000.

Ms. Peng is Mr. Jin's spouse and Mr. Lei Jin's mother.

Ms. Peng was previously a supervisor or operator of the following PRC companies before their deregistration:

Company name	Position held	Date of dissolution	Nature of proceeding	Nature of business before dissolution
Lanzhou Leimeng Advertising Co., Ltd.* (蘭州雷蒙廣告有限公司)	Supervisor	14 September 2012	Dissolved by deregistration	Design and production of advertisements
Qilihe Maoyuanchang Eyewear Store* (七里河毛源昌眼鏡店)	Operator	29 June 2018	Dissolved by deregistration	Retail of eyewear products
Keda Eyewear Store, Guangchang South Road, Chengguan District* (城關區廣場南路科達眼鏡店)	Operator	29 August 2018	Dissolved by deregistration	Retail of eyewear products

Mr. Lei Jin, aged 33, was appointed as a Director in August 2024 and redesignated as an executive Director in March 2026. He has been the product director of our Company since August 2024. He is primarily responsible for the execution of product strategies, developing procurement systems, managing proprietary brands and coordinating supply chains.

Since joining our Group in May 2022, Mr. Lei Jin has held positions including operations manager from May 2022 and brand manager from March 2023 and engaged in our Group's operational management and brand system development.

Mr. Lei Jin obtained a Bachelor's degree in business management from Seneca College of Applied Arts and Technology in Canada (presently known as Seneca Polytechnic) in October 2017, and further obtained a Master's degree in business administration from Zhejiang University (浙江大學) in December 2020.

Mr. Lei Jin is Mr. Jin and Ms. Peng's son.

Ms. Liu Lifei (劉立菲) ("Ms. Liu"), aged 40, was appointed as a Director in April 2024 and redesignated as an executive Director in March 2026. She is primarily responsible for the overall operational management, sales management, personnel management, and business development of our Group's self-operated and franchised stores.

Ms. Liu possesses over 20 years of work and managerial experience in the eyewear retail and chain operations sector. She began her career at Lanzhou Keda in August 2003 as a sales person and served as store manager from May 2007 to August 2012, overseeing multiple outlets. In August 2012, Ms. Liu joined Maoyuanchang Holdings as an operations manager, where she was responsible for product development, proprietary brand system building, and merchandise centre management. In August 2020, Ms. Liu was appointed as the deputy general manager of our Company. She has been responsible for product development, proprietary brand system building, and merchandise centre management, continuously optimising our Group's product portfolio. She has also overseen our Group's franchise and wholesale businesses, leading her team in the steady expansion of our franchise network.

Ms. Liu graduated from Zhejiang Gongshang University (浙江工商大學) with a Bachelor's degree in economics and management in June 2022, and holds the National Level I Optometrist Professional Qualification obtained in December 2020.

Ms. Liu was previously a director of the following PRC companies before their deregistration:

Company name	Position held	Date of dissolution	Nature of proceeding	Nature of business before dissolution
Hangzhou Maoyuanchang Ophthalmic Clinic Co., Ltd.* (杭州毛源昌眼科診所有限公司)	Director	22 December 2021	Dissolved by deregistration	Retail of eyewear products
Hangzhou Maoyuanchang Xigu Eyewear Co., Ltd.* (杭州毛源昌溪谷眼鏡有限公司)	Director	10 April 2024	Dissolved by deregistration	Retail sales of eyewear products
Hangzhou Maoyuanchang Eyewear Co., Ltd.* (杭州毛遠昌眼鏡有限公司)	Director	30 September 2021	Dissolved by deregistration	Retail of eyewear products
Hangzhou Maoyuanchang Mingsheng Eyewear Co., Ltd.*(杭州毛源昌明盛眼鏡有限公司)	Director	25 July 2022	Dissolved by deregistration	Retail of eyewear products
Hangzhou Maoyuanchang Minghao Eyewear Co., Ltd.*(杭州毛源昌明豪眼鏡有限公司)	Director	19 March 2025	Dissolved by deregistration	Retail sales of eyewear products
Maoyuanchang Eyewear (Wenzhou) Co., Ltd.* (毛源昌眼鏡(溫州)有限公司)	supervisor	11 August 2022	Dissolved by deregistration	Sales of eyewear products

Mr. Liao Peng (廖鵬) ("**Mr. Liao**"), aged 40, has been a deputy general manager of our Company since May 2025. He was appointed as an executive Director in March 2026. Mr. Liao is primarily responsible for overseeing brand strategy, developing market systems, product planning, informatisation and operational management.

Mr. Liao has over 16 years of experience in brand management and market operations, having held senior management positions in listed companies and major consumer and manufacturing enterprises. From April 2017 to December 2023, Mr. Liao served as the marketing director at Shanghai Mingyue Glasses Co., Ltd.* (上海明月眼鏡有限公司), a wholly-owned subsidiary of Mingyue Optical Lens Co., Ltd.* (明月鏡片股份有限公司) (a company listed on the Shenzhen Stock Exchange ChiNext, stock code: 301101), overseeing the company's brand, marketing, product, and e-commerce operations while participating in its IPO-related activities.

Mr. Liao served as the marketing director at Ropilon Lubricant (Shanghai) Co., Ltd* (羅必潤油品(上海)有限公司) from March 2015 to June 2016, and at Shanghai Thenow Purification Technology Co., Ltd.* (上海士諾淨化科技有限公司) from July 2016 to January 2017, marketing director at Shanghai Purerains Electronic Technology Co., Ltd.* (普諾之星(上海)電子科技有限公司) from April 2014 to April 2015, and marketing department manager at Shenzhen Chuangwei-RGB Electronics Co., Ltd.* (深圳創維–RGB電子有限公司), an indirect wholly-owned subsidiary of Skyworth Group Limited (創維集團有限公司) (HKEx stock code: 00751), from August 2008 to July 2013.

Mr. Liao obtained his Bachelor's degree in information and computational science from Beijing Jiaotong University (北京交通大學) in July 2008 and Executive Master's degree in business administration from Shanghai Jiao Tong University (上海交通大學) in December 2023.

Non-executive Director

Mr. Sun Tao (孫濤) ("**Mr. Sun**"), aged 30, was appointed as a Director in September 2024 and redesignated as a non-executive Director in March 2026.

Mr. Sun has nearly 10 years of auditing, financial management and corporate risk control experience. He graduated from Nanjing University (南京大學) with a Bachelor's degree in political science and administrative science in July 2017. Mr. Sun is a Certified Public Accountant of China, Tax Advisor of China Certified Tax Agents Association and Intermediate Accountant of China. Previously, Mr. Sun served as a project manager at Pan-China Certified Public Accountants LLP* (天健會計師事務所(特殊普通合夥)) in 2020, and his last position was a senior project manager in 2023. Mr. Sun was a finance manager at Hangzhou Industrial Investment from October 2023 to October 2025. Since October 2025, Mr. Sun has been appointed as the deputy director of the audit and supervision department (risk control and legal affairs department) of Hangzhou Industrial Investment, where he oversees its audit supervision functions.

Independent Non-executive Directors

Mr. Choi Tze Kit Sammy (蔡子傑) ("**Mr. Choi**"), aged 63, was appointed as an independent non-executive Director in March 2026.

Mr. Choi is a seasoned accounting and finance professional with extensive experience in corporate governance, financial management, and Hong Kong listed company regulatory compliance. He graduated from the Hong Kong Shue Yan College (presently known as Hong Kong Shue Yan University) in 1985. He is a Certified Public Accountant (Practising) of Hong Kong and a fellow member of multiple professional bodies, including the Institute of Chartered Accountants in England and Wales, the Association of Chartered Certified Accountants, the Hong Kong Institute of Certified Public Accountants, the Society of Chinese Accountants and Auditors, and the Hong Kong Institute of Directors. He is also a Certified Tax Advisor (Hong Kong) and a member of the Association of Hong Kong Capital Market Practitioners Limited, and holds a Specialist Designation in Insolvency granted by the Hong Kong Institute of Certified Public Accountants.

Mr. Choi is currently an independent non-executive director of Minshang Creative Technology Holdings Limited (HKEx Stock Code: 1632). He previously served as an independent non-executive director of several other listed companies, including Ernest Borel Holdings Limited (HKEx Stock Code: 1856) from October 2016 to August 2017, PanAsialum Holdings Company Limited (HKEx Stock Code: 2078) from February 2016 to February 2017, Fufeng Group Limited (HKEx Stock Code: 546) from January 2007 to November 2015, Yun Sky Chemical (International) Holdings Limited (formerly known as Swank International Manufacturing Company Limited) (HKEx Stock Code: 663) from August 2005 to September 2008, Siji Group Company Limited (HKEx Stock Code: 1863) from January 2010 to February 2011, and Prinx Chengshan Holdings Limited (HKEx Stock Code: 1809) from September 2018 to February 2026.

Mr. Choi has been a council member of Hong Kong Chiu Chow Merchants Mutual Assistance Society Limited. He has also been the Council Member of the Society of Chinese Accountants and Auditors from 2010 to 2015.

Prof. Zhang Guobiao (章國標), aged 48, was appointed as an independent non-executive Director in March 2026.

Prof. Zhang Guobiao graduated from Zhejiang University in June 2011 with a Master's degree in business administration. He is a Certified Public Accountant of China with the qualification of senior accountant. From April 2015 to June 2018, he served as a professor at Hangzhou Wanxiang Polytechnic* (杭州萬向職業技術學院). He is currently an associate professor in the Business School of Hangzhou City University (浙大城市學院). He has served as an independent director of Assure Tech. (Hangzhou) Co., Ltd.* (杭州安旭生物科技股份有限公司) (a company listed on the Shanghai Stock Exchange, stock code: 688075) from December 2019 to August 2025, Hangzhou Jintong Technology Group Co., Ltd.* (杭州金通科技集團股份有限公司) (a company listed on NEEQ, stock code: 834069) since September 2024 and Transfer Zhilian Co., Ltd.* (傳化智聯股份有限公司) (a company listed on the Shenzhen Stock Exchange, stock code: 002010) since May 2025.

Prof. Zhang Guobiao was previously a director of the following PRC company before its deregistration:

Company name	Position held	Date of dissolution	Nature of proceeding	Nature of business before dissolution
Hangzhou Huiside Financial Consulting Co., Ltd.*（杭州慧思得財務諮詢有限公司）	Director	15 August 2019	Dissolved by deregistration	Financial consultation

Prof. Zhang Hongsheng (張洪勝), aged 37, was appointed as an independent non-executive Director in March 2026.

Prof. Zhang Hongsheng obtained his Ph.D. degree in Economics from the School of Economics, Zhejiang University in June 2017. He is currently an associate professor at the School of Economics of Zhejiang University and served as the deputy director of the Department of International Economics and Trade. He is a recipient of the Outstanding Doctoral Thesis on Economics Research in China (2018) issued by the National Economics Foundation, a selected scholar under the fifth cohort of the "Zhijiang Youth Social Science Scholar Action Plan" of Zhejiang Province in 2021, and one of the inaugural awardees of the Outstanding Scholar Award of the School of Economics at Zhejiang University in 2020.

Prof. Zhang Hongsheng has led the Youth Programme of the National Natural Science Foundation of China from January 2019 to December 2021, the Youth Fund Project of Humanities and Social Sciences under the Ministry of Education in 2020, and the Special Funding Project of the China Postdoctoral Science Foundation in 2018.

SENIOR MANAGEMENT

Our senior management members are responsible for the day-to-day operations and management of the business of our Group. The following table sets forth certain information regarding our senior management:

Name	Age	Position(s)	Date of joining our Group	Date of first appointment as senior management	Roles and responsibilities
Mr. Jin Zengmin (金增敏)	52	Chairman of our Board, executive Director, chief executive officer, general manager	November 1996	November 1996	Planning overall development strategies, brand positioning, making major investment and operational decisions and overseeing corporate governance of our Group
Ms. Peng Meiliu (彭美柳)	53	Executive Director, chief financial officer	November 1996	November 1996	Managing our Group's daily operations, overseeing our Group's financial management and implementing internal control policies and decision of our Board
Mr. Lei Jin	33	Executive Director, product director	May 2022	May 2022	Executing product strategies, developing procurement systems, managing proprietary brands and coordinating supply chains
Ms. Liu Lifei (劉立菲)	40	Executive Director, deputy general manager	August 2003	August 2020	Overseeing the overall operations of our Group's direct-operated and franchise businesses
Mr. Liao Peng (廖鵬)	40	Executive Director, deputy general manager	May 2025	May 2025	Overseeing brand strategy, developing market system, product planning, informatisation and operational management
Ms. Yang Hong (楊紅)	45	Deputy general manager	February 2000	November 2021	Overseeing the overall operations and management of Lanzhou Keda

For biographies of Mr. Jin, Ms. Peng, Mr, Lei Jin, Ms. Liu and Mr. Liao, see "– Board of Directors – Executive Directors" in this section. The details of Ms. Yang Hong is set out below:

Ms. Yang Hong (楊紅) ("**Ms. Yang**"), aged 45, has been a deputy general manager of our Company since February 2026 and the general manager of Lanzhou Keda since November 2021. She is responsible for overseeing Lanzhou Keda's business operations, development and team management.

Ms. Yang has more than 25 years of management experience in the optical retail and optometry industry. Prior to her appointment as the general manager of Lanzhou Keda, Ms. Yang progressed through a range of frontline and managerial positions within Lanzhou Keda, including salesperson, store manager, logistics department manager and deputy general manager, through which she has gained extensive operational and management experience.

Ms. Yang obtained her Bachelor's degree in business administration from Lanzhou University (蘭州大學) in September 2005 and executive Master of business administration degree from the same university in July 2014. In July 2020, Ms. Yang graduated from Zhejiang Industry and Trade Vocational College with a major in optometry. She also holds a National Level II Optometrist Professional Qualification.

JOINT COMPANY SECRETARIES

Ms. He Shuwen (何叔雯) ("**Ms. He**"), aged 38, has been appointed as the joint company secretary in March 2026. She has been the financial manager of our Group since September 2020, where she is responsible for our Group's overall financial management.

Ms. He has over 10 years of experience in accounting, financial management and tax planning. From December 2010 to July 2020, Ms. He served as a finance manager at Xtep Gansu Sales Co., Ltd.* (特步甘肅銷售公司), where she was responsible for financial reporting, coordinating the preparation of business budgets and overall financial management.

Ms. He obtained her Bachelor's degree in accounting from Zhixing College of Northwest Normal University in June 2011, where she was awarded the National Encouragement Scholarship in recognition of her outstanding academic performance and well-rounded achievements. Ms. He was admitted as an intermediate accountant in December 2014.

Ms. Chu Mei Yi (朱美兒) ("**Ms. Chu**"), aged 33, has been appointed as one of our joint company secretaries in March 2026. Ms. Chu is the company secretarial manager of Bird & Bird. Ms. Chu has previously served as a company secretarial officer at Hong Kong Exchanges and Clearing Limited (HKEx Stock Code: 388).

Ms. Chu holds a Bachelor of Laws degree from the University of London and a Bachelor of Business Administration in Accounting from Hong Kong Metropolitan University. She is an associate member of both The Hong Kong Chartered Governance Institute and The Chartered Governance Institute in the United Kingdom.

CONFIRMATION FROM OUR DIRECTORS

Rule 8.10 of the Listing Rules

As at the Latest Practicable Date, none of our Directors and their respective close associates had any interest in any business which competes or is likely to compete, either directly or indirectly, with our Group's business which would require disclosure under Rule 8.10 of the Listing Rules.

Rule 3.09D of the Listing Rules

Each of our Directors confirmed that he or she (i) had obtained the legal advice referred to under Rule 3.09D of the Listing Rules in March 2026; and (ii) understood his or her obligations as a director of a **[REDACTED]** under the Listing Rules.

Rule 3.13 of the Listing Rules

Each of our independent non-executive Directors has confirmed (i) his independence as regards each of the factors referred to in Rules 3.13(1) to (8) of the Listing Rules; (ii) that he had no past or present financial or other interest in the business of the Company or its subsidiary or any connection with any core connected person of the Company under the Listing Rules as at the Latest Practicable Date; and (iii) that there were no other factors that may affect his independence at the time of his appointment. Each of our independent non-executive Directors will inform us and the Stock Exchange as soon as practicable if there is any subsequent change of circumstances which may affect his independence.

Rule 13.51 of Listing Rules

Save as disclosed herein, to the best knowledge, information and belief of our Directors having made all reasonable enquiries, there was no other matter with respect to the appointment of our Directors that needs to be brought to the attention of the Shareholders and there was no information relating to our Directors that is required to be disclosed pursuant to Rule 13.51(2)(a) to (v) of the Hong Kong Listing Rules as at the Latest Practicable Date.

BOARD COMMITTEES

In accordance with the relevant laws and regulations of the PRC, the Articles of Association, the Corporate Governance Code and the Listing Rules, we have established the following committees within our Board, namely, Audit Committee, Nomination Committee and Remuneration Committee. The committees operate in accordance with the terms of reference adopted by our Board.

Audit Committee

The Audit Committee consists of three members, namely, Mr. Choi Tze Kit Sammy, Prof. Zhang Guobiao and Prof. Zhang Hongsheng. Mr. Choi Tze Kit Sammy, an independent non-executive Director with appropriate accounting and financial management expertise in compliance with the requirements under Rules 3.10(2) and 3.21 of the Listing Rules, is the chairman of the committee. The primary duties of the Audit Committee are to make recommendations to our Board on the appointment, re-appointment and removal of external auditors; review the financial statements; provide material advice in respect of our financial reporting process; oversee our internal control and risk management systems and audit process; and provide advice and comment to our Board on matters related to corporate governance.

Nomination Committee

The Nomination Committee consists of five members, namely, Mr. Jin, Ms. Peng, Mr. Choi Tze Kit Sammy, Prof. Zhang Guobiao and Prof. Zhang Hongsheng. Mr. Jin is the chairman of the committee. The primary duties of the Nomination Committee are to review the structure, size and composition (including the skills, knowledge and experience) of our Board; and review and make recommendations to the Board on appointment of Directors and the management of the Board succession.

Remuneration Committee

The Remuneration Committee consists of three members, namely, Prof. Zhang Guobiao, Mr. Jin and Mr. Choi Tze Kit Sammy. Prof. Zhang Guobiao is the chairman of the committee. The primary duties of the Remuneration Committee are to make recommendations to our Board regarding our policy and structure for the remuneration of our Directors and senior management and on the establishment of a formal and transparent procedure for developing remuneration policies, and to make recommendations to our Board on the remuneration packages of our Directors and senior management and on the employee benefit arrangement.

WAIVERS GRANTED BY THE STOCK EXCHANGE

We have applied to the Stock Exchange for, and the Stock Exchange [has granted], waivers from strict compliance with the requirements (i) under Rules 8.12 and 19A.15 of the Listing Rules in relation to the requirement of management presence in Hong Kong and (ii) under Rules 3.28 and 8.17 of the Listing Rules in relation to joint company secretaries. For details of the waiver, see "Waivers from Strict Compliance with the Listing Rules" in this Document.

CORPORATE GOVERNANCE

Our Directors recognise the importance of good corporate governance in management and internal procedures so as to achieve effective accountability. As at the Latest Practicable Date, to the best of the knowledge, information and belief of our Directors having made all reasonable enquiries, save as disclosed below, our Directors were not aware of any deviation from the code provisions of the Corporate Governance Code as set out in Appendix C1 to the Listing Rules.

Code Provision C.2.1 of Part 2 of the Corporate Governance Code as set out in Appendix C1 to the Listing Rules recommends, but does not require, that the roles of chairman and chief executive should be separate and that such roles should not be performed by the same person. Our Company deviates from this provision because Mr. Jin performs both the roles of the chairman of the Board and the chief executive officer of our Company. As Mr. Jin has provided strategic guidance and leadership to our Company, our Board believes that vesting the roles of both chairman and chief executive officer to Mr. Jin has the benefit of ensuring consistent leadership within our Group and enables more effective and efficient overall strategic planning. This structure will enable our Company to make and implement decisions promptly and effectively. Our Board considers that the balance of power and authority will not be impaired due to this arrangement. In addition, all major decisions are made in consultation with members of our Board, including the relevant Board committees, and three independent non-executive Directors. Our Board will reassess the division of the roles of the chairman and chief executive officer from time to time, and may recommend dividing the two roles between different people in the future, taking into account the circumstances of our Group as a whole.

BOARD DIVERSITY POLICY

In order to enhance the effectiveness of our Board and to maintain the high standard of corporate governance, we have adopted the board diversity policy which sets out the objective and approach to achieve and maintain diversity of our Board. Pursuant to the board diversity policy, we seek to achieve Board diversity through the consideration of a number of factors when selecting the candidates to our Board, including but not limited to gender, skills, age, professional experience, knowledge, cultural, education background, ethnicity and length of service. The ultimate decision of appointment will be based on merit and the contribution which the selected candidates will bring to our Board.

Our Directors have a balanced mix of knowledge and skills. They obtained degrees in various majors. We have three independent non-executive Directors with different industry backgrounds, representing one-third of the Board. Furthermore, our Board has a wide range of age, ranging from 30 years old to 63 years old, and comprises two female Directors and seven male Directors. Taking into account our existing business model and specific needs as well as the different background of our Directors, the composition of our Board satisfies our board diversity policy.

In recognition of the particular importance of the gender diversity, our Nomination Committee will continue to and from time to time identify suitable candidates of both genders to our Board to be appointed as Directors. We will also continue to ensure that there is gender diversity when recruiting staff at middle to senior level so that we will have a pipeline of female senior management and potential successors to our Board in due time to ensure gender diversity of our Board. Our Directors believe that such merit-based appointments with reference to our diversity policy and the nature of our business will be in the best interest of our Company and our Shareholders as a whole. To allow our Shareholders to be able to judge whether board diversity is achieved, we will provide our Shareholders with detailed information of each candidate for appointment or re-election to our Board through announcements and circulars published prior to general meetings of our Company.

Our Nomination Committee is responsible for ensuring the diversity of our Board members. Upon **[REDACTED]**, our Nomination Committee will review our board diversity policy on an annual basis to ensure its continued effectiveness, and we will disclose in our corporate governance report about the implementation of our board diversity policy on an annual basis.

COMPLIANCE ADVISOR

We have appointed Quam Capital Limited as our compliance advisor upon **[REDACTED]** pursuant to Rules 3A.19 of the Listing Rules. Pursuant to Rules 3A.23 of the Listing Rules, it is expected that our compliance advisor will, among other things, advise us in the following circumstances:

(a) before the publication of any regulatory announcement, circular or financial report;

(b) where a transaction, which might be notifiable or connected transaction, is contemplated, including share issues and share repurchases;

(c) where we propose to use the **[REDACTED]** of the **[REDACTED]** in a manner different from that detailed in this Document;

(d) where our business activities, developments or results deviate from any forecast, estimate or other information in this Document; and

(e) where the Stock Exchange makes an inquiry of our Company under Rule 13.10 of the Listing Rules regarding unusual movements in the price or trading volume of our Shares.

The term of the appointment of the compliance advisor will commence on the **[REDACTED]** and end on the date on which we distribute our annual report of our financial results for the first full financial year commencing after the **[REDACTED]**, and such appointment may be subject to extension by mutual agreement.

REMUNERATION AND COMPENSATION OF DIRECTORS AND SENIOR MANAGEMENT

Our Directors and members of our senior management receive compensation from our Group in the form of salaries, bonuses, contributions to retirement benefit schemes, allowances and benefits in kind.

The aggregate amount of remuneration (including directors' fee, salaries, allowances and benefits in kind, discretionary bonuses, retirement scheme contributions and share-based payments) received by our Directors were nil, approximately RMB0.88 million and approximately RMB1.49 million for the three years ended 31 December 2023, 2024 and 2025, respectively.

The aggregate amount of remunerations and benefits in kind paid to our Company's five highest paid individuals were approximately RMB1.71 million, RMB1.74 million and RMB2.48 million for the three years ended 31 December 2023, 2024 and 2025, respectively.

Pursuant to the arrangements currently in force, the aggregate amount of remuneration (excluding discretionary bonus) payable to and the benefits in kind receivable by our Directors for the year ending 31 December 2026 is estimated to be no more than RMB2.01 million.

No remuneration or compensation was paid to, or receivable by, our Directors, past Directors or the five highest paid individuals of our Company for the Track Record Period as an inducement to join or upon joining us or as a compensation for the loss of office in connection with the management of the affairs of any member of our Group. Further, none of our Directors had waived any emoluments during the same period.

Save as disclosed above, no other emoluments had been made or were payable during the Track Record Period by our Group to our Directors or the five highest paid individuals of our Company.

SUBSTANTIAL SHAREHOLDERS AS AT THE LATEST PRACTICABLE DATE

To the best of our Directors' knowledge and information, immediately following the completion of the **[REDACTED]** and without taking into account any H Shares which may be issued pursuant to the exercise of the **[REDACTED]**, the following persons will have an interest or short position in our Shares or the underlying Shares which would fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or, will be, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company:

Name of Shareholder	**Nature of interest**	**As at the Latest Practicable Date**		**Immediately following the Completion of the [REDACTED] (assuming the [REDACTED] is not exercised)**	
		Number of [REDACTED] Shares held[(1)]	**Approximate percentage of shareholding in the total issued share capital of our Company[(2)]**	**Number of Shares held[(1)(3)]**	**Approximate percentage of shareholding in the total share capital of our Company[(4)]**
Mr. Jin	Interest in controlled corporation[(5)]	14,873,344	53.86%	**[REDACTED]**	**[REDACTED]**%
	Interest of spouse [(6)]	6,772,212	24.52%	**[REDACTED]**	**[REDACTED]**%
Ms. Peng	Beneficial interest	6,772,212	24.52%	**[REDACTED]**	**[REDACTED]**%
	Interest of spouse [(6)]	14,873,344	53.86%	**[REDACTED]**	**[REDACTED]**%
Maoyuanchang Holdings	Beneficial interest[(5)]	12,777,778	46.27%	**[REDACTED]**	**[REDACTED]**%
Hangzhou Industrial Investment	Beneficial interest	3,407,404	12.34%	**[REDACTED]**	**[REDACTED]**%
Hangzhou Maosifa	Beneficial interest[(5)]	2,095,556	7.59%	**[REDACTED]**	**[REDACTED]**%
Hangzhou Dashengchang	Interest in controlled corporation[(7)]	12,777,788	46.27%	**[REDACTED]**	**[REDACTED]**%

Notes:

(1) All interests stated are long positions.

(2) The calculation is based on the total number of 27,614,952 **[REDACTED]** Shares in issue as at the Latest Practicable Date.

(3) For the avoidance of doubt, both **[REDACTED]** Shares and H Shares are ordinary Shares in the share capital of our Company, and are considered as one class of Shares.

(4) The calculation is based on the total number of **[REDACTED]** H Shares in issue immediately following the completion of the **[REDACTED]** since **[REDACTED] [REDACTED]** Shares will be converted into H Shares and **[REDACTED]** H Shares will be issued pursuant to the **[REDACTED]**, assuming that the **[REDACTED]** is not exercised.

(5) Maoyuanchang Holdings is held (i) as to 65% by Hangzhou Dashengchang, which is in turn wholly-owned by Mr. Jin; and (ii) as to 10% by Hangzhou Shuangzhou, which is held as to 98% by Mr. Jin and 2% by Ms. Peng and also controlled by Mr. Jin as general partner. Hangzhou Maosifa is a limited partnership controlled by Mr. Jin as general partner, who also holds 67.35% equity interest in Hangzhou Maosifa. Accordingly, by virtue of the SFO, Mr. Jin is deemed to be interested in the H Shares held by Maoyuanchang Holdings and Hangzhou Maosifa.

(6) Mr. Jin and Ms. Peng are spouses. By virtue of the SFO, Mr. Jin and Ms. Peng are deemed to be interested in the same number of H Shares in which the other is interested.

(7) Maoyuanchang Holdings is owned as to 65% by Hangzhou Dashengchang. By virtue of the SFO, Hangzhou Dashengchang is deemed to be interested in the same number of H Shares held by Maoyuanchang Holdings.

Save as disclosed above and in "Statutory and General Information – C. Further Information about Our Directors and Substantial Shareholders – 1. Disclosure of Interests – (a) Disclosure of Interests of Substantial Shareholders" in Appendix VI to this Document, our Directors are not aware of any persons who will, immediately following completion of the **[REDACTED]** (assuming the **[REDACTED]** is not exercised), have interests or short positions in Shares or underlying Shares which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO or, will be, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company or any other members of our Group.

This section presents certain information regarding our share capital prior to and upon the completion of the **[REDACTED]**.

BEFORE THE [REDACTED]

As at the Latest Practicable Date and immediately before the completion of the **[REDACTED]**, the registered share capital of our Company is RMB27,614,952, divided into 27,614,952 **[REDACTED]** Shares with a nominal value of RMB1.00 each.

UPON COMPLETION OF THE [REDACTED]

Assuming the **[REDACTED]** is not exercised, the share capital of our Company immediately after completion of the **[REDACTED]** will be as follows:

Description of Shares	Number of Shares	Approximate percentage of the total issued share capital
H Shares to be converted from **[REDACTED]** Shares	**[REDACTED]**	**[REDACTED]**%
H Shares to be issued pursuant to the **[REDACTED]**	**[REDACTED]**	**[REDACTED]**%
Total	**[REDACTED]**	**[REDACTED]**%

Assuming the **[REDACTED]** is exercised in full, the share capital of our Company immediately after Completion of the **[REDACTED]** will be as follows:

Description of Shares	Number of Shares	Approximate percentage of the total issued share capital
H Shares to be converted from **[REDACTED]** Shares	**[REDACTED]**	**[REDACTED]**%
H Shares to be issued pursuant to the **[REDACTED]**	**[REDACTED]**	**[REDACTED]**%
Total	**[REDACTED]**	**[REDACTED]**%

OUR SHARES

Upon completion of the **[REDACTED]** and the conversion of **[REDACTED]** Shares into H Shares, our Company would have H Shares only. Both **[REDACTED]** Shares and H Shares are ordinary shares in the share capital of our Company and are regarded as the same class of Shares. Apart from certain qualified domestic institutional investors in the PRC, certain qualified PRC investors under the Shanghai-Hong Kong Stock Connect and the Shenzhen-Hong Kong Stock Connect, and other persons who are entitled to hold our H Shares pursuant to relevant PRC laws and regulations or upon approvals of any competent authorities, H Shares generally cannot be subscribed by or traded among legal and natural persons of the PRC.

[REDACTED] Shares and H Shares are regarded as one class of Shares under our Articles of Association and will rank *pari passu* with each other in all respects and, in particular, will rank equally for all dividends or distributions declared, paid or made after the date of this Document. All dividends in respect of the H Shares are to be paid by us in Hong Kong dollars or in the form of H Shares.

CONVERSION OF [REDACTED] SHARES INTO H SHARES

Pursuant to the regulations prescribed by the securities regulatory authorities of the State Council and the Articles of Association, the **[REDACTED]** Shares may be converted into **[REDACTED]** Shares. Such converted Shares could be listed or traded on an overseas stock exchange, provided that prior to the conversion and trading of such converted Shares, any requisite internal approval process and the filing with the CSRC have been duly completed. In addition, such conversion and trading shall comply with the regulations prescribed by the securities regulatory authorities of the State Council and the regulations, requirements and procedures prescribed by the relevant overseas stock exchange including the approval of the Stock Exchange.

Registration with the CSRC and Full Circulation Application

In accordance with the Guidelines for the "Full Circulation Programme for Domestic **[REDACTED]** Shares of H-share Listed Companies" (《H股公司境內未上市股份申請「全流通」業務指引》) announced by the CSRC, H-share listed companies which apply for the conversion of shares into H shares for **[REDACTED]** and circulation on the **[REDACTED]** shall register with the CSRC. An unlisted joint stock company may apply for "full circulation" when applying for an overseas **[REDACTED]**.

Our Company has applied for a "full circulation" filing when applying for an overseas **[REDACTED]** filing with the CSRC on [•], and [submitted] the filing reports, authorisation documents of the shareholders of **[REDACTED]** Shares for which an H-share "full circulation" filing was applied, undertaking on the compliance of share acquisition and other documents in accordance with the requirements of the CSRC.

[REDACTED] Approval by the Stock Exchange

We have applied to the Stock Exchange for the granting of **[REDACTED]** of, and permission to deal in, our H Shares to be issued pursuant to the **[REDACTED]** (including any H Shares which may be issued pursuant to the exercise of the **[REDACTED]**), which is subject to the approval by the Stock Exchange.

We will perform the following procedures for the conversion of **[REDACTED]** Shares into H Shares after receiving the approval of the Stock Exchange: (a) giving instructions to our H **[REDACTED]** regarding relevant share certificates of the converted H Shares; and (b) enabling the converted H Shares to be accepted as eligible securities by **[REDACTED]** for deposit, clearance and settlement in the **[REDACTED]**.

TRANSFER OF SHARES ISSUED PRIOR TO THE [REDACTED]

The PRC Company Law provides that in relation to the **[REDACTED]** of a company, the shares issued prior to the **[REDACTED]** shall not be transferred within a period of one year from the date on which the **[REDACTED]** shares are **[REDACTED]** on any stock exchange. Accordingly, Shares issued by our Company prior to the **[REDACTED]** shall be subject to this statutory restriction and not be transferred within a period of one year from the **[REDACTED]**.

SHAREHOLDERS' GENERAL MEETINGS AND CLASS MEETINGS

For details of circumstances under which our general Shareholders' meeting and classified Shareholders' meeting are required, see "Summary of the Articles of Association" in Appendix V to this Document and "Summary of Principal Legal and Regulatory Provisions" in Appendix IV to this Document.

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.

FUTURE PLANS

See "Business – Development Strategies" for a detailed description of our future plans.

USE OF [REDACTED]

We estimate that we will receive net **[REDACTED]** from the **[REDACTED]** of approximately HK**[REDACTED]**, after deducting **[REDACTED]** fees and commissions and other estimated expenses paid and payable by us in relation to the **[REDACTED]**, assuming an **[REDACTED]** of HK$**[REDACTED]** per H Share, being the mid-point of the **[REDACTED]** from HK$**[REDACTED]** to HK$**[REDACTED]** per H Share, and assuming that the **[REDACTED]** is not exercised.

In line with our strategies, we intend to use the net **[REDACTED]** from the **[REDACTED]** (assuming the **[REDACTED]** is not exercised) for the purposes and in the amounts set forth below:

Purposes	**Total amount of net [REDACTED] to be used [REDACTED]**	**Allocation %**
Establishment of optical operation centre	**[REDACTED]**	**[REDACTED]**
Establishment of self-operated stores	**[REDACTED]**	**[REDACTED]**
Brand building and precision marketing	**[REDACTED]**	**[REDACTED]**
General corporate purposes and working capital	**[REDACTED]**	**[REDACTED]**
Total	**[REDACTED]**	**[REDACTED]**

- **Establishment of optical operation centre**

We plan to allocate approximately **[REDACTED]**% (or approximately HK$**[REDACTED]**, assuming the **[REDACTED]** is fixed at the mid-point of the indicative **[REDACTED]** and assuming the **[REDACTED]** is not exercised) of the net **[REDACTED]** from the **[REDACTED]** towards the establishment of our optical operation centre in Hangzhou.

The proposed use of **[REDACTED]** for this initiative includes:

- **Acquisition of industrial building**: Approximately **[REDACTED]**% (HK$**[REDACTED]**) to participate in a government tender and acquire a building in Shangcheng District, Hangzhou to establish our optical operation centre. The building has an expected gross area of more than 13,000 sq.m.. This initiative aligns with our strategy to enhance operational efficiency, expand warehousing and processing capabilities, and support long-term growth in our eyewear retail business. The building is available for tender to qualified enterprises of meeting criteria, including total revenue exceeding RMB156.6 million and profit before tax exceeding RMB15.7 million for the latest financial year, as outlined in the relevant guidelines issued by the subdistrict office.

  Following preliminary discussions with the relevant government authorities, we have entered into letter of intent dated 31 March 2026, confirming our eligibility to participate in the tender process based on our business profile and proposed utilisation plan. Our Directors are confident in our ability to succeed in the tendering process due to our strong alignment with the government's selection criteria.

- **Establishment of advanced processing centre**: Approximately **[REDACTED]**% (HK$**[REDACTED]**) will be used to establish an advanced processing centre to increase our processing capacity and improve processing quality. The project includes the planned deployment of (i) fully automated cutting and edging machinery; (ii) robotic systems for automated material retrieval from the warehouse (which is expected to be built within the optical operation centre); and (iii) automated inspection machinery to enhance quality control. We expect this processing centre to enhance the prevision and accuracy of lens and frame. For details, please refer "Business – Development Strategies – Strategic Initiative: Optical Operation Centre and Advanced Processing Centre" for details.

  The following table sets forth the breakdown of the estimated costs and expenses associated with the establishment of our advanced processing centre, categorised by major components for the years 2026, 2027 and 2028:

Item	Notes	For the six months ended 31 December 2026	For the year ended 31 December 2027	For the year ended 31 December 2028	Total amount of net [REDACTED] to be used	Allocation proportion
			[REDACTED]		[REDACTED]	%
Machinary and equipment	Automated optical processing equipment.	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Renovation and infrastructure	Fit-out and upgrade of retail and production facilities.	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Warehousing and logistics system	Development of distribution centres and supply chain capabilities.	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Total					[REDACTED]	[REDACTED]

- **Establishment of Training Centre and headquarters relocation:** We intend to use our internal resources to the interior fit-out of a dedicated training centre, procurement of training equipment and simulation tools, renovation of office space, and associated relocation expenses, which we intend to implement using our internal resources. At present, we primarily conduct training by renting third-party venues (such as hotel conference rooms), which limits scheduling flexibility, increases recurring costs, constrains access to specialised equipment, and results in variability in training conditions. Establishing a purpose-built training centre is intended to provide a stable environment with standardised facilities and curricula for onboarding and upskilling optometrists, technicians and relevant staff, thereby improving service consistency and reducing error and remake rates. The establishment of the optical operation centre is not intended for aggressive capacity expansion beyond the needs of our current and planned store network. Instead, it aims to enhance operational reliability, product quality consistency, and support for customised offerings, thereby strengthening our competitive position in the eyewear retail industry. Full operation of the advanced processing centre is targeted by the end of 2027.

- **Establishment of self-operated stores**

We plan to allocate approximately **[REDACTED]** % of the net **[REDACTED]**, or approximately HK$**[REDACTED]**, to steadily extend our self-operated store network in cities with existing presence and penetrating surrounding cities, under Mao Yuan Chang. Site selection will follow our standardised, data-driven methodology, which assesses demographics, foot traffic and catchment quality, and competitive intensity. Leveraging our established store rollout, we aim to increase network density in target regions. We manage and standardise our self-operated store expansion through a centralised process overseen by our Expansion and Operations departments. See "Business – Standardised Store Expansion and Management Process for Self-operated Store" in this Document for further details.

We plan to open approximately 5, 9 and 11 self-operated stores for the six months ended 31 December 2026 and for the year ended 31 December 2027 and 2028, respectively, with a focus in Hangzhou, Lanzhou and Shaoxing. The format mix will primarily comprise shopping mall stores (to capture high-traffic, premium consumer segments) and standard community stores (to enhance local accessibility). Based on historical records, we estimate the average upfront investment per new self-operated store to be approximately RMB1.4 million, mainly covering initial costs associated with operating a new self-operated stores and capital requirements for recurring expenses before reaching operational breakeven. We expect the operational breakeven period (averaging eight months), initial investment payback period (averaging 11 months) for these new stores to be broadly consistent with the historical performance of our self-operated stores opened during the Track Record Period and remained in operation as at the Latest Practicable Date. See "Business – Operational Breakeven Period and Initial Investment Payback Period" in this document for further details.

According to the Euromonitor Report, Zhejiang Province's offline eyewear retail market increased from RMB4,940 million in 2019 to RMB5,492 million in 2024 and is expected to reach approximately RMB6,843 million by 2029, representing a CAGR of approximately 4.2% from 2025 to 2029. Gansu Province's offline eyewear retail market increased from RMB689 million in 2019 to RMB795 million in 2024 and is expected to reach approximately RMB1,068 million by 2029, representing a CAGR of approximately 5.9% from 2025 to 2029. The growth of these markets is expected to be supported by continued advancement in youth myopia prevention and control, stronger demand for professional and compliant dispensing services, greater penetration of functional products, and ongoing digitalisation in traffic acquisition and retail operations. These trends are expected to provide favourable conditions for our planned store expansion in Zhejiang Province and Gansu Province and to support the strengthening of our competitive position.

The following table sets out the number of self-operated stores under Mao Yuan Chang to be opened, by city and type of stores, for the six months ended 31 December 2026 and for the year ended 31 December 2027 and 2028.

		For the six months ended 31 December 2026	**For the year ended 31 December 2027**	**For the year ended 31 December 2028**
Shopping Mall Stores	Hangzhou	2	3	4
	Shaoxing	2	3	3
	Lanzhou	1	2	2
Standard Stores	Hangzhou	–	–	–
	Shaoxing	–	1	1
	Lanzhou	–	–	1
	Number of stores	**5**	**9**	**11**

The table below sets forth the breakdown of the initial costs associated with opening new self-operated stores and capital requirements for recurring expenses before reaching operational breakeven, categorised by major components for the six months ended 31 December 2026 and for the year ended 31 December 2027 and 2028:

Item	Notes	For the six months ended 31 December 2026	For the year ended 31 December 2027	For the year ended 31 December 2028	Total amount of net [REDACTED] to be used	Allocation proportion
			[REDACTED]		[REDACTED]	%
Procurement cost	The procurement cost of eyewear products and retail supplies incurred during the initial 8-months period before reaching operational breakeven	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Renovation cost	One-time cost for store design, construction, and fit-out	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Rental expenses	Monthly rental expense during the initial 8-months period before reaching operational breakeven	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Staff cost	Salaries, benefits, and training costs for store staff during the initial 8-months period before reaching operational breakeven	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Fixed assets cost	Purchase of equipment for optometric examination, point-of-sale systems and furniture and fixtures	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Deposit	Refundable deposit paid to lessors under property lease agreements	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Total					[REDACTED]	[REDACTED]

- **Brand building and precision marketing, approximately HK$[REDACTED], [REDACTED]%**

We aim to enhance our overall brand awareness and recognition among our target customers, improve customer acquisition efficiency through more focused marketing, and enhance customer loyalty. See "Business – Development Strategies – Deepen Customer Segmentation: Brand Building and Precision Marketing" in this document for further details.

The following table sets forth the breakdown of the estimated costs and expenses associated with our brand building, categorised by major components for the six months ended 31 December 2026 and for the year ended 31 December 2027 and 2028:

Items	For the six months ended 31 December 2026	For the year ended 31 December 2027 [REDACTED]	For the year ended 31 December 2028	Total amount of net [REDACTED] to be used [REDACTED]	Allocation proportion %
Offline advertising campaigns	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Brand events in key cities	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Online and new media promotion	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Content production and distribution	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Brand visual identity enhancement	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Total				[REDACTED]	[REDACTED]

Offline Advertising Campaigns: Funds will be used for targeted offline advertising campaigns, such as billboards in high-traffic areas of core cities, transit advertising in Hangzhou and Lanzhou, and in-mall promotions, to increase footfall and brand recall. These campaigns will highlight our professional services and product quality, enhance brand image and user awareness, and plan to allocate approximately HK$**[REDACTED]** for our offline advertising campaigns.

Brand Events in Key Cities: We will organise experiential brand events in Hangzhou, Lanzhou, Shaoxing, and other cities, such as pop-up optometry clinics, fashion shows, eye-health seminars, and outreach at schools and enterprises, to strengthen community ties and showcase our products. We plan to allocate approximately HK$**[REDACTED]** focusing on these experiential brand events.

Online and New Media Promotion: **[REDACTED]** will support digital marketing on platforms such as Douyin, Xiaohongshu, Dianping, Meituan, and Amap (Gaode), including paid advertising, and SEO optimisation, to target consumers interested in prescription spectacles (e.g., myopia control and progressive lenses for middle-aged and senior customers). We plan to allocate HK$**[REDACTED]** for our online and new media promotion.

Content Production and Distribution: We plan to produce high-quality content, including eye-health educational videos, product tutorials, and lifestyle stories featuring our eyewear, to be distributed via social media and our WeChat Official Account with over 250,000 followers as at the Latest Practicable Date. To this end, we will engage external content creators and leverage our in-house video team to plan and produce premium videos. A budget of approximately HK$**[REDACTED]** is planned to generate 10 pieces of content per year, increasing user engagement and, through data analytics, effectively converting online views into in-store visits.

Brand Visual Identity Enhancement: We will invest in updating our brand visual identity system of Mao Yuan Chang, including visual design, to create a more modern and cohesive brand image that better resonates with mid-to-high-end consumers. We will engage professional design agencies to ensure that, while honouring our heritage as a "China Time-Honoured Brand," we also appeal to younger demographics who value fashion and functionality. We plan to allocate approximately HK$**[REDACTED]** to support unified rollout across our self-operated stores and franchised stores under Mao Yuan Chang, offline media, and digital platforms.

- **General working capital, approximately HK$[REDACTED], [REDACTED]%**

The above allocation of the **[REDACTED]** as set out above will be adjusted on a pro rata basis in the event that the **[REDACTED]** is fixed below or above the midpoint of the indicative **[REDACTED]**.

If the **[REDACTED]** is fixed at HK$**[REDACTED]** per H Share (being the high end of the **[REDACTED]** stated in this document), we will receive additional net **[REDACTED]** of approximately HK$**[REDACTED]**, assuming the **[REDACTED]** is not exercised.

If the **[REDACTED]** is fixed at HK$**[REDACTED]** per H Share (being the low end of the **[REDACTED]** stated in this document), the net **[REDACTED]** we receive will be reduced by approximately HK$ **[REDACTED]**, assuming the **[REDACTED]** is not exercised.

In the event that the **[REDACTED]** is exercised in full, the additional net **[REDACTED]** that we would receive would be HK$**[REDACTED]** assuming an **[REDACTED]** of HK$**[REDACTED]** per H Share, being the mid-point of the **[REDACTED]** stated in this document, after deduction of **[REDACTED]** fees and commissions and other estimated expenses paid and payable by us in relation to the **[REDACTED]**. Additional net **[REDACTED]** received due to the exercise of any **[REDACTED]** will be used for the above purposes accordingly on a pro-rata basis if the **[REDACTED]** is exercised.

Should our Directors decide to re-allocate the intended use of **[REDACTED]** to other business plans to a material extent and/or there be any material medication to the use of **[REDACTED]** as described above, we will make appropriate announcement(s) in due course.

To the extent that the net **[REDACTED]** of the **[REDACTED]** are not immediately used for the above purposes or if we are unable to effect any part of our future development plans as intended, we will only deposit those net **[REDACTED]** into short-term interest-bearing accounts at licenced commercial banks and/or other authorised financial institutions (as defined under the SFO or applicable laws, rules and regulations in the relevant jurisdictions). We will make an appropriate announcement should there be any changes in the proposed use of **[REDACTED]** above.

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

STRUCTURE OF THE [REDACTED]

[REDACTED]

STRUCTURE OF THE [REDACTED]

[REDACTED]

STRUCTURE OF THE [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

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[REDACTED]

[REDACTED]

[REDACTED]

HOW TO APPLY FOR [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

HOW TO APPLY FOR [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

The following is the text of a report set out on pages I-1 to I-72, received from the Company's reporting accountants, KPMG, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this document.

ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF 浙江毛源昌眼鏡股份有限公司 ZHEJIANG MAOYUANCHANG EYEWEAR CO., LTD.* AND QUAM CAPITAL LIMITED

Introduction

We report on the historical financial information of 浙江毛源昌眼鏡股份有限公司 Zhejiang Maoyuanchang Eyewear Co., Ltd.* (the "**Company**") and its subsidiaries (together, the "**Group**") set out on pages I-3 to I-72, which comprises the consolidated statements of financial position of the Group and the statements of financial position of the Company as at 31 December 2023, 2024 and 2025, the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows for each of the years ended 31 December 2023, 2024 and 2025 (the "**Track Record Periods**"), and material accounting policy information and other explanatory information (together, the "**Historical Financial Information**"). The Historical Financial Information set out on pages I-3 to I-72 forms an integral part of this report, which has been prepared for inclusion in the Document of the Company dated [date] (the "**Document**") in connection with the initial **[REDACTED]** of shares of the Company on the **[REDACTED]** of The Stock Exchange of Hong Kong Limited.

Directors' responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information, and for such internal control as the directors of the Company determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountants' responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 "Accountants' Reports on Historical Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

* *For identification purpose only*

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Historical Financial Information gives, for the purpose of the accountants' report, a true and fair view of the Company's and the Group's financial position as at 31 December 2023, 2024 and 2025 and of the Group's financial performance and cash flows for the Track Record Periods in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I-3 have been made.

Dividends

We refer to Note 28 (d) to the Historical Financial Information which contains information about the dividends paid by the Company in respect of the Track Record Periods.

[•]
Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

[Date]

HISTORICAL FINANCIAL INFORMATION

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The consolidated financial statements of the Group for the Track Record Periods, on which the Historical Financial Information is based, were audited by KPMG under separate terms of engagement with the Company in accordance with Hong Kong Standards on Auditing issued by the HKICPA (the "**Underlying Financial Statements**").

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

*(Expressed in Renminbi ("**RMB**"))*

	Notes	Year ended 31 December 2023 RMB'000	2024 RMB'000	2025 RMB'000
Revenue	*4*	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	*5*	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	*11*	(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	*6(a)*	(3,237)	(2,641)	(2,214)
Share of profits of an associate		338	304	377
Profit before taxation	*6*	41,941	19,621	45,908
Income tax	*7*	(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)*	*10*	2.84	0.79	1.56

The accompanying notes form part of the Historical Financial Information.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Expressed in RMB)

	Notes	As at 31 December 2023 RMB'000	2024 RMB'000	2025 RMB'000
Non-current assets				
Property, plant and equipment	*11*	49,729	77,384	74,397
Right-of-use assets	*12*	70,827	61,584	53,518
Intangible assets	*13*	265	184	102
Interests in an associate	*15*	820	820	923
Prepayments for property, plant and equipment	*19*	662	556	385
Deferred tax assets	*25(b)*	1,984	2,305	1,318
Other non-current assets	*16*	4,817	4,767	4,586
		129,104	147,600	135,229
Current assets				
Inventories	*17*	35,892	36,405	35,454
Trade and other receivables	*18*	9,126	29,485	5,382
Prepayments and other current assets	*19*	2,169	1,500	1,988
Current tax recoverable	*25(a)*	71	183	120
Financial assets measured at fair value through profit or loss ("**FVPL**")	*20*	6,042	9,196	9,248
Time deposits	*21(a)*	28,165	104,409	102,371
Cash and cash equivalents	*21(a)*	69,355	82,787	124,711
		150,820	263,965	279,274

	Notes	As at 31 December 2023 RMB'000	2024 RMB'000	2025 RMB'000
Current liabilities				
Trade and other payables	*22*	33,536	32,322	38,621
Contract liabilities	*23*	8,673	8,089	7,176
Lease liabilities	*24*	27,732	25,033	21,480
Current taxation payable	*25(a)*	4,835	1,286	2,848
Provisions	*26*	14	9	98
		74,790	66,739	70,223
Net current assets		76,030	197,226	209,051
Total assets less current liabilities		205,134	344,826	344,280
Non-current liabilities				
Lease liabilities	*24*	39,802	29,570	24,120
Provisions	*26*	140	229	138
		39,942	29,799	24,258
NET ASSETS		165,192	315,027	320,022
CAPITAL AND RESERVES	*28*			
Paid-in capital/share capital		12,700	26,407	26,407
Reserves		152,492	288,620	293,615
TOTAL EQUITY		165,192	315,027	320,022

The accompanying notes form part of the Historical Financial Information.

STATEMENTS OF FINANCIAL POSITION OF THE COMPANY

(Expressed in RMB)

		As at 31 December		
	Notes	**2023**	**2024**	**2025**
		RMB'000	*RMB'000*	*RMB'000*
Non-current assets				
Property, plant and equipment	*11*	32,249	30,741	27,552
Right-of-use assets	*12*	15,607	20,768	15,187
Intangible assets	*13*	265	184	102
Interests in subsidiaries	*14*	21,840	41,358	41,279
Prepayments for property, plant and equipment	*19*	64	38	–
Deferred tax assets	*25(b)*	3,524	3,985	3,444
Other non-current assets	*16*	2,076	1,525	1,159
		75,625	98,599	88,723
Current assets				
Inventories	*17*	21,448	21,883	21,369
Trade and other receivables	*18*	18,395	54,011	50,219
Prepayments and other current assets	*19*	960	565	1,235
Financial assets measured at FVPL	*20*	6,042	9,196	9,248
Time deposits	*21(a)*	10,051	80,259	80,175
Cash and cash equivalents	*21(a)*	41,627	50,815	74,977
		98,523	216,729	237,223

	Notes	As at 31 December 2023 RMB'000	2024 RMB'000	2025 RMB'000
Current liabilities				
Trade and other payables	*22*	43,421	55,779	60,270
Contract liabilities	*23*	7,163	5,746	4,877
Lease liabilities	*24*	5,179	5,430	5,126
Current taxation payable		848	203	–
Provisions	*26*	–	–	37
		56,611	67,158	70,310
Net current assets		41,912	149,571	166,913
Total assets less current liabilities		117,537	248,170	255,636
Non-current liabilities				
Lease liabilities	*24*	8,054	11,522	5,019
Provisions	*26*	25	39	24
		8,079	11,561	5,043
NET ASSETS		109,458	236,609	250,593
CAPITAL AND RESERVES	*28*			
Paid-in capital/share capital		12,700	26,407	26,407
Reserves		96,758	210,202	224,186
TOTAL EQUITY		109,458	236,609	250,593

The accompanying notes form part of the Historical Financial Information.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(Expressed in RMB)

		Attributable to equity shareholders of the Company						
	Note	**Paid-in capital** *RMB'000* *(Note 28(b))*	**Share capital** *RMB'000* *(Note 28(b))*	**Capital reserve** *RMB'000* *(Note 28(c)(i))*	**Share-based payment reserve** *RMB'000* *(Note 28(c)(ii))*	**Statutory reserve** *RMB'000* *(Note 28(c)(iii))*	**Retained profits** *RMB'000*	**Total equity** *RMB'000*
Balance at 1 January 2023		10,233	–	5,273	–	350	82,220	98,076
Changes in equity for 2023:								
Profit for the year		–	–	–	–	–	37,116	37,116
Total comprehensive income		–	–	–	–	–	37,116	37,116
Capital injection by equity holders		2,467	–	27,533	–	–	–	30,000
Balance at 31 December 2023 and 1 January 2024		12,700	–	32,806	–	350	119,336	165,192
Changes in equity for 2024:								
Profit for the year		–	–	–	–	–	18,054	18,054
Total comprehensive income		–	–	–	–	–	18,054	18,054
Equity-settled share-based payments		–	–	–	2,067	–	–	2,067
Capital injection by equity holders		5,300	–	59,148	–	–	–	64,448
Waived liabilities by equity holders		–	–	333	–	–	–	333
Conversion into a joint stock company with limited liability	*28(b)(ii)*	(18,000)	23,000	3,802	–	(350)	(8,452)	–
Issuance of ordinary shares		–	3,407	61,526	–	–	–	64,933
Balance at 31 December 2024		–	26,407	157,615	2,067	–	128,938	315,027

The accompanying notes form part of the Historical Financial Information.

	Attributable to equity shareholders of the Company					
	Share capital *RMB'000* *(Note 28(b))*	**Capital reserve** *RMB'000* *(Note 28(c)(i))*	**Share-based payment reserve** *RMB'000* *(Note 28(c)(ii))*	**Statutory reserve** *RMB'000* *(Note 28(c)(iii))*	**Retained profits** *RMB'000*	**Total equity** *RMB'000*
Balance at 1 January 2025	26,407	157,615	2,067	–	128,938	315,027
Changes in equity for 2025:						
Profit for the year	–	–	–	–	41,181	41,181
Total comprehensive income	–	–	–	–	41,181	41,181
Equity-settled share-based payments	–	–	840	–	–	840
Appropriation of statutory reserve	–	–	–	4,144	(4,144)	–
Dividend declared and paid during the year	–	–	–	–	(37,026)	(37,026)
Balance at 31 December 2025	26,407	157,615	2,907	4,144	128,949	320,022

The accompanying notes form part of the Historical Financial Information.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Expressed in RMB)

	Note	Year ended 31 December 2023 RMB'000	2024 RMB'000	2025 RMB'000
Operating activities				
Cash generated from operations	*21(b)*	91,736	67,332	97,521
Income tax paid		(838)	(5,549)	(2,115)
Net cash generated from operating activities		90,898	61,783	95,406
Investing activities				
Payment for purchase of property, plant and equipment		(3,026)	(40,889)	(7,173)
Proceeds from disposal of property, plant and equipment		1	7	7
Payment for purchase of wealth management products		(6,000)	(3,000)	–
Proceeds from disposal of wealth management products		4,034	–	–
Proceeds from investment income of wealth management products		–	–	119
Payment for time deposits		(30,000)	(192,000)	(193,000)
Proceeds from disposal of time deposits		2,007	117,179	196,539
Loans to ultimate controlling shareholders		–	(30,000)	(30,000)
Repayments from loans to ultimate controlling shareholders		–	10,000	50,000
Interest received		225	327	196
Payment for provisions		(2)	(12)	(35)
Cash received from a financial lease		565	580	467
Dividends received from an associate		277	304	274
Net cash (used in)/generated from investing activities		(31,919)	(137,504)	17,394

	Notes	Year ended 31 December 2023 RMB'000	2024 RMB'000	2025 RMB'000
Financing activities				
Proceeds from capital contributions		30,000	129,381	–
Dividends paid by a subsidiary to its former equity holder	*28(d)*	(7,000)	–	–
Dividends paid to equity shareholders	*28(d)*	–	–	(37,026)
Capital element of lease liabilities paid	*21(c)*	(31,567)	(37,592)	(31,647)
Interest element of lease liabilities paid	*21(c)*	(3,232)	(2,636)	(2,203)
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	*21(a)*	69,355	82,787	124,711

The accompanying notes form part of the Historical Financial Information.

NOTES TO THE HISTORICAL FINANCIAL INFORMATION

(Expressed in RMB unless otherwise indicated)

1 BASIS OF PREPARATION AND PRESENTATION OF THE HISTORICAL FINANCIAL INFORMATION

浙江毛源昌眼鏡股份有限公司 Zhejiang Maoyuanchang Eyewear Co., Ltd. (the "**Company**") was incorporated and registered in the People's Republic of China (hereinafter referred to as "**PRC**") as a limited liability company in August 2020. The address of the Company's registered office is Room 901, Building 2, Fanhai International Plaza, Hangzhou, the PRC. The Company and its subsidiaries (together the "**Group**") are principally engaged to provide consumers with high-quality, full-category eyewear products and related service through operation of eyewear retail stores and franchised stores.

Before the establishment of the Company, the above mentioned principal activities were carried out by Maoyuanchang Eyewear Co., Ltd ("**Maoyuanchang Holding**") . Following the establishment of the Company, the business operations of Maoyuanchang Holdings were transferred to the Company, and the Company became the holding company of the Group and Maoyuanchang Holdings became the Company's controlling shareholder in 2020.

The Group also contemplated following business combination under common control prior to and during the Track Records Periods:

In December 2021, the Group acquired Lanzhou Keda Optical Eyewear Co., Ltd.("**Lanzhou Keda**"), which was previously controlled by Mr Jin Zengmin and Ms Peng Meiliu, the ultimate controlling shareholder of the Company, at a consideration of RMB 11,925,000, which was determined with reference to the book value of Lanzhou Keda as at 30 September 2021.

In April 2024, the Group acquired certain main operating business of Lanzhou Keda Ophthalmology Clinic* 蘭州科達眼科診所 , which was previously controlled by Mr Jin Zengmin, the ultimate controlling shareholder of the Company, at a consideration of RMB128,000, which was the book value of the acquired net assets of Lanzhou Keda Ophthalmology Clinic as at 31 March 2024. Lanzhou Keda Ophthalmology Clinic completed its deregistration on 26 April 2024.

As Lanzhou Keda and Lanzhou Keda Ophthalmology Clinic were controlled by the same controlling party before and after these transactions, the transactions have been accounted for as business combinations under common control. Accordingly, for the purpose of presentation of the Historical Financial Information of the Group, the net assets of the combining entities are combined using the existing book values prior to these transactions. Intra-group balances, transactions and unrealised gains/losses on intra-group transactions are eliminated in full in preparing the Historical Financial Information.

Upon approval by the shareholders' general meeting of the Company held on 19 April 2024, the Company was converted into a joint stock company with limited liability under the Company Law of the PRC.

The statutory financial statements of the Company for the year ended 31 December 2024 was prepared in accordance with the Accounting Standards for Business Enterprises issued by the Ministry of Finance of the PRC and audited by Pan-China Certified Public Accountants LLP (天健會計師事務所(特殊普通合夥)). No statutory financial statements for the years ended 31 December 2023 and 2025 have been prepared for the Company.

At the date of the report, the Company has direct or indirect interests in the following principal subsidiaries, all of which are private and limited liability companies.

Subsidiaries	Place and date of incorporation/ establishment	Registered/ issued and fully paid up capital	Percentage of equity interests attributable to the Company *At the date of the report*	Principal activities
Direct equity interest held:				
Lanzhou Keda Optics Eyewear Co., Ltd.* 蘭州科達眼鏡光學有限責任公司 (i) (ii) (iii) (v)	Chinese Mainland 22 November 1996	RMB10,000,000	100%	Sales of eyewear products
Maoyuanchang Eyewear Technology (Shaoxing) Co., Ltd.* 毛源昌眼鏡科技(紹興)有限公司 (i) (ii) (iv) (v)	Chinese Mainland 11 May 2021	RMB100,000	100%	Sales of eyewear products
Hangzhou Maoyuanchang Minghui Eyewear Co., Ltd.* 杭州毛源昌明輝眼鏡有限公司 (i) (ii) (iv) (v)	Chinese Mainland 16 April 2019	RMB100,000	100%	Sales of eyewear products

Subsidiaries	Place and date of incorporation/ establishment	Registered/ issued and fully paid up capital	Percentage of equity interests attributable to the Company *At the date of the report*	Principal activities
Lanzhou Maoyuanchang Eyewear Co., Ltd.* 蘭州毛源昌眼鏡有限公司 (i) (ii) (iv) (v)	Chinese Mainland 09 March 2016	RMB50,000	100%	Sales of eyewear products
Hangzhou Maoyuanchang Binbao Eyewear Co., Ltd.* 杭州毛源昌濱寶眼鏡有限公司 (i) (ii) (iv) (v)	Chinese Mainland 13 February 2019	RMB100,000	100%	Sales of eyewear products
Hangzhou Maoyuanchang Mingxin Eyewear Co., Ltd.* 杭州毛源昌明新眼鏡有限公司 (i) (ii) (iv) (v)	Chinese Mainland 26 April 2019	RMB100,000	100%	Sales of eyewear products
Indirect equity interest held:				
Lanzhou Hongsheng Keda Eyewear Co., Ltd.* 蘭州鴻盛科達眼鏡有限公司 (i) (ii) (iv) (v)	Chinese Mainland 23 February 2021	RMB100,000	100%	Sales of eyewear products
Lanzhou Huisheng Keda Eyewear Co., Ltd.* 蘭州輝盛科達眼鏡有限公司 (i) (ii) (iv) (v)	Chinese Mainland 28 January 2021	RMB100,000	100%	Sales of eyewear products

Notes:

(i) The English name of the subsidiaries incorporated in the Chinese Mainland referred to above in this note represent management's best efforts in translating the Chinese name as no English name has been registered or is available.

(ii) All companies comprising the Group have adopted 31 December as the financial year end.

(iii) The statutory financial statements of the entity for the year ended 31 December 2024 was prepared in accordance with the Accounting Standards for Business Enterprises issued by the Ministry of Finance of the PRC and audited by Pan-China Certified Public Accountants LLP (天健會計師事務所(特殊普通合夥)). No statutory financial statements have been prepared for the entity for the year ended 31 December 2023 and 2025.

(iv) No statutory financial statements have been prepared for these companies for the Track Record Periods as they are not subject to statutory audit requirements under the relevant rules and regulations in the jurisdiction of incorporation.

(v) These entities are limited liability companies established in the Chinese Mainland.

The Historical Financial Information has been prepared in accordance with all applicable IFRS Accounting Standards as issued by the International Accounting Standards Board ("**IASB**"). Further details of the material accounting policy information are set out in Note 2.

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 are set out in Note 34.

The Historical Financial Information also complies with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The accounting policies set out below have been applied consistently to all periods presented in the Historical Financial Information.

The Historical Financial Information is presented in Renminbi ("**RMB**") and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

2 MATERIAL ACCOUNTING POLICIES

(a) Basis of measurement

The measurement basis used in the preparation of the Historical Financial Information is the historical cost basis except that the following assets and liabilities are stated at their fair value except that the following assets and liabilities are stated at their fair value as explained in the accounting policies set out below:

Financial instruments classified as at fair value through profit or loss (see Note 2(f)).

(b) Use of estimates and judgments

The preparation of the Historical Financial Information in conformity with IFRS Accounting Standards requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of IFRS Accounting Standards that have significant effect on the Historical Financial Information and major sources of estimation uncertainty are discussed in Note 3.

(c) Business combination involving entities under common control

A business combination involving entities under common control is a business combination in which all of the combining entities are ultimately controlled by the same party or parties both before and after the business combination, and that control is not transitory. The assets acquired and liabilities assumed are measured based on their carrying amounts in the financial statements of the ultimate controlling party at the combination date. The difference between the carrying amounts of the net assets acquired and the consideration paid for the combination is adjusted to equity. Any costs directly attributable to the combination are recognised in profit or loss when incurred. The combination date is the date on which one combining entity obtains control of other combining entities.

(d) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the Historical Financial Information from the date on which control commences until the date on which control ceases.

Intra-group balances and transactions, and any unrealised income and expenses (except for foreign currency transaction gains or losses) arising from intra-group transactions, are eliminated. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

When the Group loses control of a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related NCI and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in that former subsidiary is measured at fair value when control is lost.

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see Note 2(j)(ii)), unless it is classified as held for sale (or included in a disposal group classified as held for sale).

(e) Associates

An associate is an entity in which the Group or the Company has significant influence, but not control or joint control, over the financial and operating policies.

An interest in an associate is accounted for using the equity method, unless it is classified as held for sale (or included in a disposal group classified as held for sale). They are initially recognised at cost, which includes transaction costs. Subsequently, the consolidated financial statements include the Group's share of the profit or loss and other comprehensive income ("**OCI**") of those investees, until the date on which significant influence ceases.

When the Group's share of losses exceeds its interest in the associate, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest is the carrying amount of the investment under the equity method, together with any other long-term interests that in substance form part of the Group's net investment in the associate, after applying the ECL model to such other long-term interests where applicable (see Note 2(j)(i)).

Unrealised gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent there is no evidence of impairment.

In the Company's statement of financial position, an investment in an associate is stated at cost less impairment losses (see Note 2(j)(ii)), unless it is classified as held for sale (or included in a disposal group classified as held for sale).

(f) Other investments

The Group's policies for investments, other than investments in subsidiaries, associates and joint ventures, are set out below.

Investments are recognised/derecognised on the date the Group commits to purchase/sell the investment. The investments are initially stated at fair value plus directly attributable transaction costs, except for those investments measured at fair value through profit or loss (FVPL) for which transaction costs are recognised directly in profit or loss. For an explanation of how the Group determines fair value of financial instruments, see Note 29(e). These investments are subsequently accounted for as follows, depending on their classification.

(i) Non-equity investments

Non-equity investments are classified into one of the following measurement categories:

– amortised cost, if the investment is held for the collection of contractual cash flows which represent solely payments of principal and interest. Expected credit losses, interest income calculated using the effective interest method (see Note 2(s)(ii)(b)), foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

– fair value through other comprehensive income (FVOCI) – recycling, if the contractual cash flows of the investment comprise solely payments of principal and interest and the investment is held within a business model whose objective is achieved by both the collection of contractual cash flows and sale. Expected credit losses, interest income (calculated using the effective interest method) and foreign exchange gains and losses are recognised in profit or loss and computed in the same manner as if the financial asset was measured at amortised cost. The difference between the fair value and the amortised cost is recognised in OCI. When the investment is derecognised, the amount accumulated in OCI is recycled from equity to profit or loss.

– FVPL if the investment does not meet the criteria for being measured at amortised cost or FVOCI (recycling). Changes in the fair value of the investment (including interest) are recognised in profit or loss.

(g) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses (see Note 2(j)(ii)).

If significant parts of an item of property, plant and equipment have different useful lives, then they are accounted for as separate items (major components).

Any gain or loss on disposal of an item of property, plant and equipment is recognised in profit or loss.

Depreciation is calculated to write off the cost of items of property, plant and equipment less their estimated residual values, if any, using the straight-line method over their estimated useful lives, and is generally recognised in profit or loss.

The estimated useful lives in the Historical Financial Information are as follows:

Buildings	30 years
Machinery equipment	5 years
Vehicles	3–5 years
Office equipment and others	3–5 years
Leasehold improvement	Shorter of lease term and estimated useful life of 3–5 years

Depreciation methods, useful lives and residual values are reviewed annually and adjusted if appropriate.

(h) Intangible assets

Expenditure on research activities is recognised in profit or loss as incurred. Development expenditure is capitalised only if the expenditure can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable and the Group intends to and has sufficient resources to complete development and to use or sell the resulting asset. Otherwise, it is recognised in profit or loss as incurred.

Intangible assets are acquired by the Group and have finite useful lives are measured at cost less accumulated amortisation and any accumulated impairment losses (see Note 2(j)(ii)).

Amortisation is calculated to write off the cost of intangible assets less their estimated residual values using the straight-line method over their estimated useful lives, if any, and is generally recognised in profit or loss.

The estimated useful life for trademark and software was decided with reference to the shortest period among the expected service life and the expected beneficial life. The estimated useful lives in the Historical Financial Information are as follows:

Trademark	10 years
Software	5 years

Amortisation methods, useful lives and residual values are reviewed annually and adjusted if appropriate.

(i) Leased assets

(i) As a lessee

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. This is the case if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

Where the contract contains lease component(s) and non-lease component(s), the Group has elected not to separate non-lease components and accounts for each lease component and any associated non-lease components as a single lease component for all leases.

At the lease commencement date, the Group recognises a right-of-use asset and a lease liability, except for leases that have a short lease term of 12 months or less, and leases of low-value items such as laptops and servers. When the Group enters into a lease in respect of a low-value item, the Group decides whether to capitalise the lease on a lease-by-lease basis. If not capitalised, the associated lease payments are recognised in profit or loss on a systematic basis over the lease term.

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is recognised using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability, and are charged to profit or loss as incurred.

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses (see Note 2(j)(ii)).

Refundable lease deposits are accounted for separately from the right-of-use assets in accordance with the accounting policy applicable to investments in non-equity investments carried at amortised cost (see Note 2(f)(i)). Any excess of the nominal value over the initial fair value of the deposits is accounted for as additional lease payments made and is included in the cost of right-of-use assets.

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The lease liability is also remeasured when there is a lease modification, which means a change in the scope of a lease or the consideration for a lease that is not originally provided for in the lease contract, if such modification is not accounted for as a separate lease. In this case, the lease liability is remeasured based on the revised lease payments and lease term using a revised discount rate at the effective date of the modification.

In the consolidated statements of financial position, the current portion of long-term lease liabilities is determined as the present value of contractual payments that are due to be settled within twelve months after the reporting period.

(ii) As a lessor

The Group determines at lease inception whether each lease is a finance lease or an operating lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to the ownership of an underlying asset to the lessee. Otherwise, the lease is classified as an operating lease.

When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis.

When the Group is an intermediate lessor, the sub-leases are classified as a finance lease or as an operating lease with reference to the right-of-use asset arising from the head lease. If the head lease is a short-term lease to which the Group applies the exemption described in note 2(i)(i), then the Group classifies the sub-lease as an operating lease.

(j) Credit losses and impairment of assets

(i) Credit losses from financial instruments

The Group recognises a loss allowance for expected credit losses ("**ECLs**") on:

– financial assets measured at amortised cost (including cash and cash equivalents, and trade and other receivables that are held for the collection of contractual cash flows which represent solely payments of principal and interest);

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Generally, credit losses are measured as the present value of all expected cash shortfalls between the contractual and expected amounts.

The expected cash shortfalls are discounted using the following rates if the effect is material:

– fixed-rate financial assets, trade and other receivables: effective interest rate determined at initial recognition or an approximation thereof;

– variable-rate financial assets: current effective interest rate;

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

ECLs are measured on either of the following bases:

– 12-month ECLs: these are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months); and

– lifetime ECLs: these are the ECLs that result from all possible default events over the expected lives of the items to which the ECL model applies.

The Group measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured at 12-months ECLs:

– financial instruments that are determined to have low credit risk at the reporting date; and

– other financial instruments for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime ECLs.

Significant increases in credit risk

When determining whether the credit risk of a financial instrument has increased significantly since initial recognition and when measuring ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment, that includes forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Group considers a financial asset to be in default when:

– the debtor is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or

– the financial asset is 90 days past due.

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

Credit-impaired financial assets

At each reporting date, the Group assesses whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable events:

– significant financial difficulties of the debtor;

– a breach of contract, such as a default or being more than 30 days past due;

– the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;

– it is probable that the debtor will enter bankruptcy or other financial reorganisation; or

– the disappearance of an active market for a security because of financial difficulties of the issuer.

Write-off policy

The gross carrying amount of a financial asset is written off to the extent that there is no realistic prospect of recovery. This is generally the case when the Group otherwise determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

(ii) Impairment of other non-current assets

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than inventories, deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units ("**CGUs"**). Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs of disposal. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognised in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the resulting carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(k) Inventories

Inventories are measured at the lower of cost and net realisable value.

Cost is calculated using the weighted average cost formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

(l) Trade and other receivables

A receivable is recognised when the Group has an unconditional right to receive consideration and only the passage of time is required before payment of that consideration is due.

Trade receivables that do not contain a significant financing component are initially measured at their transaction price. All receivables are subsequently stated at amortised cost (see Note 2(j)(i)).

(m) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand and demand deposits with banks and other financial institutions and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated cash flow statement. Cash and cash equivalents are assessed for ECL (see Note 2(j)(i)).

(n) Trade and other payables

Trade and other payables are initially recognised at fair value. Subsequent to initial recognition, trade and other payables are stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at invoice amounts.

(o) Contract liabilities

A contract liability is recognised when the customer pays non-refundable consideration before the Group recognises the related revenue (see Note 2(s)(i)). A contract liability is also recognised if the Group has an unconditional right to receive non-refundable consideration before the Group recognises the related revenue. In such latter cases, a corresponding receivable is also recognised (see Note 2(l)).

(p) Employee benefits

(i) Short-term employee benefits and contributions to defined contribution retirement plans

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Obligations for contributions to defined contribution retirement plans are expensed as the related service is provided.

(ii) Equity-settled share-based payments

The difference between the subscription price and the fair value of the awarded shares granted to employees is recognised as an employee cost with a corresponding increase in share-based payments reserve within equity. The fair value of the share awards is the difference between the subscription price paid by the employees and the fair value of the ordinary shares at grant date. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the share awards, the total difference between the subscription price and the fair value of the ordinary shares is spread over the vesting period, taking into account the probability that the share awards will be vested.

(iii) Termination benefits

Termination benefits are expensed at the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises costs for a restructuring.

(q) Income tax

Income tax expense comprises current tax and deferred tax. It is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in OCI.

Current tax comprises the estimated tax payable or receivable on the taxable income or loss for the year and any adjustments to the tax payable or receivable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects any uncertainty related to income taxes. It is measured using tax rates enacted or substantively enacted at the reporting date. Current tax also includes any tax arising from dividends.

Current tax assets and liabilities are offset only if certain criteria are met.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

– temporary differences related to investment in subsidiaries and associates to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future.

The Group recognised deferred tax assets and deferred tax liabilities separately in relation to its lease liabilities and right-of-use assets.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognise a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on the business plans for individual subsidiaries in the Group. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves.

The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset only if certain criteria are met.

(r) Provisions and contingent liabilities

Generally, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessment of the time value of money and the risks specific to the liability.

A provision for warranties is recognised when the underlying products or services are sold, based on historical warranty data and a weighting of possible outcomes against their associated probabilities.

A provision for onerous contracts is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract, which is determined based on the incremental costs of fulfilling the obligation under that contract and an allocation of other costs directly related to fulfilling that contract. Before a provision is established, the Group recognises any impairment loss on the assets associated with that contract (see Note 2(j)(i)).

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, a separate asset is recognised for any expected reimbursement that would be virtually certain. The amount recognised for the reimbursement is limited to the carrying amount of the provision.

(s) Revenue and other income

Income is classified by the Group as revenue when it arises from the sale of goods, the provision of services in the ordinary course of the Group's business.

The Group is the principal for its revenue transactions and recognises revenue on a gross basis. In determining whether the Group acts as a principal or as an agent, it considers whether it obtains control of the products before they are transferred to the customers. Control refers to the Group's ability to direct the use of and obtain substantially all of the remaining benefits from the products or services.

Revenue is recognised when control over a product or service is transferred to the customer at the amount of promised consideration to which the Group is expected to be entitled, excluding those amounts collected on behalf of third parties such as value added tax or other sales taxes.

Further details of the Group's revenue and other income recognition policies are as follows:

(i) Revenue from contracts with customers

The Group primarily derives its revenues from the sales of following products and provision of the following services:

(a) Sales of eyewear products and provision of service through self-operated stores

- Sales of eyewear products through self-operated stores

  The Group mainly sells eyewear products through its self-owned and operated offline retail stores. The Group recognises revenue from sales of eyewear products when the goods are handed to the customer in accordance with the sales contract, and the customer has full discretion to use and dispose of the goods.

  The Group operates customer loyalty scheme for customers which enable customers to earn loyalty points on their consumptions in the retail stores. Points are redeemable against any future consumptions in the retail stores. The Group allocates a portion of the consideration to loyalty points based on the relative stand-alone selling prices. The amount allocated to the loyalty points is deferred and recognised as revenue when loyalty points are redeemed or expire.

- Provision of service through self-operated stores

  The Group provides certain prescription services to customers and revenue was recognised when the service is completed.

(b) Revenue from franchised stores

The revenue from franchised store were mainly generated from wholesales of eyewear products to franchised stores as well as franchise fee and franchising management fee.

The Group enters into franchise agreements with each franchised store, whereby the franchised stores are licenced to operate the franchised stores.

The franchised stores employ and manage their own staffs to operate the stores and serve their customers (i.e. end consumers), and undertake the costs associated with the operations.

At inception of the franchise agreements, franchised stores are required to place a deposit to the Group throughout the franchise period. The deposits are refundable upon the termination of the franchise agreements, provided that the franchised stores settled all outstanding balances with the Group.

Wholesales of eyewear products

Revenue from wholesales of eyewear products to franchised stores is recognised at the point in time when the products are handed over to the carriers.

Franchise fee and franchise management fee

Under the franchise agreements, franchised stores are required to pay a yearly franchise fee, which represents the consideration paid by the franchised stores to use the Group's intellectual property within the franchise period. The franchise fee is recognised on a straight-line basis over the expected franchise period.

Franchised stores are also required to pay a monthly franchise management fee for on going operation support, including in store operation management, training and technical support, etc, which is determined based on a fixed percentage of the gross revenue generated by the franchise stores. Franchise management fee is recognised monthly when the sales to end customers occurred.

(c) Online Retail

For retail customers that purchase from the Group's online stores, sales revenue is recognised when customers accept the products.

A refund liability is recognised for the expected returns. A right to recover returned goods and corresponding adjustment to cost of sales are also recognised for the right to recover eyewear products from customers. This right to recover returned goods is measured at the former carrying amount of the inventory less any expected costs to recover goods (including potential decreases in the value of the returned goods).

(ii) Revenue from other sources and other income

(a) Dividend income

Dividend income is recognised in profit or loss on the date on which the Group's right to receive payment is established.

(b) Interest income

Interest income is recognised using the effective interest method. The "effective interest rate" is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the gross carrying amount of the financial asset. In calculating interest income, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired). However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

(c) Government grants

Government grants are recognised in the statement of financial position initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are recognised as deferred income and subsequently recognised in profit or loss on a systematic basis over the useful life of the asset.

(t) Translation of foreign currencies

Transactions in foreign currencies are translated into the respective functional currencies of Group companies at the exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value was determined. Non-monetary assets and liabilities that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Foreign currency differences are generally recognised in profit or loss.

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated into RMB at the exchange rates at the reporting date. The income and expenses of foreign operations are translated into RMB at the exchange rates at the dates of the transactions.

Foreign currency differences are recognised in OCI and accumulated in the exchange reserve, except to the extent that the translation difference is allocated to NCI.

(u) Related parties

(a) A person, or a close member of that person's family, is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or the Group's parent.

(b) An entity is related to the Group if any of the following conditions applies:

(i) The entity and the Group are members of the same Group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third party.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

(v) Segment reporting

Operating segments, and the amounts of each segment item reported in the Historical Financial Information, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

3 ACCOUNTING JUDGEMENTS AND ESTIMATES

Key sources of estimation uncertainty in the process of applying the Group's accounting policies are as follows:

(a) Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated distribution expenses and related taxes. These estimates are based on the current market condition and historical experience of selling products of similar nature. It could change significantly as a result of competitor actions in response to changes in market conditions. Any change in the assumptions would increase or decrease the amount of inventories write-down or the related reversals of write-downs and affect the Group's profit or loss and net asset value.

(b) Impairment of property, plant and equipment and right of use assets

Internal and external sources of information are reviewed at the end of each reporting period to assess whether there is any indication that property, plant and equipment and right-of-use assets may be impaired. If any such indication exists, the recoverable amount of the property, plant and equipment and right-of-use assets is estimated. Changes in facts and circumstances may result in revisions to the conclusion of whether an indication of impairment exists and revised estimates of recoverable amounts, which would affect profit or loss in future periods.

(c) Recognition of deferred tax assets

Deferred tax assets in respect of tax losses carried forward and deductible temporary differences are recognised and measured based on the expected manner of realisation or settlement of the carrying amount of the relevant assets and liabilities, using tax rates enacted or substantively enacted at the end of each reporting date. In determining the carrying amounts of deferred tax assets, expected taxable profits are estimated which involves a number of assumptions relating to the operating environment of the Group and require a significant level of judgement exercised by the directors. Any change in such assumptions and judgement would affect the carrying amounts of deferred tax assets to be recognised and hence the net profit in future years.

4 REVENUE AND SEGMENT REPORTING

The Group is principally engaged in sales of eyewear products through its self-owned and operated stores and franchised stores.

(a) Revenue

(i) Disaggregation of revenue

Disaggregation of revenue from contracts with customers by major products or service lines is as follows:

	Year ended 31 December		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Revenue from contracts with customers within the scope of IFRS 15			
Self-operated stores			
– Sales of eyewears products	206,629	184,558	195,802
– Provision of service	276	473	629
	206,905	185,031	196,431
Franchised stores			
– Wholesales of eyewear products	52,181	52,671	50,189
– Franchise management fee	2,351	2,358	10,215
– Franchise fee	4,876	5,430	5,436
	59,408	60,459	65,840
Online retail			
– Sales of eyewears products	4,102	3,230	1,745
Others (i)	1,678	1,643	1,342
	272,093	250,363	265,358
Disaggregated by timing of revenue recognition			
– Point in time	264,866	242,575	249,707
– Over time	7,227	7,788	15,651
	272,093	250,363	265,358

Notes:

(i) Others include revenue from wholesale to the Group's associate, and sales of non-eyewear related consumables to franchised stores.

(ii) No revenue from individual customer contributing over 10% of revenue of the Group for the years ended 31 December 2023, 2024 and 2025.

(ii) Revenue expected to be recognised in the future arising from contracts in existence at the reporting date

– *Sales and wholesales of eyewear products and franchise management fee*

In respect of sales and wholesales of eyewear products, the Group has applied the practical expedient in paragraph 121(a) of IFRS 15 such that it does not include information about revenue that the Group will be entitled to when it satisfies the remaining performance obligations under the contracts for sales and wholesales of eyewear products that had an original expected duration of one year or less.

In respect of franchise management fee, the Group recognises revenue which is determined based on a fixed percentage of the gross revenue generated by the franchised stores and the Group has a right to invoice, the Group has applied the practical expedient in paragraph 121(a) of IFRS 15 for not to disclose the remaining performance obligations for such contracts.

– *Franchise fee*

As at 31 December 2023, 2024 and 2025, the aggregated amount of the transaction price allocated to the remaining performance obligations under the Group's existing franchise contracts is RMB1,509,000, RMB2,915,000 and RMB1,470,000 respectively. This amount represents revenue expected to be recognised in the future from franchise agreements. The Group will recognise the expected revenue in future over the remaining contract period, of which RMB1,362,000, RMB2,732,000 and RMB1,470,000 is expected to occur over the next 12 months, and RMB147,000, RMB183,000 and RMBnil is expected to occur over the next 12–24 months.

(b) Segment reporting

IFRS 8, Operating Segments, requires identification and disclosure of operating segment information based on internal financial reports that are regularly reviewed by the Group's chief operating decision maker for the purpose of resources allocation and performance assessment. The Group has presented the following two reportable segments.

– Self-operated stores and online retail

– Franchised stores and wholesales

(i) Segment results

For the purposes of assessing segment performance and allocating resources between segments, the Group's senior executive management monitors the results attributable to each reportable segment on the following bases:

Revenue and cost of sales are allocated to the reportable segments with reference to sales generated by those segments and the cost of sales incurred by those segments.

Segment profit represents gross profit earned by each segment.

	Year ended 31 December 2023		
	Self-operated stores and online retail	**Franchised stores and wholesales**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
Revenue from contracts with customers within the scope of IFRS 15			
Disaggregated by timing of revenue recognition			
Point in time	211,007	53,859	264,866
Over time	–	7,227	7,227
Total	211,007	61,086	272,093
Reportable segment revenue	211,007	61,086	272,093
Gross profit	150,769	7,741	158,510

	Year ended 31 December 2024		
	Self-operated stores and online retail	**Franchised stores and wholesales**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
Revenue from contracts with customers within the scope of IFRS 15			
Disaggregated by timing of revenue recognition			
Point in time	188,261	54,314	242,575
Over time	–	7,788	7,788
Total	188,261	62,102	250,363
Reportable segment revenue	188,261	62,102	250,363
Gross profit	130,182	12,722	142,904

	Year ended 31 December 2025		
	Self-operated stores and online retail	**Franchised stores and wholesales**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
Revenue from contracts with customers within the scope of IFRS 15			
Disaggregated by timing of revenue recognition			
Point in time	198,176	51,531	249,707
Over time	–	15,651	15,651
Total	198,176	67,182	265,358
Reportable segment revenue	198,176	67,182	265,358
Gross profit	137,988	24,124	162,112

(ii) Segment assets and liabilities

No segment assets and liabilities information are provided as no such information is regularly provided to the Group's chief operating decision maker on making decision of resources allocation and performance assessment.

(iii) Geographic information

No geographic information segment analysis is shown as all of the Group's revenue are derived from activities in, and from customers located in the Chinese Mainland and all the Group's assets are situated in the Chinese Mainland.

5 OTHER NET INCOME

	Note	Year ended 31 December 2023 RMB'000	2024 RMB'000	2025 RMB'000
Interest income from banks		260	1,586	1,547
Interest income on lease deposits		137	164	150
Interest income from loans to ultimate controlling shareholders	*31(b)*	–	150	221
Interest income on finance lease		–	58	37
Government grants (i)		356	879	697
Income from value-added tax exemption (ii)		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
		865	2,383	3,351

Notes:

(i) The Group received unconditional government grants from various local government authorities in the Chinese Mainland, as rewards of the Group's contribution to regional economic development.

(ii) Income from value-added tax exemption represented the exemption on value-added tax granted by the government authorities in the Chinese Mainland.

6 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

(a) Finance costs

	Year ended 31 December 2023 RMB'000	2024 RMB'000	2025 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

(b) Staff costs

	Year ended 31 December		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Salaries, wages and other benefits	49,631	53,445	55,028
Contributions to defined contribution retirement plans (i)	3,214	3,656	4,127
Equity-settled share-based payments *(Note27)*	–	2,067	840
	52,845	59,168	59,995

Note:

(i) Employees of the Group are required to participate in a defined contribution retirement scheme administered and operated by the local municipal government in the Chinese Mainland. The Group contributes funds which are calculated on certain percentages of the employee salary as agreed by the local municipal government to the scheme to fund the retirement benefits of the employees. The Group has no other material obligations for payments of retirement benefits associated with the scheme beyond the annual contributions described above.

(c) Other items

	Year ended 31 December		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Cost of inventories *(Note 17(b))*	110,648	103,097	99,835
Amortisation of intangible assets *(Note 13)*	403	81	82
Depreciation charges			
– property, plant and equipment *(Note 11)*	8,439	8,366	9,164
– right-of-use assets *(Note 12)*	33,338	34,240	33,166
Short-term leases charges	1,637	1,219	1,554
Variable leases charges	528	471	580
Impairment loss of property, plant and equipment and right-of-use assets	984	107	307

* Cost of inventories includes RMB7,513,000, RMB7,210,000 and RMB7,168,000 relating to staff costs, depreciation and amortisation expenses, which amount is also included in the respective total amounts disclosed separately above or in note 6(b) for each of these types of expenses.

7 INCOME TAX

(a) Taxation in the consolidated statements of profit and loss and other comprehensive income represents:

	Year ended 31 December		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Current tax			
Provision for the year	5,102	1,888	3,740
Deferred tax			
Reversal and (origination) of temporary differences	(277)	(321)	987
	4,825	1,567	4,727

(b) Reconciliation between income tax expense and profit before taxation at applicable tax rates:

	Year ended 31 December		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Profit before taxation	41,941	19,621	45,908
Notional tax on profit before taxation calculated at the rates applicable to profits in the jurisdiction concerned (i)	10,485	4,905	11,477
Tax effect of preferential tax rate	(6,873)	(5,602)	(7,243)
Tax effect of non-deductible expenses	1,142	1,815	544
Tax effect of non-taxable income	(84)	(76)	(94)
Tax effect of unused tax losses and deductible temporary differences not recognised	245	525	55
Tax effect of utilisation of tax losses not recognised as deferred tax assets in prior years	(90)	–	(12)
	4,825	1,567	4,727

Notes:

(i) The subsidiaries of the Group established in the Chinese Mainland are subject to Chinese Mainland Corporate Income Tax ("**CIT**") rate at 25% during the Track Record Periods.

(ii) For the years ended 31 December 2023, 2024 and 2025, the Group's certain subsidiaries fulfilled the criteria required for preferential income tax rate granted to small and low profit-making enterprise in the Chinese Mainland, and were entitled to a preferential income tax rate of 5% on taxable income within RMB3,000,000.

8 DIRECTORS' EMOLUMENTS

Directors' emoluments are disclosed as follows:

	Year ended 31 December 2023						
	Directors' fee	**Salaries, allowances and benefits in kind**	**Discretionary bonuses**	**Retirement scheme contributions**	**Sub total**	**Share based payments**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive director:							
Mr. Jin Zengmin *(Notes (ii) (iii))*	–	–	–	–	–	–	–
Supervisor:							
Ms. Liu Lifei *(Notes (i) (iii))*	–	245	48	7	300	–	300
	–	245	48	7	300	–	300

	Year ended 31 December 2024						
	Directors' fee *RMB'000*	Salaries, allowances and benefits in kind *RMB'000*	Discretionary bonuses *RMB'000*	Retirement scheme contributions *RMB'000*	Sub total *RMB'000*	Share based payments *RMB'000*	Total *RMB'000*
Chairman:							
Mr. Jin Zengmin (appointed on 19 April 2024) *(Notes (ii) (iii))*	–	–	–	–	–	–	–
Executive directors:							
Ms. Peng Meiliu (appointed on 19 April 2024) *(Note (iii))*	–	224	126	7	357	–	357
Ms. Liu Lifei (appointed on 19 April 2024) *(Notes (i) (iii))*	–	212	16	6	234	99	333
Mr. Lei Jin (appointed on 09 August 2024) *(Note (iii))*	–	86	–	3	89	–	89
Ms. Chen Yilei (appointed on 15 September 2024 and resigned on 7 November 2024) *(Note (iii))*	–	41	2	2	45	–	45
Non-executive directors:							
Mr. Zhang Hongsheng (appointed on 19 April 2024 and resigned on 9 August 2024) *(Note (iii))*	26	–	–	–	26	–	26
Mr. Zhang Guobiao (appointed on 19 April 2024 and resigned on 9 August 2024) *(Note (iii))*	26	–	–	–	26	–	26
Mr. Sun Tao (appointed on 09 August 2024) *(Note (ii))*	–	–	–	–	–	–	–
Supervisors:							
Ms. Liu Lifei (resigned on 19 April 2024) *(Notes (i) (iii))*	–	62	5	2	69	33	102
Mr. An Yunkun (appointed on 19 April 2024) *(Notes (i) (iii))*	–	156	16	6	178	66	244
Mr. Mei Yidan (appointed on 19 April 2024 and resigned on 15 September 2024) *(Note (iii))*	–	181	–	3	184	–	184
Mr. Zhao Fei (appointed on 19 April 2024) *(Notes (i) (iii))*	–	137	11	6	154	49	203
Mr. Zhu Lijian (appointed on 15 September 2024) *(Note (iii))*	–	61	19	3	83	–	83
	52	1,160	195	38	1,445	247	1,692

	Year ended 31 December 2025						
	Directors' fee *RMB'000*	Salaries, allowances and benefits in kind *RMB'000*	Discretionary bonuses *RMB'000*	Retirement scheme contributions *RMB'000*	Sub total *RMB'000*	Share based payments *RMB'000*	Total *RMB'000*
Chairman:							
Mr. Jin Zengmin *(Notes (ii) (iii))*	–	–	–	–	–	–	–
Executive directors:							
Ms. Peng Meiliu *(Note (iii))*	–	380	144	9	533	–	533
Ms. Liu Lifei *(Notes (i) (iii))*	–	388	40	10	438	132	570
Mr. Lei Jin *(Note (iii))*	–	276	100	10	386	–	386
Non-executive director:							
Mr. Sun Tao *(Note (ii))*	–	–	–	–	–	–	–
Supervisors:							
Mr. An Yunkun *(Notes (i) (iii))*	–	223	26	10	259	66	325
Mr. Zhao Fei *(Notes (i) (iii))*	–	187	10	10	207	49	256
Mr. Zhu Lijian *(Note (iii))*	–	185	32	10	227	–	227
	–	1,639	352	59	2,050	247	2,297

Notes:

(i) These share-based payments expenses above represent the estimated value of restricted shares granted to directors and supervisors under the Company's 2023 Share Incentive Plan (see Note 27). The value is measured according to the Group's accounting policies for share-based payment transactions as set out in Note 2(p)(ii). Details of the equity-settled share-based transactions are disclosed in Note 27.

(ii) No emoluments were paid by the Group to Mr Jin Zengmin as executive director/Chairman of the Company as he received emoluments from the controlling shareholder of the Company, Maoyuanchang Holding, during the Track Record Periods.

No emoluments were paid by the Group to Mr Sun Tao as non-executive director of the Company as he received emoluments from Hangzhou Industrial Investment Group Co., Ltd. 杭州市實業投資集團有限公司, the non-controlling shareholder of the Company, during the Track Record Periods.

(iii) During the Track Record Periods, no emoluments were paid by the Group to the directors and supervisors as an inducement to join or upon joining the Group or as compensation for loss of office. No directors and supervisors of the Group waived or agreed to waive any emoluments during the Track Record Periods.

(iv) On 26 March 2026, Mr Liao Peng was appointed as the executive director of the Company, Mr Zhang Guobiao, Mr Zhang Hongsheng and Mr Choi Tze Kit Sammy were appointed as independent non-executive directors of the Company, with effective upon 26 March 2026.

9 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments during the years ended 31 December 2023, 2024 and 2025, only 1, 3 and 3 individuals' emoluments are disclosed in Note 8 and the aggregate of the emoluments in respect of the remaining 4, 2 and 2 individuals during the years ended 31 December 2023, 2024 and 2025 are as follows:

	Year ended 31 December		
	2023 *RMB'000*	2024 *RMB'000*	2025 *RMB'000*
Salaries and other emoluments	1,148	517	877
Discretionary bonuses	230	50	121
Retirement scheme contributions	31	17	9
	1,409	584	1,007

The emoluments of the individuals who are not director and with the highest emoluments are within the following bands:

	Year ended 31 December		
	2023	2024	2025
	Number of individuals	*Number of individuals*	*Number of individuals*
HK$Nil to HK$1,000,000	4	2	2

During the Track Record Periods, no amounts were paid or payable by the Group to the above non-director highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of any office in connection with the management of the affairs of any member of the Group.

10 EARNINGS PER SHARE

The calculation of basic earnings per share during the Track Record Periods is based on the profit attributable to ordinary equity shareholders of the Company and the weighted average number of ordinary shares in issue or deemed to be in issue.

As set out in Note 28(b), the Company was converted into a joint stock limited liability company on 19 April 2024 and issued 23,000,000 shares with par value of RMB1 each.

For the purpose of calculating basic earnings per share, the weighted average number of ordinary shares deemed to be in issue before the Company's conversion into a joint stock limited liability company was determined assuming the above conversion had occurred since 1 January 2023 at the exchange ratio established on 19 April 2024.

(a) Basic earnings per share

(i) Profit attributable to ordinary equity shareholders of the Company

	Year ended 31 December		
	2023	2024	2025
	'000	*'000*	*'000*
Profit for the year	37,116	18,054	41,181

(ii) Weighted average number of ordinary shares in issue or deemed to be in issue

	Year ended 31 December		
	2023	2024	2025
Ordinary shares deemed to be in issue/ in issue at 1 January	13,075,367	16,227,779	26,407,404
Effect of ordinary shares in issue or deemed to be in issue *(Note 28(b))*	8,637	6,654,891	–
Weighted average number of ordinary shares deemed to be in issue/in issue at 31 December	13,084,004	22,882,670	26,407,404

(b) Diluted earnings per share

During the Track Record Periods, there was no difference between the basic and diluted earnings per share for each year during the Track Record Periods as there was no dilutive potential ordinary share.

11 PROPERTY, PLANT AND EQUIPMENT

The Group

	Buildings *RMB'000*	Machinery equipment *RMB'000*	Vehicles *RMB'000*	Office equipment, and others *RMB'000*	Leasehold improvement *RMB'000*	Total *RMB'000*
Cost:						
At 1 January 2023	51,540	16,996	1,303	5,245	14,138	89,222
Additions	–	3,514	–	443	5,611	9,568
Disposals	–	(144)	–	(229)	–	(373)
At 31 December 2023 and 1 January 2024	51,540	20,366	1,303	5,459	19,749	98,417
Additions	29,807	2,770	–	761	2,978	36,316
Disposals	–	(113)	–	(552)	–	(665)
At 31 December 2024 and 1 January 2025	81,347	23,023	1,303	5,668	22,727	134,068
Additions	1,064	206	–	352	5,282	6,904
Disposals	–	(484)	(109)	(252)	–	(845)
At 31 December 2025	82,411	22,745	1,194	5,768	28,009	140,127
Accumulated depreciation and impairment losses:						
At 1 January 2023	16,375	11,621	749	4,178	7,580	40,503
Depreciation	1,721	2,003	128	442	4,145	8,439
Disposals	–	(131)	–	(201)	–	(332)
Impairment provision	–	–	–	–	78	78
At 31 December 2023 and 1 January 2024	18,096	13,493	877	4,419	11,803	48,688
Depreciation	1,721	2,041	113	454	4,037	8,366
Disposals	–	(68)	–	(409)	–	(477)
Impairment provision	–	–	–	–	107	107
At 31 December 2024 and 1 January 2025	19,817	15,466	990	4,464	15,947	56,684
Depreciation	2,696	1,890	110	471	3,997	9,164
Disposals	–	(82)	(103)	(240)	–	(425)
Impairment provision	–	–	–	–	307	307
At 31 December 2025	22,513	17,274	997	4,695	20,251	65,730
Net book value:						
At 31 December 2023	33,444	6,873	426	1,040	7,946	49,729
At 31 December 2024	61,530	7,557	313	1,204	6,780	77,384
At 31 December 2025	59,898	5,471	197	1,073	7,758	74,397

The Company

	Buildings *RMB'000*	Machinery equipment *RMB'000*	Vehicles *RMB'000*	Office equipment, and others *RMB'000*	Leasehold improvement *RMB'000*	Total *RMB'000*
Cost:						
At 1 January 2023	40,953	10,408	998	3,197	1,002	56,558
Additions	–	2,910	–	270	1,091	4,271
Disposals	–	(31)	–	(190)	–	(221)
At 31 December 2023 and 1 January 2024	40,953	13,287	998	3,277	2,093	60,608
Additions	–	998	–	502	1,014	2,514
Disposals	–	(86)	–	(132)	–	(218)
At 31 December 2024 and 1 January 2025	40,953	14,199	998	3,647	3,107	62,904
Additions	–	136	–	188	1,017	1,341
Disposals	–	(484)	(109)	(235)	–	(828)
At 31 December 2025	40,953	13,851	889	3,600	4,124	63,417
Accumulated depreciation:						
At 1 January 2023	15,382	6,377	499	2,638	64	24,960
Depreciation	1,297	1,485	119	218	472	3,591
Disposals	–	(25)	–	(167)	–	(192)
At 31 December 2023 and 1 January 2024	16,679	7,837	618	2,689	536	28,359
Depreciation	1,297	1,646	103	263	663	3,972
Disposals	–	(42)	–	(126)	–	(168)
At 31 December 2024 and 1 January 2025	17,976	9,441	721	2,826	1,199	32,163
Depreciation	1,297	1,269	101	312	1,002	3,981
Disposals	–	(82)	(103)	(224)	–	(409)
Impairment provision	–	–	–	–	130	130
At 31 December 2025	19,273	10,628	719	2,914	2,331	35,865
Net book value:						
At 31 December 2023	24,274	5,450	380	588	1,557	32,249
At 31 December 2024	22,977	4,758	277	821	1,908	30,741
At 31 December 2025	21,680	3,223	170	686	1,793	27,552

Impairment assessment of cash-generating units including property, plant and equipment and right-of-use assets

The recoverable amount of each self-operated store ("**CGU**") with an indication of impairment is estimated at the end of each reporting period. As at the end of each reporting period, in view of the unfavourable future prospects of certain self-operated stores, there was an indication that the CGUs may suffer an impairment loss. Management of the Group has conducted impairment testing. The recoverable amount of each CGU is determined based on fair value less cost of disposal or value-in-use calculations by preparing cash flow projections of the relevant CGU derived from the most recent financial forecast approved by management covering the remaining lease term, which is higher. The cash flows are discounted using a pre-tax discount rate of 12%, 11% and 11%, respectively as at 31 December 2023, 2024 and 2025. The discount rate used is pre-tax and reflects specific risks relating to the relevant CGU.

As at 31 December 2023, 2024 and 2025, the carrying amount of certain CGUs exceeds their recoverable amount, of which the recoverable amounts was determined to be RMB2,236,000, RMB284,000 and RMB459,000. Therefore, during the Track Record Periods, an impairment loss of RMB984,000, RMB107,000 and RMB307,000, respectively, was recognised in profit or loss as the "Impairment loss of property, plant and equipment and right-of-use assets" in the consolidated statements of profit or loss and other comprehensive income. The impairment loss was allocated to the assets including leasehold improvement and right-of-use assets within the CGU on a pro rata basis.

12 RIGHT-OF-USE ASSETS

The Group

	Land use rights	Properties leased for own use carried at cost	Total
	RMB'000	*RMB'000*	*RMB'000*
Cost:			
At 1 January 2023	8,616	104,994	113,610
Additions	–	33,403	33,403
Lease modification and termination	–	(12,626)	(12,626)
At 31 December 2023 and 1 January 2024	8,616	125,771	134,387
Additions	–	28,964	28,964
Lease modification and termination	–	(35,187)	(35,187)
At 31 December 2024 and 1 January 2025	8,616	119,548	128,164
Additions	–	34,357	34,357
Lease modification and termination	–	(55,092)	(55,092)
At 31 December 2025	8,616	98,813	107,429
Accumulated depreciation:			
At 1 January 2023	2,352	39,338	41,690
Charge for the year	215	33,123	33,338
Lease modification and termination	–	(12,374)	(12,374)
Impairment provision	–	906	906
At 31 December 2023 and 1 January 2024	2,567	60,993	63,560
Charge for the year	215	34,025	34,240
Lease modification and termination	–	(31,220)	(31,220)
At 31 December 2024 and 1 January 2025	2,782	63,798	66,580
Charge for the year	215	32,951	33,166
Lease modification and termination	–	(45,835)	(45,835)
At 31 December 2025	2,997	50,914	53,911
Net book value:			
At 31 December 2023	6,049	64,778	70,827
At 31 December 2024	5,834	55,750	61,584
At 31 December 2025	5,619	47,899	53,518

The Group leases various self-operated stores and office buildings in the Chinese Mainland. Lease contracts are typically entered into for periods of 2 to 10 years.

The Company

	Land use rights *RMB'000*	Properties leased for own use carried at cost *RMB'000*	Total *RMB'000*
Cost:			
At 1 January 2023	8,616	27,298	35,914
Additions	–	4,785	4,785
Lease modification and termination	–	(4,952)	(4,952)
At 31 December 2023 and 1 January 2024	8,616	27,131	35,747
Additions	–	12,781	12,781
Lease modification and termination	–	(16,686)	(16,686)
At 31 December 2024 and 1 January 2025	8,616	23,226	31,842
Additions	–	3,102	3,102
Lease modification and termination	–	(7,176)	(7,176)
At 31 December 2025	8,616	19,152	27,768
Accumulated depreciation:			
At 1 January 2023	2,352	14,792	17,144
Charge for the year	215	7,733	7,948
Lease modification and termination	–	(4,952)	(4,952)
At 31 December 2023 and 1 January 2024	2,567	17,573	20,140
Charge for the year	215	7,352	7,567
Lease modification and termination	–	(16,633)	(16,633)
At 31 December 2024 and 1 January 2025	2,782	8,292	11,074
Charge for the year	215	5,809	6,024
Lease modification and termination	–	(4,517)	(4,517)
At 31 December 2025	2,997	9,584	12,581
Net book value:			
At 31 December 2023	6,049	9,558	15,607
At 31 December 2024	5,834	14,934	20,768
At 31 December 2025	5,619	9,568	15,187

(a) The analysis of expense items in relation to leases recognised in profit or loss is as follows:

The Group

	Year ended 31 December		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Depreciation charges of right-of-use assets			
– Ownership interests in land use rights	215	215	215
– Other properties leased for own use	33,123	34,025	32,951
	33,338	34,240	33,166
Interest on lease liabilities *(Note 6(a))*	3,232	2,636	2,203
Expense relating to short-term leases	1,637	1,219	1,554
Variable lease payments not included in the measurement of lease liabilities	528	471	580
	38,735	38,566	37,503

Details of total cash outflow for leases, the maturity analysis of lease are set out in Note 24 respectively.

(i) Ownership interests in leasehold land held for own use

The Group obtained land use rights in Zhejiang Province, the PRC in 2012, with the amortisation period spanning 40 years commencing from the lease start date.

(ii) Properties – right-of-use assets

The Group has obtained the right to use the properties as its office and business operations through tenancy agreements. The leases typically run for an initial period of 2 to 10 years.

(iii) Lease deposits

The refundable lease deposits themselves are not parts of the lease payments and the measurement are within the scope of IFRS 9. Therefore, the lease deposits should be measured at fair value on initial recognition. The difference between the initial fair value and the nominal value of the deposit is an additional lease payment made by the Group and it is included in the measurement of the right-of-use assets.

(b) The Group leased a number of self-operated stores which contain variable lease payment terms that are based on sales generated from the retail stores and minimum annual lease payment terms that are fixed. These payment terms are common in retail stores in Chinese Mainland where the Group operates. The amount of fixed and variable lease payments during the Track Record Periods is summarised below:

	Year ended 31 December		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Fixed payments	2,958	4,164	5,267
Variable payments	528	471	580
Total payments	3,486	4,635	5,847

13 INTANGIBLE ASSETS

The Group and the Company

	Trademark *RMB'000*	Software *RMB'000*	Total *RMB'000*
Cost:			
At 1 January 2023, 31 December 2023, 31 December 2024 and 31 December 2025	30,785	2,012	32,797
Accumulated amortisation:			
At 1 January 2023	30,785	1,344	32,129
Charge for the year	–	403	403
At 31 December 2023 and 1 January 2024	30,785	1,747	32,532
Charge for the year	–	81	81
At 31 December 2024 and 1 January 2025	30,785	1,828	32,613
Charge for the year	–	82	82
At 31 December 2025	30,785	1,910	32,695
Net book value:			
At 31 December 2023	–	265	265
At 31 December 2024	–	184	184
At 31 December 2025	–	102	102

14 INTERESTS IN SUBSIDIARIES

The Company

	Year ended 31 December		
	2023 *RMB'000*	**2024** *RMB'000*	**2025** *RMB'000*
Investments in subsidiaries, at cost (i)	24,506	42,894	43,549
Amounts due from subsidiaries	6,719	6,780	9,200
Investments arising from share-based transactions	–	1,130	396
Less: impairment of investment in subsidiaries (ii)	(9,385)	(9,446)	(11,866)
	21,840	41,358	41,279

Notes:

(i) Details of the subsidiaries are set out in Note 1.

(ii) As at 31 December 2023, 2024 and 2025, due to the continuous loss making and net liabilities of certain subsidiaries, the carrying amounts of investments in certain subsidiaries and amounts due from certain subsidiaries exceed their recoverable amount, therefore, an impairment provision of RMB9,385,000, RMB9,446,000 and RMB11,866,000 was recognised as at 31 December 2023, 2024 and 2025 respectively.

15 INTERESTS IN AN ASSOCIATE

(a) The following list contains an associate of the Group, which is unlisted corporate entity whose quoted market price is not available:

			As at 31 December 2023, 2024 and 2025			
			Proportion of ownership interest			
Name of associates	Form of business structure	Place of incorporation and business	Particulars of issued and paid-up capital	Held by the Company	Held by a subsidiary	Principal activity
Gansu Baoshihua Eye Co., Ltd.* 甘肅寶石花眼視光有限公司	Incorporated	Chinese Mainland	RMB1,000,000/ RMB1,000,000	–	45%	Wholesales of eyewear products

* The English translation of the associate's name is for reference only. The official name of the company is in Chinese.

The directors consider the associate is not significant to the Group during the Track Record Periods.

(b) Aggregate information of the associate that is not individually material:

	As at 31 December		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Aggregate carrying amount of individually immaterial associate in the consolidated financial statements	820	820	923
Aggregate amounts of the Group's share of the associate			
Profit from continuing operations	338	304	377
Other comprehensive income	–	–	–
Total comprehensive income	338	304	377

16 OTHER NON-CURRENT ASSETS

The Group

	As at 31 December		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Long-term receivables related to lease deposits	3,840	4,220	4,470
Financial lease receivables (i)	977	547	116
	4,817	4,767	4,586

The Company

	As at 31 December		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Long-term receivables related to lease deposits	1,099	978	1,043
Financial lease receivables (i)	977	547	116
	2,076	1,525	1,159

Note:

(i) The finance lease receivables represent the sub-leases the Group entered into which constitute a finance lease.

The Group and the Company

As at the end of each reporting period, the maturity analysis of the undiscounted finance lease receivables was as follows:

	As at 31 December		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Within 1 year	580	467	450
1 year to 2 years	467	450	118
2 years to 5 years	568	118	–
	1,615	1,035	568
Unearned income	(116)	(58)	(21)
	1,499	977	547
Represented by:			
Within 1 year	522	430	431
Over 1 year	977	547	116

17 INVENTORIES

(a) Inventories in the consolidated statements of financial position comprise:

The Group

	As at 31 December		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Inventories			
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

The Company

	As at 31 December		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Inventories			
Finished goods	20,461	20,936	20,742
Non-eyewear related consumables	972	934	610
Right to recover returned goods	15	13	17
Total	21,448	21,883	21,369

(b) The analysis of the amount of inventories recognised as an expense and included in profit or loss is as follows:

The Group

	Year ended 31 December		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Carrying amount of inventories sold	110,648	103,097	99,834
Write down of inventories	301	703	609
	110,949	103,800	100,443

The Company

	Year ended 31 December		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Carrying amount of inventories sold	54,364	52,602	52,547
Write down of inventories	249	231	317
	54,613	52,833	52,864

18 TRADE AND OTHER RECEIVABLES

The Group

	As at 31 December		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Current			
Trade receivables	3,104	4,509	3,338
Less: loss allowance on trade receivable *(Note 29)*	(443)	(345)	(347)
Trade receivables, net of loss allowance	2,661	4,164	2,991
Other receivables due from			
– Deposits for rentals and others	1,330	975	844
– Ultimate controlling shareholder (i)	–	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
	9,126	29,485	5,382

The Company

	As at 31 December		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Current			
Trade receivables due from			
– Third parties	2,486	3,960	2,644
– Subsidiaries	5,828	4,169	5,643
Less: loss allowance on trade receivable	(416)	(319)	(318)
Trade receivables, net of loss allowance	7,898	7,810	7,969
Other receivables due from			
– Subsidiaries	6,720	22,179	40,612
– Deposits for rentals and others	1,798	1,522	1,076
– Ultimate controlling shareholder (i)	–	20,000	–
– Value-added tax recoverable	47	95	–
– Funds in transit	1,134	666	267
– Others	798	1,739	295
	18,395	54,011	50,219

Note:

(i) Other receivables due from ultimate controlling shareholder as at 31 December 2024 represents a loan provided to Mr Jin Zengmin, ultimate controlling shareholder of the Company.

During the year ended 31 December 2024, the Company provided two loans to Mr Jin Zengmin with total principal amount of RMB30,000,000 in September 2024 and November 2024 respectively, bearing an annual interest rate of 3%. The loan of RMB 10,000,000 was settled in December 2024 and the remaining loan of RMB20,000,000 was subsequently settled in February 2025 and March 2025.

During the year ended 31 December 2025, the Company provided a loan to Ms Peng Meiliu, the ultimate controlling shareholder and spouse of Mr Jin Zengmin, with a principal amount of RMB30,000,000 in October 2025, bearing an annual interest rate of 3%. The loan was subsequently settled in December 2025.

Ageing analysis

As at the end of each reporting period, the ageing analysis of trade receivables (which are included in trade and other receivables) based on the invoice date and net of loss allowance, is as follows:

The Group

	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
	2,661	4,164	2,991

The Company

	As at 31 December		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Within 1 month	789	1,988	3,956
Over 1 month but within 3 months	2,511	2,547	1,819
Over 3 months but within 6 months	1,915	1,277	579
Over 6 months but within 1 year	1,700	687	713
Over 1 year but within 2 years	792	682	710
Over 2 years	191	629	192
	7,898	7,810	7,969

Trade receivables are due within 30 days from the date of billing. Details of the Group's credit policy and credit risk arising from trade receivables are set out in Note 29(a).

19 PREPAYMENTS AND OTHER CURRENT ASSETS

The Group

	As at 31 December		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Prepayments			
Non-current			
– purchases of property plant and equipment	662	556	385
Current			
– purchases of materials	1,320	671	1,284
– purchases of services	849	829	704
	2,169	1,500	1,988
Total	2,831	2,056	2,373

The Company

	As at 31 December		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Prepayments			
Non-current			
– purchases of property plant and equipment	64	38	–
Current			
– purchases of materials	493	264	917
– purchases of services	467	301	318
	960	565	1,235
Total	1,024	603	1,235

20 FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS

The Group and the Company

	As at 31 December		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Wealth management products	6,042	9,196	9,248

The amount represents investments in wealth management products issued by financial institutions in the Chinese Mainland. There are no fixed or determinable returns of these wealth management products.

21 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION

(a) Cash and cash equivalents

The Group

	As at 31 December		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Cash on hand	44	36	69
Cash at banks	97,476	187,160	227,013
Less: Time deposits	(28,165)	(104,409)	(102,371)
Cash and cash equivalents in the consolidated statements of financial position and the consolidated statements of cash flows	69,355	82,787	124,711

The Company

	As at 31 December		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Cash on hand	6	1	21
Cash at banks	51,672	131,073	155,131
Less: Time deposits	(10,051)	(80,259)	(80,175)
Cash and cash equivalents in the statements of financial position	41,627	50,815	74,977

(b) Reconciliation of profit before taxation to cash generated from operations:

	2023 *RMB'000*	2024 *RMB'000*	2025 *RMB'000*
Profit before taxation	41,941	19,621	45,908
Adjustments for:			
Impairment losses/ (reversal of impairment losses) on trade and other receivables	(201)	168	2
Impairment loss of property, plant and equipment and right-of-use assets	984	107	307
Depreciation of property, plant and equipment	8,439	8,366	9,164
Depreciation of right-of-use assets	33,338	34,240	33,166
Amortisation of intangible assets	403	81	82
Write-down of inventories	301	703	609
Equity-settled share-based payment expenses	–	2,067	840
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
Finance expense	3,232	2,636	2,203
Net realised and unrealised gains on financial assets at FVPL	(46)	(154)	(171)
Share of profits of an associate	(338)	(304)	(377)
Interest income	(397)	(1,750)	(1,697)
Changes in working capital:			
Decrease/(increase) in inventories	4,262	(1,216)	342
(Increase)/decrease in trade and other receivable and rental deposits	(12,763)	3,429	2,860
Decrease/(increase) in prepayments	1,172	669	(488)
Increase in provisions	156	99	27
Increase/(decrease) in trade and other payable	12,208	(1,214)	6,299
Decrease in contract liabilities	(811)	(584)	(913)
Cash generated from operations	91,736	67,332	97,521

(c) Reconciliation of liabilities arising from financing activities:

The table below details changes in the Group's liabilities from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are liabilities for which cash flows were, or future cash flows will be, classified in the Group's consolidated statements of cash flows as cash flows from financing activities.

	Lease liabilities *RMB'000* *(Note 24)*
At 1 January 2023	64,767
Changes from financing cash flows:	
Capital element of lease rentals paid	(31,567)
Interest element of lease rentals paid	(3,232)
Total changes from financing cash flows	(34,799)
Other changes:	
Changes in lease liabilities from entering into new leases or lease modification during the year	34,646
Interest expenses *(Note 6(a))*	3,232
Early termination	(312)
Total other changes	37,566
At 31 December 2023 and 1 January 2024	67,534
Changes from financing cash flows:	
Capital element of lease rentals paid	(37,592)
Interest element of lease rentals paid	(2,636)
Total changes from financing cash flows	(40,228)
Other changes:	
Changes in lease liabilities from entering into new leases or lease modification during the year	28,648
Interest expenses *(Note 6(a))*	2,636
Early termination	(3,987)
Total other changes	27,297
At 31 December 2024 and 1 January 2025	54,603
Changes from financing cash flows:	
Capital element of lease rentals paid	(31,647)
Interest element of lease rentals paid	(2,203)
Total changes from financing cash flows	(33,850)
Other changes:	
Changes in lease liabilities from entering into new leases or lease modification during the year	32,835
Interest expenses *(Note 6(a))*	2,203
Early termination	(10,191)
Total other changes	24,847
At 31 December 2025	45,600

(d) Total cash outflow for leases

Amounts included in the consolidated statements of cash flow for leases comprise the following:

	Year ended 31 December		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Within operating cash flows	2,165	1,690	2,134
Within financing cash flows	34,799	40,228	33,850
	36,964	41,918	35,984

These amounts relate to the following:

	Year ended 31 December		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Lease rentals settled	36,964	41,918	35,984

22 TRADE AND OTHER PAYABLES

The Group

	As at 31 December		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Trade payables	14,642	15,862	20,237
Other payables	11,027	9,154	9,465
Financial liabilities measured at amortised costs	25,669	25,016	29,702
Accrued payroll and other benefits	6,206	5,913	6,526
Other taxes payable	1,661	1,393	2,393
	33,536	32,322	38,621

The Company

	As at 31 December		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Trade payables	8,554	8,464	12,510
Amounts due to subsidiaries	25,568	38,134	37,439
Other payables	5,942	5,557	5,946
Financial liabilities measured at amortised costs	40,064	52,155	55,895
Accrued payroll and other benefits	2,639	2,877	3,127
Other taxes payable	718	747	1,248
	43,421	55,779	60,270

All trade and other payables are expected to be settled within one year or are repayable on demand.

As at the end of each reporting period, the ageing analysis of trade payables (which are included in trade and other payables), based on the invoice date, is as follows:

The Group

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

The Company

	As at 31 December		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Within 1 years	8,010	7,943	11,888
1 to 2 years	128	263	264
Over 2 years	416	258	358
	8,554	8,464	12,510

23 CONTRACT LIABILITIES

The Group

	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 (i)	3,965	1,800	2,025
	8,673	8,089	7,176

The Company

	As at 31 December		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Advances from customers	3,591	4,080	2,980
Customer loyalty scheme (i)	3,572	1,666	1,897
	7,163	5,746	4,877

(i) The estimated loyalty points arising from the customer loyalty scheme could be used in the future consumptions in the retail stores. The balance at the end of each reporting period represented the transaction price allocated to unsatisfied performance obligation.

Movements in contract liabilities:

The Group

	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Balance at 1 January	7,146	8,673	8,089
Decrease in contract liabilities as a result of recognising revenue during the year that was included in the contract liabilities at the beginning of the year	(4,015)	(7,269)	(7,036)
Increase in contract liabilities as a result of advances from customers	5,542	6,685	6,123
Balance at 31 December	8,673	8,089	7,176

The Company

	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Balance at 1 January	3,575	7,163	5,746
Decrease in contract liabilities as a result of recognising revenue during the year that was included in the contract liabilities at the beginning of the year	(759)	(5,873)	(4,778)
Increase in contract liabilities as a result of advances from customers	4,347	4,456	3,909
Balance at 31 December	7,163	5,746	4,877

24 LEASE LIABILITIES

As at the end of each reporting period, the lease liabilities were repayable as follows:

The Group

	As at 31 December		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Within 1 year	27,732	25,033	21,480
1 year to 2 years	17,705	13,121	11,789
2 years to 5 years	21,019	15,905	12,331
Over 5 years	1,078	544	–
	39,802	29,570	24,120
	67,534	54,603	45,600

The Company

	As at 31 December		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Within 1 year	5,179	5,430	5,126
1 year to 2 years	2,413	3,721	2,115
2 years to 5 years	5,641	7,801	2,904
	8,054	11,522	5,019
	13,233	16,952	10,145

25 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(a) Current taxation in the consolidated statement of financial position represents

The Group

	As at 31 December		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
As at 1 January	500	4,764	1,103
Provision for current income tax for the year	5,102	1,888	3,740
Payments during the year	(838)	(5,549)	(2,115)
As at 31 December	4,764	1,103	2,728
Represented by:			
Taxation recoverable	(71)	(183)	(120)
Taxation payable	4,835	1,286	2,848

(b) Deferred tax assets and liabilities recognised

The components of deferred tax assets/ (liabilities) recognised in the consolidated statements of financial position and the movements during the Track Record Periods are as follows:

The Group

	Right-of-use assets *RMB'000*	Lease liabilities *RMB'000*	Credit loss allowances *RMB'000*	Provision of inventories *RMB'000*	FVPL *RMB'000*	Customer loyalty programme *RMB'000*	Unused tax loss *RMB'000*	Financial lease receivables *RMB'000*	Impairment loss of property, plant and equipment and right-of-use assets *RMB'000*	Others *RMB'000*	Total *RMB'000*
At 1 January 2023	(7,355)	7,609	136	385	(8)	726	246	(67)	38	(3)	1,707
Credited/(charged) to profit or loss	(187)	837	(30)	(16)	(11)	187	(205)	(308)	–	10	277
At 31 December 2023 and 1 January 2024	(7,542)	8,446	106	369	(19)	913	41	(375)	38	7	1,984
Credited/(charged) to profit or loss	1,926	(2,513)	(25)	7	(39)	(490)	1,318	131	–	6	321
At 31 December 2024 and 1 January 2025	(5,616)	5,933	81	376	(58)	423	1,359	(244)	38	13	2,305
Credited/(charged) to profit or loss	1,313	(1,656)	–	212	(42)	59	(1,023)	107	41	2	(987)
At 31 December 2025	(4,303)	4,277	81	588	(100)	482	336	(137)	79	15	1,318

The Company

	Right-of-use assets *RMB'000*	Lease liabilities *RMB'000*	Credit loss allowances *RMB'000*	Provision of inventories *RMB'000*	FVPL *RMB'000*	Customer loyalty programme *RMB'000*	Unused tax loss *RMB'000*	Financial lease receivables *RMB'000*	Impairment loss of property, plant and equipment and right-of-use assets *RMB'000*	Others *RMB'000*	Total *RMB'000*
At 1 January 2023	(3,104)	3,427	130	323	(8)	710	207	(67)	1,464	(3)	3,079
Credited/(charged) to profit or loss	716	(120)	(26)	(3)	(11)	183	(207)	(308)	216	5	445
At 31 December 2023 and 1 January 2024	(2,388)	3,307	104	320	(19)	893	–	(375)	1,680	2	3,524
Credited/(charged) to profit or loss	(1,346)	931	(24)	(5)	(39)	(476)	1,269	131	15	5	461
At 31 December 2024 and 1 January 2025	(3,734)	4,238	80	315	(58)	417	1,269	(244)	1,695	7	3,985
Credited/(charged) to profit or loss	1,344	(1,703)	(1)	(6)	(42)	57	(938)	107	637	4	(541)
At 31 December 2025	(2,390)	2,535	79	309	(100)	474	331	(137)	2,332	11	3,444

Reconciliation to the consolidated statements of financial position

The Group

	As at 31 December		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Net deferred tax assets recognised in the consolidated statements of financial position	1,984	2,305	1,318

The Company

	As at 31 December		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Net deferred tax assets recognised in the consolidated statements of financial position	3,524	3,985	3,444

(c) Deferred tax assets not recognised

In accordance with the accounting policy set out in note 2(q), as at 31 December 2023, 2024 and 2025, the Group has not recognised deferred tax assets in respect of cumulative tax losses of RMB2,796,000, RMB2,547,000 and RMB2,769,000 as it is not probable that future taxable profits against which the losses can be utilised will be available in the relevant tax jurisdiction and entity.

The expiration information of the Group's unrecognised deferred tax assets in respect of cumulative tax losses is set out below:

	As at 31 December		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
2024	968	–	–
2025	847	847	–
2026	620	620	620
2027	–	–	–
2028	361	361	361
2029	–	719	719
2030	–	–	1,069
	2,796	2,547	2,769

26 PROVISIONS

The Group

	As at 31 December		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Provisions for restoration costs	154	238	236

The movements of provisions during the Track Record Periods were as follows:

	As at 31 December		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Balance at the beginning	81	154	238
Additional provisions	68	95	23
Interest on provisions	5	5	11
Provisions utilised	–	(16)	(36)
Balance at the end	154	238	236
Less: amount included under "current liabilities"	14	9	98
	140	229	138

The Company

	As at 31 December		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Provisions for restoration costs	25	39	61

The movements of provisions during the Relevant Periods were as follows:

	As at 31 December		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Balance at the beginning	24	25	39
Additional provisions	–	13	20
Interest on provisions	1	1	2
Balance at the end	25	39	61
Less: amount included under "current liabilities"	–	–	37
	25	39	24

Pursuant to the terms of the respective tenancy agreements entered into by the Group, the Group is required to restore certain leased properties to the conditions as stipulated in the tenancy agreements at the expiration of the corresponding lease term as appropriate. The provision for restoration costs was estimated based on certain assumptions and estimates made by the Group's management with reference to historical restoration costs and/or other available market information. The estimation basis is reviewed on an ongoing basis and revised where appropriate.

27 EQUITY-SETTLED SHARE-BASED TRANSACTIONS

Restricted shares

– ***2022 Share Incentive Plan***

In March 2022, the Group adopted the 2022 share incentive plan (the "**2022 Share Incentive Plan**"), pursuant to which the Group was authorised to grant awarded shares to eligible employees and supervisor of the Group. The number of shares for the awards under this 2022 Share Incentive Plan is 232,896 shares with the subscription price of RMB12.16 per shares, among which, 50,000 shares and 155,896 shares were held by one supervisor of the Company and other employees of the Group, through Hangzhou Maosifa Investment Management Partnership Enterprise (Limited Partnership) (the "**Hangzhou Maosifa**") and are conditional upon the fulfilment of service period of 5 years. The subscription price of RMB12.16 per share is determined based on the fair value of the Group's net assets as at the grant date and no share-based payments expenses was recognised accordingly.

– ***2023 Share Incentive Plan***

In December 2023, the Group adopted the 2023 share incentive plan (the "**2023 Share Incentive Plan**"), pursuant to which the Group was authorised to grant awarded shares to eligible employees, directors and supervisors of the Group. The number of shares for the awards under the 2023 Share Incentive Plan is 760,000 shares with the subscription price of RMB14 per share, among which, 80,000 shares and 80,000 shares were directly held by one director of the Company and one employee of the Group, and 70,000 shares and 530,000 shares were held by two supervisors of the Company and other employees of the Group through Hangzhou Maosifa.

The awards are conditional upon the successful completion of a qualified **[REDACTED]** and fulfilment of service period of 5 years. The Group determines the share-based payments expenses at a date of grant of awarded shares with reference to the estimation of the probability and timing of successful **[REDACTED]** since **[REDACTED]** condition is considered as a vesting condition. As at 31 December 2023, 2024 and 2025, the Group assessed that it is probable that the **[REDACTED]** condition will be achieved in the foreseeable future, and share-based payments expenses were recognised accordingly.

The awarded shares granted to employees, directors and supervisors of the Group vest upon the condition that the employees remain in service for the period from the grant date to the later of 5 years since the grant date and after one year of consummation of a qualified **[REDACTED]** of the Company.

The fair value of the awarded shares at the date of grant was determined by an external valuer taking into the terms and conditions upon which the awarded shares were granted. The Group has used the discounted cash flow method to determine the underlying equity fair value of the Company to determine the fair value of the underlying ordinary shares.

The fair value of the underlying ordinary shares granted and the key assumptions to the valuation at the grant date are summarised as below:

	20 December 2023
Fair value per underlying ordinary share	RMB 22.22
Risk-free interest rate	2.70%
Discount rate	11.22%

The fair value per awarded share is the difference between the fair value of underlying ordinary share and the subscription price.

The movements of the awarded shares of the Group during the Track Record Periods are summarised as follows:

	Year ended 31 December 2023		Year ended 31 December 2024		Year ended 31 December 2025	
	weighted average subscription price	Number of restricted shares	weighted average subscription price	Number of restricted shares	weighted average subscription price	Number of restricted shares
	RMB		*RMB*		*RMB*	
Outstanding at the beginning of the year	12.16	232,896	13.61	964,672	13.51	695,386
Granted during the year	14.00	760,000	–	–	–	–
Cancelled during the year	–	–	14.00	(149,286)	–	–
Forfeited during the year	12.16	(28,224)	13.69	(120,000)	–	–
Outstanding at the end of the year	13.61	964,672	13.51	695,386	13.51	695,386

The total expenses recognised in the consolidated statements of profit or loss and other comprehensive income for share-based awards granted to the participants are RMBnil, RMB2,067,000 and RMB840,000 for the years ended 31 December 2023, 2024 and 2025 respectively.

28 CAPITAL AND RESERVES

(a) Movements in components of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of the changes in the Company's individual components of equity between the beginning and the end of the year are set out below:

The Company

	Attributable to equity shareholders of the Company						
	Paid-in capital	Share capital	Capital reserve	Share-based payment reserve	Statutory reserve	Retained profits/ (accumulated losses)	Total equity
	RMB'000 (Note 28(b))	*RMB'000* (Note 28(b))	*RMB'000* (Note 28(c)(i))	*RMB'000* (Note 28(c)(ii))	*RMB'000*	*RMB'000*	*RMB'000*
Balance at 1 January 2023	10,233	–	64,868	–	350	8,000	83,451
Changes in equity for 2023:							
Loss for the year	–	–	–	–	–	(3,993)	(3,993)
Total comprehensive income	–	–	–	–	–	(3,993)	(3,993)
Capital Injection by equity holders	2,467	–	27,533	–	–	–	30,000
Balance at 31 December 2023 and 1 January 2024	12,700	–	92,401	–	350	4,007	109,458

	Attributable to equity shareholders of the Company						
	Paid-in capital	Share capital	Capital reserve	Share-based payment reserve	Statutory reserve	Retained profits/ (accumulated losses)	Total equity
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(Note 28(b))	*(Note 28(b))*	*(Note 28(c)(i))*	*(Note 28(c)(ii))*			
Changes in equity for 2024:							
Loss for the year	–	–	–	–	–	(4,282)	(4,282)
Total comprehensive income for the year	–	–	–	–	–	(4,282)	(4,282)
Equity-settled share-based payments	–	–	–	2,067	–	–	2,067
Acquisition of a subsidiary within the Group under common control	–	–	(15)	–	–	–	(15)
Capital injection by equity holders	5,300	–	59,148	–	–	–	64,448
Conversion into a joint stock company with limited liability	(18,000)	23,000	3,802	–	(350)	(8,452)	–
Issuance of ordinary shares	–	3,407	61,526	–	–	–	64,933
Balance at 31 December 2024	–	26,407	216,862	2,067	–	(8,727)	236,609
Changes in equity for 2025:							
Profit for the year	–	–	–	–	–	50,170	50,170
Total comprehensive income	–	–	–	–	–	50,170	50,170
Equity-settled share-based payments	–	–	–	840	–	–	840
Appropriation of statutory reserve	–	–	–	–	4,144	(4,144)	–
Dividend declared and paid during the year	–	–	–	–	–	(37,026)	(37,026)
Balance at 31 December 2025	–	26,407	216,862	2,907	4,144	273	250,593

(b) Share capital

(i) Paid-in capital and share capital

A summary of movements in the Company's issued paid-in capital and share capital during the Track Record Periods is as follows:

	Number of shares	Share capital *RMB'000*	Paid-in capital *RMB'000*
Balance at 1 January 2023	–	–	10,233
Capital injection by the equity holder (i)	–	–	2,467
Balance at 31 December 2023	–	–	12,700
Capital injection by the equity holders (i)	–	–	5,300
Issue of ordinary shares upon conversion into a joint stock limited liability company (ii)	23,000,000	23,000	(18,000)
Issuance of ordinary shares (iii)	3,407,404	3,407	–
Balance at 31 December 2024 and 2025	26,407,404	26,407	–

(i) On 27 January 2022, the registered capital of the Company was increased from RMB10,000,000 to RMB18,000,000, among which, Mr Jin Zengmin subscribed equity interests of RMB6,200,000, and Hangzhou Maosifa subscribed equity interests of RMB1,800,000, with the subscription price of RMB12.16 per equity interest. RMB2,832,000, RMB30,000,000 and RMB64,448,000 for the subscription were paid in 2022, 2023 and 2024 respectively.

(ii) Pursuant to the shareholders' resolution dated 19 April 2024, the shareholders of the Company agreed to convert the Company into a joint stock limited liability company. The net assets of the Company as at the conversion base date, which is 29 February 2024, were converted into 23,000,000 shares with par value of RMB1 each. The excess of the net assets converted over the nominal value of the ordinary shares was recorded as the Company's capital reserve. Upon the completion of registration with the Company on 19 April 2024, the Company was converted into a joint stock limited liability company under PRC Company Law.

(iii) On 7 November 2024, the Company issued 3,407,000 new shares with par value of RMB1 each to Hangzhou Industrial Investment Group Co., Ltd., one shareholder of the Group, with the subscription price of RMB64,933,000. The Company's share capital increased from RMB23,000,000 to RMB26,407,404 accordingly.

(c) Nature and purpose of reserves

(i) Capital reserve

The capital reserve mainly comprises: (i) the differences between the net considerations received and the nominal amount of share capital issued by the Company; (ii) the differences between the net assets received and the total amount of the par value of shares issued in relation to the conversion into a joint stock company; and (iii) the difference between the net assets acquired under common control and the total consideration paid.

(ii) Share-based payment reserve

The share-based payments reserve represents the portion of the grant date fair value of award shares granted to the directors and employees of the Group that has been recognised in accordance with the accounting policy adopted for share-based payments in Note 2(p)(ii).

(iii) Statutory reserves

Statutory reserve is established in accordance with the relevant PRC rules and regulations and the articles of association of the companies comprising the Group which are incorporated in the Chinese Mainland.

In accordance with the PRC Company Law, certain subsidiaries of the Group which are domestic enterprises are required to allocate 10% of their profit after tax, as determined in accordance with the relevant PRC accounting standards, to their respective statutory reserves until the reserves reach 50% of their respective registered capital. For the entity concerned, statutory reserves can be used to make good previous years' losses, if any, and may be converted into capital in proportion to the existing equity interests of investors, provided that the balance of the reserve after such conversion is not less than 25% of the entity's registered capital.

(d) Dividends

In 2021, the Group acquired 100% equity interests in Lanzhou Keda Optical Eyewear Co., Ltd. ("**Lanzhou Keda**") which constitutes a business combination under common control. Before the acquisition, Lanzhou Keda declared the dividend of RMB7,000,000 to Mr Jin Zengmin and Ms Peng Meiliu, 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 RMB7,000,000 was settled in 2023.

In accordance with the resolution of the shareholders of the Company dated 22 January 2025, a dividend of RMB37,026,178 was declared and paid to all equity shareholders of the Company.

(e) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

The Group's overall strategy remains unchanged throughout the years ended 31 December 2023, 2024 and 2025. The Group monitors its capital structure with reference to its debt position. The Group's strategy is to maintain the equity and debt in a balanced position and ensure there are adequate working capital to meet its debt obligations. The Group's debt to asset ratio, being the Group's total liabilities divided by its total assets, as at 31 December 2023, 2024 and 2025 was 41%, 23%, and 23%, respectively.

The Group was not subject to any externally imposed capital requirements during the Track Record Periods.

29 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

Exposure to credit, liquidity, interest rate and currency arises in the normal course of the Group's business. The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below:

(a) 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.

Trade receivables

The Group has established a credit risk management policy under which individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Trade receivables are due within 30 days from the date of billing. Debtors with balances that are more than 12 months past due are requested to settle all outstanding balances before any further credit is granted. Normally, the Group does not obtain collateral from customers.

Significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. At 31 December 2023, 2024 and 2025, 34%, 16% and 13% of the total trade receivables was due from the Group's largest five customers. The Group measures loss allowances for trade receivables at an amount equal to lifetime ECLs, which is calculated using a provision matrix. As the Group's historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between the Group's different customer bases.

The following tables provide information about the Group's exposure to credit risk and ECLs for trade receivables:

	As at 31 December 2023		
	Expected loss rate	**Gross carrying amount**	**Loss allowance**
	%	*RMB'000*	*RMB'000*
Within 1 month	5%	828	41
Over 1 month but within 3 months	5%	1,682	81
Over 3 months but within 6 months	10%	271	27
Over 6 months but within 1 year	19%	32	6
Over 1 year but within 2 years	50%	6	3
Over 2 years	100%	285	285
		3,104	443

	As at 31 December 2024		
	Expected loss rate	**Gross carrying amount**	**Loss allowance**
	%	*RMB'000*	*RMB'000*
Within 1 month	5%	1,495	78
Over 1 month but within 3 months	5%	2,114	102
Over 3 months but within 6 months	10%	702	73
Over 6 months but within 1 year	33%	96	32
Over 1 year but within 2 years	50%	84	42
Over 2 years	100%	18	18
		4,509	345

	As at 31 December 2025		
	Expected loss rate	Gross carrying amount	Loss allowance
	%	*RMB'000*	*RMB'000*
Within 1 month	5%	2,204	116
Over 1 month but within 3 months	5%	567	29
Over 3 months but within 6 months	11%	223	25
Over 6 months but within 1 year	34%	125	43
Over 1 year but within 2 years	50%	170	85
Over 2 years	100%	49	49
		3,338	347

Expected loss rates are based on actual loss experience. These rates are adjusted to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

Movement in the loss allowance account in respect of trade receivables during the Track Record Periods is as follows:

	Year ended 31 December		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
At beginning of the year	(644)	(443)	(345)
Impairment losses reversal/(recognised)	201	(168)	(2)
Amounts written off	–	266	–
At end of the year	(443)	(345)	(347)

Other receivables

Credit risk in respect of other receivables is limited since the balance mainly includes value-added-tax recoverable, deposits to landlord, amount due from ultimate controlling shareholders.

The Group measures loss allowances for other receivables at an amount equal to 12-month ECLs unless there has been a significant increase in credit risk since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs. The Group assessed that there is no significant loss allowance recognised in accordance with IFRS 9 for other receivables as at 31 December 2023, 2024 and 2025.

(b) Liquidity risk

The Group's policy is to regularly monitor liquidity requirements, and to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The following tables show the remaining contractual maturities at the end of the reporting period of the Group's non-derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period) and the earliest date the Group and can be required to pay:

	As at 31 December 2023 Contractual undiscounted cash outflow					
	Within 1 year or on demand *RMB'000*	**More than 1 year but less than 2 years** *RMB'000*	**More than 2 years but less than 5 years** *RMB'000*	**More than 5 years** *RMB'000*	**Total** *RMB'000*	**Carrying amount** *RMB'000*
Trade and other payables	25,669	–	–	–	25,669	25,669
Lease liabilities	30,204	21,240	28,527	1,554	81,525	67,534
	55,873	21,240	28,527	1,554	107,194	93,203

	As at 31 December 2024 Contractual undiscounted cash outflow					
	Within 1 year or on demand *RMB'000*	**More than 1 year but less than 2 years** *RMB'000*	**More than 2 years but less than 5 years** *RMB'000*	**More than 5 years** *RMB'000*	**Total** *RMB'000*	**Carrying amount** *RMB'000*
Trade and other payables	25,016	–	–	–	25,016	25,016
Lease liabilities	28,541	21,072	20,308	797	70,718	54,603
	53,557	21,072	20,308	797	95,734	79,619

	As at 31 December 2025 Contractual undiscounted cash outflow					
	Within 1 year or on demand *RMB'000*	**More than 1 year but less than 2 years** *RMB'000*	**More than 2 years but less than 5 years** *RMB'000*	**More than 5 years** *RMB'000*	**Total** *RMB'000*	**Carrying amount** *RMB'000*
Trade and other payables	29,702	–	–	–	29,702	29,702
Lease liabilities	27,090	16,869	12,665	–	56,624	45,600
	56,792	16,869	12,665	–	86,326	75,302

(c) 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.

The Group's interest rate risk arises primarily from cash at banks at variable interest rates. The Group's interest rate risk profile as monitored by management is set out below:

	As at 31 December					
	2023		2024		2025	
	Interest rate		Interest rate		Interest rate	
	%	*RMB'000*	%	*RMB'000*	%	*RMB'000*
Fixed rate:						
Lease liabilities	4.30%	(67,534)	3.60%–4.20%	(54,603)	3.50%–3.60%	(45,600)
Loans to ultimate controlling shareholder	–	–	3.00%	20,000	–	–
Time deposits	1.4%–1.8%	28,165	1.6%–1.85%	104,409	1.1%–1.6%	102,371
		(39,369)		69,806		56,771
Variable rate:						
Cash at banks	0.05%–0.1%	69,311	0.05%–0.1%	82,751	0.05%–0.1%	124,642
		69,311		82,751		124,642

The Group does not have significant exposure to the risk of changes in market interest rates during the Track Record Periods.

(d) Currency risk

The Group is 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.

(e) Fair value measurement

The fair value of the Group's financial instruments is categorised into the three-level fair value hierarchy as defined in IFRS 13, *Fair Value measurement*. The level, into which a fair value measurement is classified, is determined with the reference to the observability and significance of the inputs used in the valuation technique as follows:

Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.

Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.

Level 3 valuations: Fair value measured using significant unobservable inputs.

	Fair value at 31 December 2023	Fair value measurement as at 31 December 2023 categorised into		
		Level 1	Level 2	Level 3
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets				
– Wealth management products	6,042	–	6,042	–

	Fair value at 31 December 2024	Fair value measurement as at 31 December 2024 categorised into		
		Level 1	Level 2	Level 3
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets				
– Wealth management products	9,196	–	9,196	–

	Fair value at 31 December 2025	Fair value measurement as at 31 December 2025 categorised into		
		Level 1	Level 2	Level 3
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets				
– Wealth management products	9,248	–	9,248	–

During the Track Record Periods, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of each reporting period in which they occur.

Information about Level 2 fair value measurements

The fair value of wealth management products is determined by using a discounted cash flow valuation model based on the market interest rates of instruments with similar terms and risks.

Fair values of financial assets and liabilities carried at other than fair value

All financial instruments carried at amortised cost were not materially different from their fair values as at 31 December 2023, 2024 and 2025.

30 COMMITMENTS

The Group did not have any material capital commitments as at 31 December 2023, 2024 and 2025.

31 MATERIAL RELATED PARTY TRANSACTIONS

(a) Names and relationship of the related parties that had material transactions with the Group during the Track Record Periods

Name of related parties	Relationship
Mr Jin Zengmin 金增敏 and Ms Peng Meiliu 彭美柳 (Spouse of Mr Jin Zengmin)	Ultimate controlling shareholders
Maoyuanchang Holding 毛源昌眼鏡有限公司	Controlling shareholder
Hangzhou Industrial Investment Group Co., Ltd. 杭州市實業投資集團有限公司	Shareholder
Hangzhou Wuchan Development (Hangzhou) Co., Ltd. 杭實物產發展(杭州)有限公司	Subsidiary of shareholder
Gansu Baoshihua Eye Co., Ltd. 甘肅寶石花眼視光有限公司	Associate
Lanzhou Dashengchang Business Management Co., Ltd. 蘭州達盛昌商業管理有限公司** (ceased to be a related party from 30 April 2024)	Entity controlled by Mr Jin Zengmin

* The English name of the entity incorporated in the Chinese Mainland is translated from their registered Chinese name for identification purpose only.

** The controlling equity holder of Lanzhou Dashengchang Business Management Co., Ltd. 蘭州達盛昌商業管理有限公司 was changed from Mr Jin Zengmin to a third party individual on 30 April 2024.

(b) Transactions with related parties

	Year ended 31 December		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Sales of goods			
– Gansu Baoshihua Eye Co., Ltd.	808	828	770
– Hangzhou Industrial Investment Group Co., Ltd.	–	57	–
Purchase of services			
– Hangzhou Wuchan Development (Hangzhou) Co., Ltd.	41	50	52
Collection of the receivable on behalf of the Group by the controlling shareholder			
– Maoyuanchang Holding	10,907	151	–
Payment of utilities fees made on behalf of the Group by the controlling shareholder			
– Maoyuanchang Holding	287	193	–
Business acquisition under common control			
– Mr. Jin Zengmin (i)	–	128	–
Loans to ultimate controlling shareholders			
– Ms. Peng Meiliu	–	–	30,000
– Mr. Jin Zengmin	–	30,000	–
Interest income from ultimate controlling shareholders			
– Ms. Peng Meiliu	–	–	123
– Mr. Jin Zengmin	–	150	98
Repayments of loans to ultimate controlling shareholders			
– Ms. Peng Meiliu	–	–	30,000
– Mr. Jin Zengmin	–	10,000	20,000
Loans due to ultimate controlling shareholder			
– Mr. Jin Zengmin	649	–	–
Repayment of loan to ultimate controlling shareholder			
– Mr. Jin Zengmin	–	316	–
Waived loan by ultimate controlling shareholder			
– Mr. Jin Zengmin	–	333	–

Notes:

(i) In April 2024, the Group acquired certain main operating assets of Lanzhou Keda Ophthalmology Clinic* 蘭州科達眼科診所, which was previously controlled by Mr Jin Zengmin and the transaction constituted a business combination under common control. The consideration was RMB 128,000, which was the book value of the acquired net assets of Lanzhou Keda Ophthalmology Clinic as at 31 March 2024. Lanzhou Keda Ophthalmology Clinic completed its deregistration on 26 April 2024.

* The English name of the entity incorporated in the Chinese Mainland is translated from their registered Chinese name for identification purpose only.

(c) Leasing arrangement

In 2023, the Group entered into a three-year lease contract with Ms Peng Meiliu in respect of leasehold stores for operating activities. The amount of rent payable by the Group under the lease is RMB300,000 per month. At the commencement date of the lease, the Group recognised right-of-use assets and lease liabilities of RMB10,199,000.

In 2025, the Group entered into a three-year lease contract with Ms Peng Meiliu in respect of leasehold stores for operating activities. The amount of rent payable by the Group under the lease is RMB35,000 per month. At the commencement dates of the leases, the Group recognised right-of-use assets and lease liabilities of RMB1,190,000.

In 2025, the Group entered into a three-year lease contract with Mr Jin Zengmin in respect of leasehold stores for operating activities. The amount of rent payable by the Group under the leases is RMB40,000 per month. At the commencement date of the lease, the Group recognised right-of-use assets and lease liabilities of RMB1,372,000.

In 2024, the Group entered into a three-year lease contract with Hangzhou Industrial Investment Group Co., Ltd. in respect of leasehold stores for operating activities. The amount of rent payable by the Group under the leases is RMB 19,000 per month for the period from 1 March 2024 to 28 February 2025, RMB 20,000 per month for the period from 1 March 2025 to 28 February 2026 and RMB 21,000 per month for the period from 1 March 2026 to 28 February 2027 respectively. At the commencement dates of the leases, the Group recognised right-of-use assets and lease liabilities of RMB 646,000.

In 2023, the Group entered into a two-year lease contract with Lanzhou Dashengchang Business Management Co., Ltd. in respect of leasehold stores for operating activities. The amount of rent payable by the Group under the lease is RMB40,000 per month. At the commencement date of the lease, the Group recognised right-of-use assets and lease liabilities of RMB934,000.

(d) Balance with related parties

	As at 31 December		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Trade and other receivables			
Trade related:			
– Hangzhou Industrial Investment Group Co., Ltd.	19	83	19
– Gansu Baoshihua Eye Co., Ltd.	100	79	136
Non-trade related:			
– Mr. Jin Zengmin	–	20,000	–
Lease liabilities			
Trade related:			
– Mr. Jin Zengmin	462	–	931
– Ms. Peng Meiliu	7,378	3,561	810
– Hangzhou Industrial Investment Group Co., Ltd.	–	447	234
– Maoyuanchang Holding	3,116	1,326	1,338
– Lanzhou Dashengchang Business Management Co., Ltd.	472	–	–
Trade and other payables			
Non-trade related:			
– Mr. Jin Zengmin	649	–	–

(e) Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors as disclosed in Note 8, is as follows:

	Year ended 31 December		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Salaries, allowances and benefits in kind	773	917	1,768
Discretionary bonuses	161	186	358
Contributions to retirement benefit schemes	25	29	37
Share based payments	–	263	263
	959	1,395	2,426

32 IMMEDIATE AND ULTIMATE CONTROLLING PARTY

At 31 December 2025, the directors consider Maoyuanchang Holding, Hangzhou Dashengchang Trade Co., Ltd. (shareholder of Maoyuanchang Holding and controlled by Mr Jin Zengmin), Hangzhou Shuangzhou Management Consulting Partnership (Limited Partnership)(shareholder of Maoyuanchang Holding and controlled by Mr Jin Zengmin), Mr Jin Zengmin, Ms Peng Meiliu and Hangzhou Maosifa to be the group of controlling shareholder of the Company and ultimate controlling shareholders of the Group to be Mr Jin Zengmin and Ms Peng Meiliu.

33 NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

In accordance with the resolution of the shareholders of the Company dated 28 January 2026, a dividend of RMB 32,217,000 was declared and paid to all equity shareholders.

In accordance with the resolution of the shareholders of the Company dated 12 February 2026, the Company issued 1,207,548 new shares with par value of RMB1 each to certain external investors and internal employees of the Group with the subscription price of RMB21.53 per share, totaling RMB25,999,000, with reference to the fair value of the Group's shares determined by an external valuer. The Company's share capital increased from RMB26,407,000 to RMB27,615,000 accordingly.

34 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE TRACK RECORD PERIODS

Up to the date of this report, the IASB has issued a number of amendments, new standards and interpretations, which are not yet effective for the Track Record Periods and which have not been adopted in preparing the Historical Financial Information. These developments include:

	Effective for accounting periods beginning on or after
Amendments to IFRS 9, Financial instruments and IFRS 7, Financial instruments: disclosures – Contracts referencing nature dependent electricity	1 January 2026
Amendments to IFRS 9, Financial instruments and IFRS 7, Financial instruments: disclosures – Amendments to the classification and measurement of financial instruments	1 January 2026
Annual improvements to IFRS Accounting Standards – Volume 11	1 January 2026
IFRS 18, Presentation and disclosure in financial statements	1 January 2027
IFRS 19, Subsidiaries without public accountability: disclosures	1 January 2027
Amendments to IAS 21, Translation to a hyperinflationary presentation currency	1 January 2027
Amendments to IFRS 10 and IAS 28, Sale or contribution of assets between an investor and its associate or joint venture	To be determined

The Group is in the process of making an assessment of what the impact of these developments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements of the Group except for the following:

IFRS 18, Presentation and disclosure in financial statements

IFRS 18 will replace IAS 1 Presentation of financial statements and aims to improve the transparency and comparability of information about an entity's financial statements. IFRS 18 is effective for annual reporting periods beginning on or after 1 January 2027 and is to be applied retrospectively.

Among other changes, under IFRS 18, entities are required to classify all income and expenses into five categories in the statement of profit or loss, namely the operating, investing, financing, discontinued operations and income tax categories. Entities are also required to provide specific disclosures about management-defined performance measures in a single note in the financial statements. Minor amendments to IAS 7 Statement of cash flows are also made.

The Group does not plan to early adopt IFRS 18. IFRS18 will impact the presentation of financial statements and is not expected to have a significant impact on the financial performance and positions of the Group.

Subsequent Financial Statements

No audited financial statements have been prepared by the Company and the companies now comprising the Group in respect of any period subsequent on 31 December 2025.

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

PRC TAXATION

Taxation of Security Holders

The taxation of income and capital gains of holders of H Shares is subject to the laws and practices of the PRC and of jurisdictions in which holders of H Shares are resident or otherwise subject to tax. The following summary of certain relevant taxation provisions is based on current effective PRC laws and practices and no predictions are made about changes or adjustments to relevant laws or policies, and no comments or suggestions will be made accordingly. The discussion does not deal with all possible tax consequences relating to an investment in the H Shares, nor does it take into account the specific circumstances of any particular investor, some of which may be subject to special regulations. Accordingly, you should consult your own tax advisors regarding the tax consequences of an investment in H Shares. The discussion is based upon PRC laws and relevant interpretations in effect as at the date of this document, all of which are subject to change. Prospective investors are urged to consult their financial advisors regarding the PRC and other tax consequences of owning and disposing of H Shares.

Taxation on dividends

Individual investors

Pursuant to the Individual Income Tax Law of the PRC (《中華人民共和國個人所得税法》), which was last amended on 31 August 2018 by the SCNPC and came into effect on 1 January 2019, and the Regulations on Implementation of the Individual Income Tax Law of the PRC (《中華人民共和國個人所得税法實施條例》), which were last amended on 18 December 2018 by the State Council and came into effect on 1 January 2019, dividends paid by PRC enterprises are subject to individual income tax levied at a flat rate of 20%. For a foreign individual who is not a resident of the PRC, the receipt of dividends from a PRC enterprise in the PRC is normally subject to individual income tax of 20% unless specifically exempted by the tax authority of the State Council or reduced by an applicable tax treaty.

Pursuant to the Notice of the State Taxation Administration (the "**STA**") on Issues Concerning the Levy and Administration of Individual Income Tax After the Repeal of Guo Shui Fa [1993] No. 45) (Guo Shui Han [2011] No. 348) (《國家税務總局關於國税發[1993]045號文件廢止後有關個人所得税徵管問題的通知(國税函[2011]348號)》) issued by the STA on 28 June 2011, which came into effect on the same day, domestic non-foreign-invested enterprises issuing shares in Hong Kong may, when distributing dividends, withhold individual income tax at the rate of 10%. For the individual holders of H Shares receiving dividends who are citizens of countries that have entered into a tax treaty with the PRC with tax rate of lower than 10%, non-foreign-invested enterprises listed in Hong Kong may apply on behalf of such holders for enjoying the lower preferential tax treatments, and, upon approval by the tax authorities, the excessive withholding amount will be refunded. For the individual holders of H Shares receiving dividends who are citizens of countries that have entered into a tax treaty with the PRC with tax rate of higher than 10% but lower than 20%, the non-foreign-invested enterprise is required to withhold the tax at the agreed rate under the treaties, and no application procedures will be necessary. For the individual holders of H Shares receiving dividends who are citizens of countries without taxation treaties with the PRC or are under other situations, the non-foreign-invested enterprise is required to withhold the tax at a rate of 20%.

Enterprise investors

According to the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得税法》), which was latest amended by the SCNPC and implemented on 29 December 2018, and the Implementation Rules for the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得税法實施條例》), which was last amended on 6 December 2024 by the State Council, a non-resident enterprise is generally subject to a 10% enterprise income tax on PRC-sourced income (including dividends received from a PRC resident enterprise that issues shares in Hong Kong), if it does not have an establishment or premise in the PRC or has an establishment or premise in the PRC but its PRC-sourced income has no real connection with such establishment or premise. The aforesaid income tax payable for non-resident enterprises is deducted at source, where the payer of the income is required to withhold the income tax from the amount to be paid to the non-resident enterprise.

The Notice on the Issues Concerning Withholding the Enterprise Income Tax on the Dividends Paid by Chinese Resident Enterprises to H-Share Holders Which Are Overseas Non-resident Enterprises (Guo Shui Han [2008] No. 897) (《關於中國居民企業向境外H股非居民企業股東派發股息代扣代繳企業所得税有關問題的通知(國税函[2008]897號)》), which was issued and implemented by the STA on 6 November 2008, further clarifies that a PRC-resident enterprise must withhold enterprise income tax at a rate of 10% on the dividends of year 2008 and afterwards that it distributes to overseas non-resident enterprise shareholders of H Shares. In addition, the Response to Questions on Levying Enterprise Income Tax on Dividends Derived by Non-resident Enterprise from Holding Stock such as B Shares (Guo Shui Han [2009] No. 394) (《關於非居民企業取得B股等股票股息徵收企業所得税問題的批覆(國税函[2009]394號)》), which was issued by the STA and came into effect on 24 July 2009, further provides that any PRC-resident enterprise whose shares are listed on overseas stock exchanges must withhold and remit enterprise income tax at a rate of 10% on dividends of year 2008 and afterwards that it distributes to non-resident enterprises. Such tax rates may be further modified pursuant to the tax treaty or agreement that China has entered into with a relevant country or region, where applicable.

Pursuant to the Arrangement between the Mainland and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income (《內地和香港特別行政區關於對所得避免雙重徵税和防止偷漏税的安排》) (the "**Arrangement**"), which was signed between the STA and the Hong Kong Government on 21 August 2006, the PRC government may levy taxes on the dividends paid by a PRC company to Hong Kong residents (including resident individual and resident entities) in an amount not exceeding 10% of the total dividends payable by the PRC company unless a Hong Kong resident directly holds 25% or more of the equity interest in the PRC company, then such tax shall not exceed 5% of the total dividends payable by the PRC company. The Fifth Protocol to the Arrangement between the Mainland and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income (《<內地和香港特別行政區關於對所得避免雙重徵税和防止偷漏税的安排>〉第五議定書》), which came into effect on 6 December 2019, added a criteria for the qualification of entitlement to enjoy treaty benefits. Although there may be other provisions under the Arrangement, the treaty benefits under the criteria shall not be granted in the circumstance where relevant gains, after taking into account all relevant facts and conditions, are reasonably deemed to be one of the main purposes for the arrangement or transactions which will bring any direct or indirect benefits under this Arrangement, except when the grant of benefits under such circumstance is consistent with relevant objective and goal under the Arrangement. The application of the dividend clause of tax agreements is subject to the requirements of PRC tax law and regulation, such as the Notice of the STA on the Issues Concerning the Application of the Dividend Clauses of Tax Agreements (Guo Shui Han [2009] No. 81) (《國家税務總局關於執行税收協定股息條款有關問題的通知(國税函[2009]81號)》).

Tax Treaties

Non-resident investors residing in jurisdictions which have entered into treaties or adjustments for the avoidance of double taxation with the PRC might be entitled to a reduction of the PRC enterprise income tax imposed on the dividends received from PRC enterprises. The PRC currently has entered into avoidance of double taxation treaties or arrangements with a number of countries and regions including Hong Kong, Macau, Australia, Canada, France, Germany, Japan, the Netherlands, Singapore, the United Kingdom and the United States. Non-PRC resident enterprises entitled to preferential tax rates in accordance with the relevant taxation treaties or arrangements are required to apply to the PRC tax authorities for a refund of the enterprise income tax in excess of the agreed tax rate, and the refund application is subject to approval by the PRC tax authorities.

Taxation on share transfer

*Value-Added Tax ("**VAT**") and Local Surcharges*

Pursuant to the Value-added Tax Law of the People's Republic of China (《中華人民共和國增值税法》) promulgated by the Standing Committee of the National People's Congress, last amended on 25 December 2024 and implemented on 1 January 2026, and the Detailed Implementing Rules of the Provisional Regulations on the VAT of the PRC (《中華人民共和國增值税暫行條例實施細則》) promulgated by the Ministry of Finance (the "**MOF**") on 15 December 1993, last amended on 28 October 2011 and implemented on 1 November 2011 (collectively, the "**VAT Law**"), all taxpayers selling goods, providing processing, repairing or replacement services, sales of services, intangible assets and immovable assets and importing goods within the PRC shall pay the VAT. Unless provided otherwise, for general the VAT taxpayers selling services and intangible assets, the VAT is 6%.

The Notice of the MOF and the STA on Adjusting the VAT (《財政部、國家税務總局關於調整增值税税率的通知》), which was promulgated by the MOF and the STA on 4 April 2018 and came into effect on 1 May 2018, adjusts the applicable rate of the VAT and stipulates that for a taxpayer who engages in a taxable sales activity for the VAT purpose or importation of goods, the previous applicable tax rates of 17.0% and 11.0% would be adjusted to 16.0% and 10.0%, respectively.

Income Tax

Individual investor

According to the Individual Income Tax Law of the PRC and its implementation rules, the proceeds from the sale of equity interests in PRC-resident enterprise are subject to income tax at a tax rate of 20%.

According to the Notice Concerning Continuing Temporary Exemption from Individual Income Tax on the Income From Stocks Transfer (Cai Shui Zi [1998] No. 61) (《關於個人轉讓股票所得繼續暫免徵收個人所得税的通知(財税字[1998]61號)》) promulgated by the STA and became effective on 30 March 1998, since 1 January 1997, the individual income tax levied on the individual income from transfer of stocks of listed companies will continue to be temporarily exempted. In the newly revised Individual Income Tax Law of the PRC, the STA did not clearly stipulate whether to continue to exempt individuals from tax on the income from transfer of stocks of listed companies.

Furthermore, the Notice of the State Administration of Taxation on Issues Concerning the Levy of Individual Income Tax on Incomes from the Transfer of Restricted Shares of Listed Companies (Cai Shui [2009] No. 167) (關於個人轉讓上市公司限售股所得徵收個人 所得稅有關問題的通知(財稅[2009]167號)) jointly issued by the MOF, the STA and the China Securities Regulatory Commission (the "**CSRC**") and implemented on 31 December 2009 stipulates that individuals' income from the transfer of listed shares obtained from the public offering of listed companies and transfer market on the Shanghai Stock Exchange and the Shenzhen Stock Exchange shall continue to be exempted from the individual income tax, provided that it excludes the relevant restricted shares as defined in the Supplementary Notice Concerning the Levy of Individual Income Tax on Incomes from the Transfer of Restricted Shares of Listed Companies (Cai Shui [2010] No. 70) (《關於個人轉讓上市公司限售股所得徵收個人所得稅有關問題的補充通 知(財稅[2010]70號)》) jointly issued by these departments and implemented on 10 November 2010. As at the Latest Practicable Date, the aforementioned provisions did not specify whether to impose the individual income tax on the income from the transfer of shares of PRC-resident enterprise listed on overseas stock exchanges by non-PRC resident individuals.

Enterprise investors

In accordance with the EIT Law and its implementation rules, a non-resident enterprise that has not established an establishment or premises in the PRC or it has established an establishment and premises but the income received has no actual connection with the establishment and premises, it shall pay an enterprise income tax at a rate of 10% for the income arising within the PRC (including the income from sale of equity interests of PRC-resident enterprise). The aforesaid income tax payable for non-resident enterprises are deducted at source, where the payer of the income is required to withhold the income tax from the amount to be paid to the non-resident enterprise on each payment or when it is payable on due date. The withholding tax may be reduced pursuant to applicable treaties or agreements on avoidance of double taxation.

Stamp Duty

In accordance with the Stamp Tax Law of the PRC (《中華人民共和國印花税法》) promulgated by the Standing Committee of the NPC on 10 June 2021 and came into effect on 1 July 2022, entities and individuals that issue taxable certificates and conduct securities transactions within the territory of PRC, or entities and individuals who issue taxable certificates and conduct securities transactions outside the territory of PRC to be used within the territory of the PRC shall subject to stamp duty.

Estate Duty

As at the Latest Practicable Date, no estate duty is levied within the PRC.

PRINCIPAL TAXATION OF OUR COMPANY IN THE PRC

Please see "Regulatory Overview" in this Document.

PRC FOREIGN EXCHANGE

The lawful currency of the PRC is RMB, which is currently subject to foreign exchange regulation according to relevant laws and regulations. SAFE, with the authorisation of the PBOC, is empowered with the functions of administering all matters relating to foreign exchange, including the enforcement of foreign exchange regulatory regulations.

On 29 January 1996, the State Council promulgated the Regulations of the PRC for Foreign Exchange Control (《中華人民共和國外匯管理條例》) (the "**Foreign Exchange Control Regulations**") which became effective on 1 April 1996. The Foreign Exchange Control Regulations classify all international payments and transfers into current items and capital items. Most of the current items are no longer subject to SAFE's approval, while capital items remain unchanged. The Foreign Exchange Control Regulations were subsequently amended on 14 January 1997 and 5 August 2008. The latest amendment to the Foreign Exchange Control Regulations clearly states that no restriction will be imposed on international current payments and transfers.

On 20 June 1996, the People's Bank of China (the "**PBOC**") promulgated the Regulations for the Administration of Settlement, Sale and Payment of Foreign Exchange (Yin Fa [1996] No. 210) (《結匯、售匯及付匯管理規定(銀發[1996]210號)》), which abolished the remaining restrictions on convertibility of foreign exchange under current items, while retaining the existing restrictions on foreign exchange transactions under capital items accounts.

According to the Announcement on Improving the Reform of the RMB (the PBOC Announcement [2005] No. 16) (《關於完善人民幣匯率形成機制改革的公告(中國人民銀行公告[2005]第16號)》), issued by the PBOC on 21 July 2005 and effective on the same date, the PRC began to implement a managed floating exchange rate system in which the exchange rate would be determined based on market supply and demand and adjusted with reference to a basket of currencies. The RMB exchange rate was no longer pegged to the USD. The PBOC would publish the closing price of the exchange rate of the RMB against trading currencies such as the USD in the interbank foreign exchange market after the closing of the market on each working day, as the central parity of the currency against RMB transactions on the following working day.

On 1 July 2014, the PBOC further improved the formation mechanism of the RMB exchange rate by authorising the China Foreign Exchange Trade System to make inquiries with the market makers before the interbank foreign exchange market opens every day for their offered quotations which are used as samples to calculate the central parity of the RMB against the USD on that day using the weighted average of the remaining market makers' offered quotations after excluding the highest and lowest quotations, and announce the central parity of the RMB against currencies such as the USD at 9:15 a.m. on each working day. On 11 August 2015, the PBOC announced to improve the central parity quotations of RMB against the USD by authorising market makers to provide central parity quotations to the China Foreign Exchange Trading System before the interbank foreign exchange market opens every day with reference to the interbank foreign exchange market closing rate of the previous day, the supply and demand for foreign exchange as well as changes in major international currency exchange rates.

On 5 August 2008, the State Council promulgated the revised Foreign Exchange Control Regulations of the PRC, which have made substantial changes to the foreign exchange supervision system of the PRC. First, the regulations have adopted an approach of balancing the inflow and outflow of foreign exchange. Foreign exchange income received overseas can be repatriated or deposited overseas, and foreign exchange and settlement funds under the capital account are required to be used only for purposes as approved by the competent authorities and foreign exchange administrative authorities; second, the regulations have improved the RMB exchange rate floating system based on market supply and demand under management; third, in the event that international balance of payment suffer or may suffer a material misbalance, or the national economy encounters or may encounter a severe crisis, the State may adopt necessary safeguard or control measures against international balance of payment; fourth, the regulations have enhanced the supervision and administration of foreign exchange transactions and grant extensive authorities to SAFE to enhance its supervisory and administrative powers.

According to the relevant laws and regulations in the PRC, PRC enterprises which need foreign exchange for current item transactions may, without the approval of the foreign exchange administrative authorities, effect payment through foreign exchange accounts opened at designated banks that carry foreign exchange business, on the strength of valid receipts and proof. Foreign investment enterprises which need foreign exchange for the distribution of profits to their shareholders and PRC enterprises which, in accordance with regulations, are required to pay dividends to their shareholders in foreign exchange may, after paying taxes in according to the law, on the strength of resolutions of the board of directors on the distribution of profits, effect payment from foreign exchange accounts opened at designated banks that carry foreign exchange business, or effect exchange and payment at designated banks.

The Decisions on Matters including Cancelling and Adjusting a Batch of Administrative Approval Items (Guo Fa [2014] No. 50) (《關於取消和調整一批行政審批項目等事項的決定(國發[2014]50號)》) promulgated by the State Council and came into effect on 23 October 2014 provide to cancel the approval requirement of SAFE and its branches for the remittance and settlement of the proceeds raised from the overseas listing of the foreign shares into RMB domestic accounts.

Pursuant to the Notice of the People's Bank of China and the State Administration of Foreign Exchange on Issues Concerning the Administration of Funds Raised by Domestic Enterprises Listed Overseas (Yin Fa [2025] No. 252) (《中國人民銀行國家外匯管理局關於境內企業境外上市資金管理有關問題的通知》) issued by People's Bank of China, State Administration of Foreign Exchange and became effective on 1 April 2026. A domestic company shall register its overseas listing with the bank at its place of registration within 30 business days of the first trading date of its overseas listing or the completion of the **[REDACTED]**. The proceeds from the overseas listing of a domestic company shall, in principle, be promptly repatriated to the mainland; such proceeds may be retained overseas for overseas direct investment, overseas securities investment, overseas lending and other businesses only if the relevant approval or registration documents from the competent authorities have been obtained prior to the completion of the offering or over-allotment, and the use of such proceeds shall be consistent with the contents set forth in the prospectus, offering circulars, shareholder circulars, board or general meeting resolutions or other publicly disclosed documents. A domestic company (excluding banks) shall handle foreign exchange, cross-border remittance and fund transfer in relation to its overseas listing and follow-on offerings through a capital account – settlement account (Account Code 2103) or a domestic RMB bank settlement account upon presentation of its overseas listing business registration certificate.

According to the SAFE Notice on Further Deepening the Reform to Facilitate Cross-border Trade and Investment (Hui Fa [2023] No. 28) (《國家外匯管理局關於進一步深化改革促進跨境貿易投資便利化的通知(匯發[2023]28號)》) which was promulgated by SAFE and became effective on 4 December 2023, the capital account asset realization account has been adjusted to a capital account settlement account. Foreign exchange funds raised from the overseas listing of a domestic company may be directly remitted into such capital account settlement account, and the funds in the capital account settlement account may be freely settled at the discretion of the domestic company. In addition, where a domestic equity transferor (including institutions and individuals) receives consideration for equity transfer paid in foreign currency by a domestic entity, such funds may also be directly remitted into the capital account settlement account, and the funds in the capital account settlement account may be used after voluntary foreign exchange settlement at the discretion of the holder.

According to the Notice on Optimising Administration of Foreign Exchange to Support the Development of Foreign-related Business (Hui Fa [2020] No. 8) (《國家外匯管理局關於優化外匯管理支持涉外業務發展的通知(匯發[2020]8號)》) issued by SAFE and became effective on 10 April 2020, eligible enterprises are allowed to make domestic payments by using their capital, foreign credits and the income under capital accounts of overseas listing, without providing materials to the bank in advance for authenticity verification on an item-by-item basis, provided that their utilised capital shall be authentic and in line with provisions, and conform to the prevailing administrative regulations related to the use of income under capital accounts. The concerned bank shall manage and control the relevant business risks under the principle of prudent business development and conduct spot checks afterwards in accordance with the relevant requirements. Local foreign exchange authorities shall strengthen monitoring and analysis and interim and ex-post supervision.

PRC LAWS AND REGULATIONS

This Appendix sets out summaries of certain aspects of PRC laws and regulations, which are relevant to the Company's operations and business. Laws and regulations relating to taxation in the PRC are discussed separately in "Appendix III – Taxation and Foreign Exchange" to this Document. The principal objective of this summary is to provide potential investors with an overview of the principal PRC legal and regulatory provisions applicable to the Company. This summary is not intended to include all the information which may be important to potential investors. For more details on laws and regulations which are relevant to our business, see "Regulatory Overview" in this Document.

The PRC Legal System

The PRC legal system is based on the PRC Constitution (中華人民共和國憲法) and is made up of written laws, administrative regulations, local regulations, autonomous regulations, separate regulations, rules and regulations of State Council departments, rules and regulations of local governments, laws of special administrative regions and international treaties of which the PRC government is a signatory, and other regulatory documents. Court Judgments do not constitute legally binding precedents, although they may be used for the purposes of judicial reference and guidance.

Pursuant to the PRC Constitution and the Legislation Law of the PRC (中華人民共和國立法法), the NPC and its standing committee are empowered to exercise the legislative power of the State. The NPC has the power to formulate and amend basic laws governing State organs, civil, criminal and other matters. The SCNPC is empowered to formulate and amend laws other than those required to be enacted by the NPC and to supplement and amend parts of the laws enacted by the NPC during the adjournment of the NPC, provided that such supplements and amendments are not in conflict with the basic principles of such laws.

The State Council is the highest organ of state administration and has the power to formulate administrative regulations based on the PRC Constitution and laws.

The people's congresses of the provinces, autonomous regions and municipalities and their respective standing committees may formulate local regulations based on the specific circumstances and actual needs of their respective administrative areas, provided that such regulations do not contravene any provision of the PRC Constitution, laws or administrative regulations. The people's congresses of cities with districts and their respective standing committees may formulate local regulations with respect to urban and rural construction and administration, environmental protection, historical and cultural protection and other aspects according to the specific circumstances and actual needs of such cities, which will become enforceable after being reported to and approved by the standing committees of the people's congresses of the relevant provinces or autonomous regions, provided that such local regulations do not contravene any provision of the PRC Constitution, laws, administrative regulations and local regulations of their respective provinces or autonomous regions.

The ministries and commissions of the State Council, PBOC, the National Audit Office of the PRC and the subordinate institutions with administrative functions directly under the State Council may formulate rules and regulations within the authorisation of their respective departments in accordance with the laws and administrative regulations, and the decisions and orders of the State Council. The people's governments of the provinces, autonomous regions, municipalities directly under the central government and cities with districts may formulate rules and regulations in accordance with the laws, administrative regulations and local regulations of such provinces, autonomous regions and municipalities directly under the central government.

The PRC Constitution has supreme legal authority and no laws, administrative regulations, local regulations, autonomous regulations or separate regulations may contravene the PRC Constitution. The PRC laws rank higher than administrative regulations, local regulations and rules. The administrative regulations rank higher than local regulations and rules. The rules enacted by the people's governments of the provinces or autonomous regions rank higher than the rules enacted by the people's governments of the cities with districts and autonomous prefectures within the administrative areas of such provinces and the autonomous regions.

The NPC has the power to alter or annul any inappropriate laws enacted by its standing committee, and to annul any autonomous regulations or separate regulations which have been approved by its standing committee, but which contravene the PRC Constitution or the PRC Legislation Law. The SCNPC has the power to annul any administrative regulations that contravene the PRC Constitution and laws, to annul any local regulations that contravene the PRC Constitution, laws or administrative regulations, and to annul any autonomous regulations or local regulations which have been approved by the standing committees of the people's congresses of the relevant provinces, autonomous regions or municipalities, but which contravene the PRC Constitution and the PRC Legislation Law. The State Council has the power to alter or annul any inappropriate ministerial rules and rules of local governments. The people's congresses of provinces, autonomous regions or municipalities have the power to alter or annul any inappropriate local regulations enacted or approved by their respective standing committees. The standing committees of local people's congresses have the power to annul inappropriate rules enacted by the people's governments at the corresponding level. The people's governments of provinces and autonomous regions have the power to alter or annul any inappropriate rules enacted by the people's governments at a lower level.

According to the PRC Constitution, the power to interpret laws is vested in the SCNPC. Pursuant to the Resolution of the SCNPC Providing an Improved Interpretation of the Law (全國人民代表大會常務委員會關於加强法律解釋工作的決議) passed on 10 June 1981, issues related to the further clarification or supplement of laws should be interpreted or provided by the SCNPC, issues related to the specific application of laws and decrees in a court trial should be interpreted by the Supreme People's Court, issues related to the specific application of laws and decrees in a prosecution process should be interpreted by the Supreme People's Procuratorate, and the legal issues other than the above-mentioned should be interpreted by the State Council and the competent authorities. If there are differences in principle in the interpretation of the Supreme People's court and the Supreme People's Procuratorate, they shall be submitted to the SCNPC for interpretation or decision. The State Council and its ministries and commissions are also vested with the power to give interpretations of the administrative regulations and departmental rules which they have promulgated. At the regional level, the power to interpret regional laws is vested in the regional legislative and administrative authorities which promulgate such laws.

The PRC Judicial System

Pursuant to the PRC Constitution and the Law of Organisation of the People's Courts of the PRC (中華人民共和國人民法院組織法) most recently revised on 26 October 2018 and taking effect on 1 January 2019, the people's courts are classified into the Supreme People's Court, the local people's courts at various local levels, and other special people's courts. The local people's courts at various local levels are divided into three levels, namely, the primary people's courts, the intermediate people's courts and the higher people's courts. The primary people's courts are further divided into civil, criminal and economic tribunals. The intermediate people's courts have structure similar to those of the primary people's courts and other special tribunals, such as the intellectual property courts, military courts and maritime courts. These two levels of people's courts are subject to supervision by people's courts at higher levels. The Supreme People's Procuratorate is authorised to supervise the judgement and ruling of the people's courts at all levels which have been legally effective, and the people's procuratorate at a higher level is authorised to supervise the judgement and ruling of a people's court at a lower level which have been legally effective. The Supreme People's Court is the highest judicial authority in the PRC. It supervises the administration of justice by the people's courts at all levels.

The people's courts employ a two-tier appellate system. The Judgments or rulings of the second instance at a people's court are final. A party may appeal against the judgement or ruling of the first instance of a local people's court. The people's procuratorate may present a protest to the people's court at the next higher level in accordance with the procedures stipulated by the laws. In the absence of any appeal by the parties and any protest by the people's procuratorate within the stipulated period, the Judgments or rulings of the people's court are final. Judgments or rulings of the second instance of the intermediate people's courts, the higher people's courts and the Supreme People's Court are final. Judgments or rulings of the first instance of the Supreme People's Court are also final. However, if the Supreme People's Court or a people's court at the next higher level discovers an error in a final and binding judgement or ruling which has taken effect in any people's court at a lower level, or the presiding judge of a people's court finds an error in a final and binding judgement or ruling which has taken effect in the court over which he presides, a retrial of the case may be initiated according to the judicial supervision procedures.

The Civil Procedure Law of the PRC (中華人民共和國民事訴訟法) adopted on 9 April 1991 and most recently amended on 1 September 2023, prescribes the conditions for instituting a civil action, the jurisdiction of the people's courts, the procedures to be followed for conducting a civil action, and the procedures for enforcement of a civil judgement or ruling. All parties to a civil action conducted within the PRC must abide by the PRC Civil Procedure Law. A civil case is generally heard by the court located in the defendant's place of domicile. The court of jurisdiction in respect of a civil action may also be chosen by explicit agreement among the parties to a contract, provided that the people's court having jurisdiction should be located at places directly connected with the disputes, such as the plaintiff's or the defendant's place of domicile, the place where the contract is executed or signed or the place where the object of the action is located. However, such choice shall not in any circumstances contravene the provisions on grade jurisdiction and exclusive jurisdiction.

A foreign individual, a person without nationality, a foreign enterprise or a foreign organisation that institute or respond to proceedings in a people's court is given the same litigation rights and obligations as a citizen or legal person of the PRC. Should a foreign court limit the litigation rights of PRC citizens and enterprises, the PRC court shall apply the same limitations to the citizens and enterprises of such foreign country. A foreign individual, a person without nationality, a foreign enterprise or a foreign organisation must engage a PRC lawyer in case he/she or it needs to engage a lawyer for the purpose of initiating actions or defending against litigations at a PRC court. In accordance with the international treaties to which the PRC is a signatory or a participant or according to the principle of reciprocity, a people's court and a foreign court may request each other to serve documents, conduct investigation, collect evidence and conduct other actions on its behalf. A PRC court shall not accommodate any request made by a foreign court which will result in the violation of sovereignty, security or public interests of the PRC.

All parties to a civil action shall perform legally effective Judgments and rulings. If any party to a civil action refuses to abide by a judgement or ruling made by a people's court or an award made by an arbitration tribunal in the PRC, the other party may apply to the people's court for the enforcement of the same within two years, subject to application for postponed enforcement or revocation. If a party fails to satisfy within the stipulated period a judgement which the court has granted an enforcement approval, the court may, upon the application of the other party, mandatorily enforce the judgement.

A party seeking to enforce a judgement or ruling of a people's court against another party who is not or whose property is not within the PRC may apply to a foreign court with jurisdiction over the case for recognition and enforcement of such judgement or ruling. Alternatively, the people's court may, pursuant to an international treaty concluded or acceded to by the PRC or in accordance with the principle of reciprocity, request the foreign court to recognise and execute the judgement or ruling. Likewise, if the PRC has entered into either a treaty relating to judicial enforcement with the relevant foreign country or according to the principle of reciprocity, a foreign judgement or ruling may also be recognised and enforced in accordance with the PRC enforcement procedures by a PRC court unless the people's court considers that the recognition or enforcement of such judgement or ruling would violate the basic legal principles of the PRC, its sovereignty or national security, or would not be in the public interest.

The PRC Company Law, Overseas Listing Trial Measures and Guidance for Articles of Association

A joint stock limited company incorporated in the PRC and seeking a listing on the Stock Exchange is mainly subject to the following laws and regulations in the PRC:

- The PRC Company Law (中華人民共和國公司法) which was promulgated on 29 December 2023 and took effect on 1 July 2024;

- The Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies (境內企業境外發行證券和上市管理試行辦法) (the "**Overseas Listing Trial Measures**") and five relevant guidelines which were promulgated by the CSRC on 17 February 2023 pursuant to the PRC Securities Law and are applicable to the direct and indirect overseas share offering or listing of domestic companies; and

- The Guidelines for Articles of Association of Listed Companies (上市公司章程指引) (the "**Guidance for Articles of Association**") which was most recently amended on 28 March 2025 by the CSRC. The Articles of Association is formulated based on the Guidance for Articles of Association on a reference basis, the summary of which is set out in the section entitled "Appendix V – Summary of the Articles of Association" to this document.

Set out below is a summary of the major provisions of the currently effective PRC Company Law, the Overseas Listing Trial Measures and the Guidance for Articles of Association which are applicable to the Company.

General

A joint stock limited company refers to a corporate legal person established in China under the PRC Company Law with its registered capital divided into shares. All shares of the company shall be either par value shares or no par value shares in accordance with the company's articles of association. Where par value shares are adopted, each share shall have equal value. The liability of the company is limited to the total amount of all assets it owns and the liability of its shareholders is limited to the extent of the shares they subscribe for.

The company shall conduct its business in accordance with laws and administrative regulations. It may invest in other limited liability companies and joint stock limited companies and its liabilities with respect to such invested companies are limited to the amount invested. Unless otherwise provided by law, the company may not be a contributor that undertakes joint liabilities for the debts of the invested companies.

Incorporation

A company may be incorporated by promotion or floatation. A company shall be incorporated by a minimum of one but no more than 200 promoters, and at least half of the promoters must be residents within the PRC. Companies incorporated by promotion are companies of which the entire registered capital is subscribed for by the promoters. Shares in the company incorporated by promotion shall not be offered to others unless the registered capital has been fully paid up. If laws, administrative regulations and decisions of the State Council have separate provisions on paid-in registered capital and the minimum registered capital, the company should follow such provisions.

For companies incorporated by way of promotion, the promoters shall subscribe in writing for the shares required to be subscribed for by them and pay up their capital contributions under the articles of association. Procedures relating to the transfer of titles to non-monetary assets shall be duly completed if such assets are to be contributed as capital. Promoters who fail to pay up their capital contributions in accordance with the foregoing provisions shall assume default liabilities in accordance with the covenants set out in the promoters' agreements. After the promoters have confirmed the capital contribution under the articles of association, a board of directors and a board of supervisors (unless otherwise provided by laws or regulations) shall be elected and a representative authorised by the board of directors shall apply for registration of incorporation by filing the articles of association with the company registration authority, and other documents as required by laws or administrative regulations.

Where companies are incorporated by floatation, not less than 35% of their total number of shares must be subscribed for by the promoters, unless otherwise provided for by laws or administrative regulations. The promoters shall preside over and convene an inauguration meeting within thirty days from the date of the full payment of subscription capital. The inauguration meeting shall be formed by the promoters and subscribers. Where the shares issued are not fully subscribed for within the offer period stipulated in the share offering prospectus, or where the promoter fails to convene an inauguration meeting within thirty days of the subscription capital for the shares issued being fully paid up, the subscribers may demand that the promoters refund the subscription capital so paid together with the interest calculated at bank rates of a deposit for the same period. Within thirty days of the conclusion of the inauguration meeting, a representative authorised by the board of directors shall apply to the registration authority for registration of the establishment of the company. A company is formally established and has the status of a legal person after the registration with the relevant administration for market regulation has been completed and a business licence has been issued.

Share Capital

The promoters may make a capital contribution in currencies, or non-monetary assets such as in kind, intellectual property rights or land use rights which can be appraised with monetary value and transferred lawfully, except for assets which are prohibited from being contributed as capital by laws or administrative regulations. If a capital contribution is made in non-monetary assets, a valuation of the assets contributed must be carried out pursuant to the provisions of laws or administrative regulations on valuation without any over-valuation or under-valuation.

There is no limit under the PRC Company Law as to the percentage of shares held by an individual shareholder in a company. The shares of a company are represented by stocks. A stock is a certificate issued by the company to certify the share held by a shareholder. The stock issued by the company shall be in the form of registered stock.

The issuance of shares shall be conducted in a fair and equitable manner. Each share of the same class must carry equal rights. Shares issued at the same time and within the same class must be issued on the same conditions and at the same price. The same price per share shall be paid by any share subscriber (whether an entity or an individual). The share offering price may be equal to or greater than the par value of the share, but may not be less than the par value.

Under the Overseas Listing Trial Measures, if a domestic company offers shares overseas, it may raise funds and dividend distributions in foreign currency or Renminbi.

Under the PRC Company Law, a company issuing registered share certificates shall maintain a shareholder registry which sets forth the following matters:

(i) the name and domicile of each shareholder;

(ii) the type and number of shares held by each shareholder;

(iii) for share issued in paper form, the serial numbers of shares held by each shareholder; and

(iv) the date on which each shareholder acquired the shares.

Increase in Share Capital

In light of its operational and development needs and in accordance with laws and regulations, a company may increase its share capital under any of the following methods, subject to the resolutions be passed at a shareholders' meeting: (i) a public offering of shares; (ii) a private placement of shares; (iii) offering of bonus shares to existing shareholders; (iv) the conversion of reserve funds into shares; and (v) any other methods provided in law and administrative regulations and approved by the CSRC.

Pursuant to the PRC Company Law, a company may, according to its articles of association, issue the following classified shares, which have different rights from those of the common shares: (i) shares with priority or inferior rights to profits or remaining property in distribution; (ii) shares with more or less voting rights per share than those of the common shares; (iii) shares whose transfer is subject to the consent of the company and other restrictions; (iv) other classified shares provided by the State Council. A company making a public offering of shares shall not issue any of the classified shares as prescribed on items (ii) and (iii), except those issued prior to the public offering. Where a company is issuing new shares, resolutions shall be passed at shareholders' meeting in accordance with the articles of association in respect of the class and amount of the new shares, the issue price of the new shares, the commencement and end dates for the issue of the new shares and when the new shares are proposed to be issued to existing shareholders, the class and amount of such new shares.

To **[REDACTED]** overseas, the domestic company shall report the application documents for offering and listing to the CSRC for record-filing within three business days after submission of the application documents for offering and listing overseas.

Reduction of Share Capital

A company may reduce its registered capital in accordance with the following procedures prescribed by the PRC Company Law:

(i) the company shall prepare a balance sheet and a list of properties;

(ii) the reduction of registered capital must be approved by shareholders at the shareholders' meeting;

(iii) the company shall notify its creditors of the reduction in registered capital within ten days and publish an announcement of the reduction in newspapers or the National Enterprise Credit Information Publication System within thirty days of the resolution approving the reduction being passed;

(iv) the creditors of the company may within the statutory time limit require the company to repay its debts or provide guarantees for covering the debts; and

(v) the company must apply to the relevant company registration authority for registration of the change and reduction in registered capital.

Repurchase of Shares

Pursuant to the PRC Company Law, a company shall not purchase its own shares other than in any of the following circumstances:

(i) reducing its registered capital;

(ii) merging with another company which holds its shares;

(iii) utilising the shares for employee stock ownership plan or stock ownership incentive scheme;

(iv) acquiring its own shares at the request of its shareholders who vote in a shareholders' meeting against a resolution regarding a merger or separation;

(v) utilising the shares for conversion of corporate bonds which are convertible into shares issued by a listed company; and

(vi) where it is necessary for a listed company to maintain its corporate value and stockholders' equity.

Any company's purchase of its own shares for any reason specified in item (i) and item (ii) of the preceding paragraph shall be subject to a resolution of the shareholders' meeting; any company's purchase of its own shares for any reason specified in item (iii), item (v) and item (vi) of the preceding paragraph may be subject to a resolution of the board meeting with two thirds or more of directors present, according to the provisions of the articles of associations or upon authorisation by the shareholders' meeting.

The shares acquired under the circumstance stipulated in item (i) hereof shall be deregistered within ten days from the date of acquisition of shares; the shares shall be assigned or deregistered within six months if the repurchase of shares is made under the circumstances stipulated in either item (ii) or item (iv); and the shares held in total by a company after the repurchase under any of the circumstances stipulated in item (iii), item (v) or item (vi) shall not exceed 10% of the company's total outstanding shares, and shall be assigned or deregistered within three years.

Transfer of Shares

Shares held by shareholders may be transferred in accordance with the relevant laws. Pursuant to the PRC Company Law, a shareholder should effect a transfer of his shares on a stock exchange established in accordance with laws or by any other means as required by the State Council. Registered shares may be transferred after the shareholders endorse the back of the share certificates or in any other manner specified by laws or administrative regulations. Following the transfer, the company shall enter the names and addresses of the transferees into its share register. No changes of registration in the share register described above shall be effected during a period of twenty days prior to convening a shareholders' meeting or five days prior to the record date for the purpose of determining entitlements to dividend distributions, subject to any legal provisions on the registration of changes in the share register of listed companies.

Pursuant to the PRC Company Law, shares of the company issued prior to the public offering of shares may not be transferred within one year of the date of the company's listing on a stock exchange. Directors, supervisors and the senior management of a company shall declare to the company their shareholdings in the company and any changes thereof. During the term of office determined upon their assumption of office, they may transfer no more than 25% of the total number of shares they hold in the company per annum. They shall not transfer the shares they hold within one year of the date of the company's listing on a stock exchange, nor within half a year after they leave their positions in the company. The articles of association may set out other restrictive provisions in respect of the transfer of shares in the company held by its directors, supervisors and the senior management.

Shareholders

Under the PRC Company Law, the rights of shareholders include the rights:

(i) to receive a return on assets, participate in significant decision-making and select management personnel;

(ii) to petition the people's court to revoke any resolution passed on a shareholders' meeting or a meeting of the board of directors that has not been convened in compliance with the laws and regulations or the articles of association or whose voting has violated the laws, administrative regulations or the articles of association of the company, or any resolution the contents of which is in violation of the articles of association, provided that such petition shall be submitted within sixty days of the passing of such resolution;

(iii) to transfer the shares according to the applicable laws and regulations and the articles of association;

(iv) to attend or appoint a proxy to attend shareholders' meetings and exercise the voting rights;

(v) to inspect the articles of association, share register, minutes of shareholders' meetings, board resolutions, resolutions of the board of supervisors and financial and accounting reports, and to make suggestions or inquiries in respect of the company's operations;

(vi) to receive dividends in respect of the number of shares held;

(vii) to participate in distribution of residual properties of the company in proportion to their shareholdings upon the liquidation of the company; and

(viii) any other shareholders' rights provided for in laws, administrative regulations, other normative documents and the articles of association.

The obligations of shareholders include the obligation to abide by the company's articles of association, to pay the subscription capital in respect of the shares subscribed for, to be liable for the company's debts and liabilities to the extent of the amount of subscription capital agreed to be paid in respect of the shares taken up by them and any other shareholder obligation specified in the articles of association.

Shareholders' Meetings

The shareholders' meeting is the organ of authority of the company, which exercises its powers in accordance with the PRC Company Law. The shareholders' meeting may exercise its powers:

(i) to elect and remove the directors and supervisors and to decide on the matters relating to the remuneration of directors and supervisors;

(ii) to review and approve the reports of the board of directors;

(iii) to review and approve the reports of the board of supervisors or supervisors;

(iv) to review and approve the company's profit distribution proposals and loss recovery proposals;

(v) to decide on any increase or reduction of the company's registered capital;

(vi) to decide on the issue of corporate bonds;

(vii) to decide on merger, division, dissolution and liquidation of the company or change of its corporate form;

(viii) to amend the company's articles of association; and

(ix) to exercise any other authority stipulated in the articles of association.

The shareholders' meeting may authorise the board of directors to make resolutions on the issuance of corporate bonds.

Pursuant to the PRC Company Law, a shareholders' meeting is required to be held once every year. An extraordinary shareholders' meeting is required to be held within two months of the occurrence of any of the following circumstances:

(i) the number of directors is less than the number stipulated by the law or less than two thirds of the number specified in the articles of association;

(ii) the outstanding losses of the company amounted to one-third of the company's total share capital;

(iii) shareholders individually or in aggregate holding 10% or more of the company's shares request that an extraordinary shareholders' meeting is convened;

(iv) the board of directors deems necessary;

(v) the board of supervisors so proposes; or

(vi) any other circumstances as provided for in the articles of association.

A shareholders' meeting shall be convened by the board of directors and presided over by the chairman of the board of directors. In the event that the chairman is incapable of performing or is not performing his duties, the meeting shall be presided over by the vice chairman. In the event that the vice chairman is incapable of performing or is not performing his duties, a director nominated by mor than half of the directors shall preside over the meeting. Where the board of directors is incapable of performing or is not performing its duties to convene the shareholders' meeting, the board of supervisors shall convene and preside over such meeting in a timely manner. If the board of supervisors fails to convene and preside over such meeting, shareholders individually or in aggregate holding 10% or more of the company's shares for ninety days or more consecutively may unilaterally convene and preside over such meeting. Where shareholders individually or in aggregately holding 10% or more of the company's shares request to convene an extraordinary shareholders' meeting, the board of directors and the board of supervisors shall, within ten days after receipt of such request, decide whether to convene the extraordinary shareholders' meeting and reply to the shareholders in writing.

In accordance with the PRC Company Law, a notice of the shareholders' meeting stating the date and venue of the meeting and the matters to be considered at the meeting shall be given to all shareholders twenty days before the meeting. A notice of extraordinary shareholders' meeting shall be given to all shareholders fifteen days prior to the meeting.

There is no specific provision in the PRC Company Law regarding the number of shareholders constituting a quorum in a shareholders' meeting.

Pursuant to the PRC Company Law, shareholders (excluding classified shareholders) present at a shareholders' meeting have one vote for each share they hold, save that shares held by the company are not entitled to any voting rights.

An accumulative voting system may be adopted for the election of directors and supervisors at the shareholders' meeting pursuant to the provisions of the articles of association or a resolution of the shareholders' meeting. Under the accumulative voting system, each share shall be entitled to the number of votes equivalent to the number of directors or supervisors to be elected at the shareholders' meeting, and shareholders may consolidate their votes for one or more directors or supervisors when casting a vote.

Pursuant to the PRC Company Law, resolutions of the shareholders' meeting must be passed by more than half of the voting rights held by shareholders present at the meeting, with the exception of resolutions relating to merger, division or dissolution of the company, increase or reduction of registered share capital, change of corporate form or amendments to the articles of association, which in each case must be passed by two-thirds or more of the voting rights held by the shareholders present at the meeting. Where the PRC Company Law and the articles of association provide that the transfer or acquisition of significant assets or the provision of external guarantees by the company must be approved by way of resolution of the shareholders' meeting, the board of directors shall convene a shareholders' meeting promptly to vote on such matters.

A shareholder may entrust a proxy to attend the shareholders' meeting on his/her behalf and the matters, power and time limit of the proxy shall be clarified by such shareholder. The proxy shall present the shareholders' power of attorney to the company and exercise voting rights within the scope of authorisation.

Minutes shall be prepared in respect of matters considered at the shareholders' meeting and the chairman and directors attending the meeting shall endorse such minutes by signature. The chairman of the meeting and directors attending the meeting shall sign to endorse such minutes. The minutes shall be kept together with the shareholders' attendance register and the proxy forms.

Board of Directors

A joint stock limited company shall have a board of directors which shall have at least three members, except for certain joint stock limited company with smaller scaler or few shareholders which may appoint one director without establishing a board of directors. For a company that has three hundred or more employees, the board of directors shall include the staff representative unless the board of supervisors has been established and already included the staff representative supervisor. The term of a director shall be stipulated in the articles of association, provided that no term of office shall last for more than three years. A director may serve consecutive terms if re-elected. A director shall continue to perform his/her duties as a director in accordance with the laws, administrative regulations and the articles of association until a duly re-elected director takes office, if re-election is not conducted in a timely manner upon the expiry of his/her term of office or if the resignation of directors results in the number of directors being less than the quorum.

Under the PRC Company Law, the board of directors may exercise its powers:

(i) to convene shareholders' meetings and report on its work to the shareholders' meetings;

(ii) to implement the resolutions passed by the shareholders at the shareholders' meetings;

(iii) to decide on the company's operational plans and investment proposals;

(iv) to formulate the company's profit distribution proposals and loss recovery proposals;

(v) to formulate proposals for the increase or reduction of the company's registered capital and the issue of corporate bonds;

(vi) to formulate proposals for the merger, division or dissolution of the company or change of corporate form;

(vii) to decide on the setup of the company's internal management organs;

(viii) to appoint or dismiss the company's manager and decide on his/her remuneration and, based on the manager's recommendation, to appoint or dismiss any deputy manager and financial officer of the company and to decide on their remunerations;

(ix) to formulate the company's basic management system; and

(x) to exercise any other authority stipulated in the articles of association or any other authority authorised by shareholders' meeting.

Any restrictions on the powers of the board of directors set out in the articles of association may not be claimed against any bona fide third party.

Meetings of the board of directors shall be convened at least twice each year. Notices of meeting shall be given to all directors and supervisors ten days before the meeting. Interim board meetings may be proposed to be convened by shareholders representing 10% or more of the voting rights, one-third or more of the directors or the board of supervisors. The chairman shall convene the meeting within ten days of receiving such proposal, and preside over the meeting. The board of directors may otherwise determine the means and the period of notice for convening an interim board meeting. Meetings of the board of directors shall be held only if more than half of the directors are present. Resolutions of the board of directors shall be passed by more than half of all directors. Each director shall have one vote for a resolution to be approved by the board of directors. Directors shall attend the meetings of the board of directors in person. If a director is unable to attend for any reason, he/she may appoint another director to attend the meeting on his/her behalf by a written power of attorney specifying the scope of authorisation. The board of directors shall make minutes of the meeting's decisions on the matters discussed at the meeting, and the directors attending the meeting shall sign the minutes.

If a resolution of the board of directors violates any laws, administrative regulations or the articles of association or resolutions of the shareholders' meeting, and as a result of which the company sustains serious losses, the directors participating in the resolution are liable to compensate the company. However, if it can be proved that a director expressly objected to the resolution when the resolution was voted on, and that such objection was recorded in the minutes of the meeting, such director shall be relieved from that liability.

Under the PRC Company Law, the following person may not serve as a director in a company:

(i) a person without capacity or restricted capacity to undertake any civil liabilities;

(ii) a person who has been sentenced to any criminal penalty for corruption, bribery, embezzlement, misappropriation of property or destruction of the socialist economic order, or who has been deprived of his political rights due to his crimes and such sentence has expired for no more than five years, or who is granted probation, if no more than two years have passed since the expiration of the probation period;

(iii) a person who has been a former director, factory manager or manager of a company or an enterprise that has entered into insolvent liquidation and who was personally liable for the insolvency of such company or enterprise, where no more than three years have elapsed since the date of the completion of the bankruptcy and liquidation of the company or enterprise;

(iv) a person who has been a legal representative of a company or an enterprise that has had its business licence revoked due to violations of the law or has been ordered to close down by law and the person was personally responsible, where less than three years have elapsed since the date of such revocation or the order to close down; or

(v) a person who is listed as a dishonest person subject to enforcement by the people's court due to failure to pay off a large amount of unliquidated mature debts.

Where a company elects or appoints a director to which any of the above circumstances applies, such election or appointment shall be null and void. A director to which any of the above circumstances applies during his/her term of office shall be released of his/her duties by the company.

Pursuant to the PRC Company Law, the board of directors shall appoint a chairman and may appoint a vice chairman. The chairman and the vice chairman shall be elected with approval of more than half of all the directors. The chairman shall convene and preside over board meetings and review the implementation of board resolutions. The vice chairman shall assist the chairman to perform his/her duties. Where the chairman is incapable of performing or is not performing his/her duties, the duties shall be performed by the vice chairman. Where the vice chairman is incapable of performing or is not performing his/her duties, a director elected by more than half of the directors shall perform his/her duties.

Board of Supervisors

The board of supervisors shall consist of representatives of the shareholders and an appropriate proportion of representatives of the company's staff, among which the proportion of representatives of the company's staff shall not be less than one-third, and the actual proportion shall be determined in the articles of association. Representatives of the company's staff at the board of supervisors shall be democratically elected by the company's staff at the staff representative assembly, general staff meeting or otherwise. The board of supervisors shall appoint a chairman and may appoint a vice chairman. The chairman and the vice chairman of the board of supervisors shall be elected by more than half of the supervisors. Directors and senior management shall not act concurrently as supervisors.

The chairman of the board of supervisors shall convene and preside over board of supervisors meetings. Where the chairman of the board of supervisors is incapable of performing or is not performing his/her duties, the vice chairman of the board of supervisors shall convene and preside over supervisory board meetings. Where the vice chairman of the board of supervisors is incapable of performing or is not performing his/her duties, a supervisor nominated by more than half of the supervisors shall convene and preside over meetings of the board of supervisors.

Each term of office of a supervisor is three years and he/she may serve consecutive terms if re-elected. A supervisor shall continue to perform his/her duties as a supervisor in accordance with the laws, administrative regulations and the articles of association until a duly re-elected supervisor takes office, if re-election is not conducted in a timely manner upon the expiry of his/her term of office or if the resignation of supervisors results in the number of supervisors being less than the quorum.

The board of supervisors may exercise its powers:

(i) to review the company's financial position;

(ii) to supervise the directors and senior management in their performance of their duties and to propose the removal of directors and senior management who have violated laws, regulations, the articles of association or shareholders' resolutions;

(iii) when the acts of directors or senior management are detrimental to the company's interests, to require the director and senior management to correct these acts;

(iv) to propose the convening of extraordinary shareholders' meetings and to convene and preside over shareholders' meetings when the board fails to perform the duty of convening and presiding over shareholders' meetings under the PRC Company Law;

(v) to submit proposals to the shareholders' meetings;

(vi) to bring actions against directors and senior management pursuant to the relevant provisions of the PRC Company Law; and

(vii) to exercise any other authority stipulated in the articles of association.

Supervisors may be present at board meetings and make inquiries or proposals in respect of the resolutions of the board. The board of supervisors may investigate any irregularities identified in the operation of the company and, when necessary, may engage an accounting firm to assist its work at the cost of the company.

Audit Committee

Under PRC Company Law, a joint stock limited company may establish an audit committee composed of directors within its board of directors pursuant to the provisions of its articles of association to exercise the functions and powers of a supervisory committee as prescribed by PRC Company Law, in lieu of establishing a supervisory committee or supervisor.

The audit committee shall comprise at least three members, with a majority not holding any position in the company other than that of director and having no relationship with the company that may affect their independent and objective judgement. Employee representatives serving on the board of directors may be appointed as audit committee members.

Manager and Senior Management

Pursuant to the PRC Company Law, a company shall have a manager who shall be appointed or removed by the board of directors. The manager shall exercise his/her powers in accordance with the company's articles of association or the authorisation of the board of directors.

Other provisions in the articles of association on the manager's powers shall also be complied with. The manager shall be present at meetings of the board of directors. However, the manager shall have no voting rights at meetings of the board of directors unless he/she concurrently serves as a director.

Pursuant to the PRC Company Law, senior management refers to the manager, deputy manager, financial officer, secretary to the board of directors of a listed company and other personnel as stipulated in the articles of association.

Duties of Directors, Supervisors, Managers and Other Senior Management

Directors, supervisors and senior management are required under the PRC Company Law to comply with the relevant laws, regulations and the articles of association, and shall be obliged to be faithful and diligent towards the company. Where the controlling shareholder or actual controller of the company who does not serve as a director but actually attends to the company's affairs, shall comply with the foregoing provisions.

Directors, supervisors and senior management are prohibited from:

(i) seizing the assets of the company or misappropriating company funds;

(ii) depositing company funds into accounts under their own names or the names of other individuals;

(iii) taking advantage of power to accept bribes or other illegal income;

(iv) accepting commissions paid by a third party for transactions conducted with the company for their own benefit;

(v) unauthorised divulgence of confidential information of the company; and

(vi) other acts in violation of their duty of loyalty to the company.

Where directors, supervisors and senior management directly or indirectly conclude any contract or engage in transactions with the company, they shall report to the board of directors or the shareholders' meeting and seek approval by resolutions of the board of directors or the shareholders' meeting in accordance with the articles of association. The requirement shall also apply to the conclusion of contracts or engagement in transactions by close relatives of the directors, supervisors and senior management or enterprises directly or indirectly controlled by close relatives of the directors, supervisors and senior management as well as persons who are otherwise related to the directors, supervisors and senior management.

Directors, supervisors and senior management shall not take advantage of duty to seek business opportunities for themselves or others that would have been directed to the company, unless such act has been reported to and approved by the board of directors or the shareholders' meeting in accordance with the articles of association or the company is unable to take the business opportunity in accordance with applicable laws, administrative regulations, and the articles of association.

Directors, supervisors and senior management shall not engage in the business similar to those of the company for themselves or others, unless such act has been reported to and approved by the board of directors or the shareholders' meeting in accordance with the articles of association.

Income generated by directors or senior management in violation of aforementioned shall be returned to the company.

A director, supervisor or senior management who contravenes any laws, regulations or the company's articles of association in the performance of his/her duties resulting in any loss to the company shall be liable to the company for compensation.

The Guidance for Articles of Association provides that a company's directors and senior management shall have duties of diligence towards the company, for example, the directors shall be prudent, serious and diligent in exercising the authority conferred by the company to ensure that the business activities of the company comply with state's laws, administrative regulations and various economic policy requirements and that the business activities do not go beyond the scope of business activities specified in the company's business licence; the directors shall treat all shareholders equally; the shareholders shall keep abreast of the company's business management status; both the directors and the senior management shall sign written statements confirming periodic reports of the company and ensure that the information disclosed by the company is true, accurate and complete; both the directors and the senior management shall provide accurate information and materials to the audit committee and shall not interfere with the performance of duties by the audit committee; both the directors and the senior management shall have other diligence duties prescribed by laws, administrative regulations, departmental rules and the company's articles of association.

Finance and Accounting

Pursuant to the PRC Company Law, a company shall establish its own financial and accounting systems according to the laws, administrative regulations and the regulations of the competent financial departments of the State Council. At the end of each financial year, a company shall prepare a financial report which shall be audited by an accounting firm in accordance with the laws. The financial and accounting reports shall be prepared in accordance with the laws, administrative regulations and the regulations of the financial departments of the State Council.

The company's financial reports shall be made available for shareholders' inspection at the company twenty days before the convening of an annual shareholders' meeting. A joint stock limited company that makes public stock offerings shall publish its financial reports.

When distributing each year's profits after taxation, the company shall set aside 10% of its profits after taxation for the company's statutory common reserve fund until the fund has reached 50% of the company's registered capital. When the company's statutory common reserve fund is not sufficient to make up for the company's losses for the previous years, the current year's profits shall first be used to make good the losses before any allocation is set aside for the statutory common reserve fund. After the company has made allocations to the statutory common reserve fund from its profits after taxation, it may, upon passing a resolution at a shareholders' meeting, make further allocations from its profits after taxation to the discretionary common reserve fund. After the company has made good its losses and made allocations to the abovementioned reserve fund, the remaining profits after taxation shall be distributed in proportion to the number of shares held by the shareholders, except for those which are not distributed in a proportionate manner as provided by the articles of association.

Profits distributed to shareholders in violation of the requirements described above must be returned to the company. The company shall not be entitled to any distribution of profits in respect of shares held by it.

The premium over the nominal value of the shares of the company on issue and other income as required by relevant government authorities to be treated as the capital reserve fund shall be accounted for as the capital reserve fund. The common reserve fund of a company shall be applied to make good the company's losses, expand its business operations or increase its capital. Where any losses need to be covered with reserve fund of the company, discretionary reserve fund and statutory common reserve fund shall first be used and if still insufficient, capital reserve fund can be used in accordance with applicable provisions. Upon the transfer of the statutory common reserve fund into increasing capital, the balance of the statutory common fund shall not be less than 25% of the registered capital of the company before such transfer.

The company shall have no accounting books other than the statutory books. The company's capital shall not be deposited in any account opened under the name of an individual.

Appointment and Retirement of Auditors

The Guidance for Articles of Association provides that a company shall engage an accounting firm which is qualified with the PRC Securities Law to provide services including the audit of financial statements, the verification of net assets and other relevant consultancy services. The engagement term is one year and may be extended.

Pursuant to the PRC Company Law, the appointment or dismissal of an accounting firm responsible for the company's auditing shall be determined by shareholders at a shareholders' meeting or the board of directors or the board of supervisors in accordance with the articles of association. The accounting firm should be allowed to make representations when the shareholders' meeting or the board of directors conduct a vote on the dismissal of the accounting firm. The company should provide true and complete accounting evidence, accounting books, financial and accounting reports and other accounting information to the engaged accounting firm without any refusal, withholding or falsification of information. Furthermore, the Guidance for Articles of Association provides that the audit fee for the accounting firm shall also be determined by shareholders at a shareholders' meeting.

Profit Distribution

According to the PRC Company Law, a company shall not distribute profits before losses are covered and the statutory common reserve fund is provided.

Amendments to the Articles of Association

Pursuant to the PRC Company Law, the resolution of a shareholders' meeting regarding any amendment to a company's articles of association requires affirmative votes by two-thirds or more of the votes held by shareholders attending the meeting.

Pursuant to the Guidance for Articles of Association, the company shall amend its articles of association under any of the following circumstances:

(i) where, after any amendment to the PRC Company Law or any other applicable law or administrative regulation, the provisions of the articles of association conflict with the law and/ or administrative regulations amended;

(ii) where the company's circumstances change to such an extent that they are inconsistent with what is recorded in the articles of association; and

(iii) where the shareholders' meeting decides to amend the articles of association.

The Guidance for Articles of Association further provides that where any amendment to the articles of association adopted by a shareholders' meeting is subject to approval by the competent authorities, such amendment shall be submitted for approval; where any amendment involves the company's registration items, the company's registration with the authority shall also be amended. In addition, an announcement shall be made in accordance with the applicable provisions provided that the amendment to the articles of association is required to be disclosed by any law or regulation.

Dissolution and Liquidation

Pursuant to the PRC Company Law, a company shall be dissolved for any of the following reasons:

(i) the term of its operation set out in the articles of association has expired or other events of dissolution specified in the articles of association have occurred;

(ii) the shareholders have resolved at a shareholders' meeting to dissolve the company;

(iii) the company is dissolved by reason of its merger or division;

(iv) the business licence of the company is revoked or the company is ordered to close down or to be dissolved in accordance with the laws; or

(v) the company is dissolved by a people's court in response to the request of shareholders holding shares that represent 10% or more of the voting rights of all shareholders of the company, on the grounds that the operation and management of the company has suffered serious difficulties that cannot be resolved through other means, rendering ongoing existence of the company a cause for significant losses to the shareholders' interests.

On the occurrence of the abovementioned events, the company shall make an announcement on the National Enterprise Credit Information Publicity System within ten days.

In the event of paragraphs (i) and (ii) above, the company may carry on its existence by amending its articles of association if no property has been distributed to any shareholder. The amendments to the articles of association in accordance with the provisions described above shall require the approval of two-thirds or more of voting rights of shareholders attending a shareholders' meeting.

Where the company is dissolved under the circumstances set forth in paragraph (i), (ii), (iv) or (v) above, the liquidation procedures shall be conducted and directors shall be the company's liquidation obligor and it should establish a liquidation committee within fifteen days of the date on which the dissolution event occurs. The liquidation committee shall be composed of directors or any other persons provided by the articles of associations or determined by a shareholders' meeting. If a liquidation committee is not established within the prescribed period or the liquidation fails to effect after the establishment of a liquidation committee, the interested party may file an application with a people's court, requesting that the court appoint relevant personnel to form a liquidation committee to administer the liquidation. The people's court should accept such application and form a liquidation committee to conduct liquidation in a timely manner.

The liquidation committee may exercise following powers during the liquidation:

(i) to dispose of the company's assets and to prepare a balance sheet and an inventory of assets;

(ii) to notify the company's creditors or publish announcements;

(iii) to deal with and settle any outstanding business related to the liquidation;

(iv) to pay any outstanding tax together with any tax arising during the liquidation process;

(v) to settle the company's claims and liabilities;

(vi) to distribute the company's remaining assets after its debts have been paid off; and

(vii) to represent the company in any civil procedures.

The liquidation committee shall notify the company's creditors within ten days from its establishment, and publish an announcement in newspapers or on the National Enterprise Credit Information Publicity System within sixty days.

A creditor shall lodge his claim with the liquidation committee within thirty days of receipt of the notification or within forty-five days of the date of the announcement if he has not received any notification.

A creditor shall, in making his claim, state matters relevant to his creditor's rights and furnish relevant evidence. The liquidation committee shall register such creditor's rights. The liquidation committee shall not make any settlement to creditors during the period of the claim.

Upon disposal of the company's property and preparation of the required balance sheet and inventory of assets, the liquidation committee shall draw up a liquidation plan and submit this plan to a shareholders' meeting or a people's court for endorsement. The remaining assets of the company, after payment of liquidation expenses, employee wages, social insurance expenses and statutory compensation, outstanding taxes and the company's debts, shall be distributed to shareholders in proportion to shares held by them. The company shall continue to exist during the liquidation period, although it cannot engage in operating activities that are not related to the liquidation. The company's property shall not be distributed to shareholders before repayments are made in accordance with the requirements described above.

Upon liquidation of the company's property and preparation of the required balance sheet and inventory of assets, if the liquidation committee becomes aware that the company does not have sufficient assets to repay its liabilities, it must apply to a people's court for a declaration of bankruptcy in accordance with the laws. Following such declaration by the people's court, the liquidation committee shall hand over the administration matters to the bankruptcy administrator designated by the people's court.

Upon completion of the liquidation, the liquidation committee shall prepare a liquidation report and submit it to the shareholders' meeting or a people's court for confirmation of its completion, and to the company registration authority to cancel the company's registration, and an announcement of its termination shall be published. Members of the liquidation committee are required to discharge their duties in good faith and in compliance with relevant laws. Members of the liquidation committee shall be prohibited from abusing their authority in accepting bribes or other unlawful income and from misappropriating the company's properties. Members of the liquidation committee are liable to indemnify the company and its creditors in respect of any loss arising from their willful or material default.

Liquidation of a company declared bankrupt according to laws shall be processed in accordance with the laws on corporate bankruptcy.

Overseas Listing

Pursuant to the Overseas Listing Trial Measures, both initial public offerings or listings in overseas markets shall be filed with the CSRC within three business days after the relevant application is submitted overseas. Subsequent securities offerings of an issuer in the same overseas market where it has previously offered and listed securities shall be filed with the CSRC within three business days after the offering is completed. Moreover, where the filing documents are complete and in compliance with stipulated requirements, the CSRC will, within twenty business days after receiving the filing documents, conclude the filing procedure and publish the filing results on the CSRC website. Where the filing documents are incomplete or do not conform to stipulated requirements, the CSRC shall request supplementation and amendment thereto within five business days after receiving the filing documents. The issuer shall then complete supplementation and amendment within thirty business days.

Merger and Demerger

Merger of companies may be conducted by absorption or consolidation. If companies adopt the method of absorption, the absorbed company shall be dissolved. If companies are incorporated in the form of consolidation, the parties to the merger shall be dissolved.

The parties to the merger shall enter into a merger agreement and prepare a balance sheet and a list of properties. Within ten days of the date on which the resolution on merger is made, the creditors shall be notified by the company and a public announcement shall be in the press or on the National Enterprise Credit Information Publicity System within thirty days. The creditors may require the company to repay its debts or provide guarantees for covering the debts within thirty days of receipt of the notification or within forty-five days of the date of the announcement if the creditor has not received any notification; and in case of a merger, the credits and debts of the merging parties shall be assumed by the surviving or the new company.

Where a company merges with another company in which the former holds not less than 90% of the shares, the acquired company is not required to obtain approval by resolution of its shareholders' meeting, but shall notify the other shareholders who have the right to request the company to buy its equities or shares as a reasonable price. If the price paid for a company's merger dose not exceed 10% of the company's net assets, approval by resolution of its shareholder's meeting may not be required unless otherwise provided by the company's articles of association. Where a company's merger is exempt from approval by resolution of the shareholders' meeting in the previous two cases, it shall be subject to approval by resolution of the board of directors.

In case of a division, the company's assets shall be divided and a balance sheet and an inventory of assets shall be prepared. Within ten days of the date on which the resolution on division is made, the creditors shall be notified by the company and a public announcement shall be made in the press or on the National Enterprise Credit Information Publicity System within thirty days. The liabilities of the company which have accrued prior to the division shall be jointly borne by the separated companies, unless otherwise stipulated in the agreement in writing entered into by the company with creditors in respect of the settlement of debts prior to division.

The PRC Securities Law, Regulations and Regulatory Regimes

The PRC has promulgated a series of regulations that relate to the issue and trading of the shares and disclosure of information. In October 1992, the State Council established the Securities Committee and the CSRC. The Securities Committee is responsible for coordinating the drafting of securities regulations, formulating securities-related policies, planning the development of securities markets, directing, coordinating and supervising all securities related institutions in the PRC and administering the CSRC. The CSRC is the regulatory arm of the Securities Committee and is responsible for the drafting of regulatory provisions governing securities markets, supervising securities companies, regulating public offerings of securities by PRC companies in the PRC or overseas, regulating the trading of securities, compiling securities-related statistics and undertaking relevant research and analysis. In April 1998, the State Council consolidated the Securities Committee and the CSRC and reformed the CSRC.

The PRC Securities Law (中華人民共和國證券法) is the first national securities law in China, and the regulatory matters include the issuance and trading of securities, the acquisition of listed companies, information disclosure, obligations and responsibilities of stock exchanges, securities companies and securities regulatory authorities, etc. The PRC Securities Law comprehensively regulates activities in the PRC securities market.

Pursuant to the PRC Securities Law, domestic enterprises issuing securities overseas directly or indirectly or listing and trading their securities overseas shall comply with the relevant provisions of the State Council. At present, the issuance and trading of shares issued overseas is mainly regulated by rules and regulations issued by the State Council and the CSRC.

Arbitration and Enforcement of Arbitral Awards

The PRC Arbitration Law (中華人民共和國仲裁法) was enacted by the SCNPC on 31 August 1994, which became effective on 1 September 1995 and was last amended on 12 September 2025. The PRC Arbitration Law provides that an arbitration committee may, before the promulgation of arbitration regulations by the PRC Arbitration Association, formulate interim arbitration rules in accordance with the PRC Arbitration Law and the PRC Civil Procedure Law. Where the parties have agreed to settle disputes by means of arbitration, a people's court will refuse to handle a legal proceeding initiated by one of the parties at such people's court, unless the arbitration agreement is invalid.

Under the PRC Arbitration Law and the PRC Civil Procedure Law, an arbitral award shall be final and binding on the parties involved in the arbitration. If any party fails to comply with the arbitral award, the other party to the award may apply to a people's court for its enforcement.

If the respondent puts forward evidence to prove that the arbitral award is under any of the following circumstances, the award shall not be enforced upon examination and verification by an arbitration tribunal of the people's court:

(i) the parties have no arbitration clause in their contract, nor have subsequently reached a written agreement on arbitration;

(ii) the matter to be ruled does not fall within the scope of the arbitration agreement or the arbitration institution has no right to arbitrate;

(iii) the composition of the arbitration tribunal or the arbitration procedure violates the legal procedure;

(iv) the evidence on which the award is based is forged;

(v) the other party conceals evidence sufficient to influence the impartial award from the arbitration institution;

(vi) the arbitrators have committed acts of embezzlement, bribery, favouritism and malpractice, or perverting the law in arbitrating the case.

If the people's court determines that the enforcement of the award violates the public interest, the award shall not be enforced.

Any party seeking to enforce an arbitral award of a foreign affairs arbitration organ of the PRC against a party who or whose property is not located within the PRC may apply to a foreign court with jurisdiction over the case for recognition and enforcement of the award. Likewise, an arbitral award made by a foreign arbitration body may be recognised and enforced by a PRC court in accordance with the principle of reciprocity or any international treaties concluded or acceded to by the PRC.

The PRC acceded to the Convention on the Recognition and Enforcement of Foreign Arbitral Awards (承認及執行外國仲裁裁決公約) (the "**New York Convention**") adopted on 10 June 1958 pursuant to a resolution of the SCNPC passed on 2 December 1986. The New York Convention provides that all arbitral awards made in a state which is a party to the New York Convention shall be recognised and enforced by other parties thereto subject to their rights to refuse enforcement under certain circumstances, including where the enforcement of the arbitral award is against the public policy of that state. At the time of the PRC's accession to the convention, the SCNPC declared that (i) the PRC will only apply the New York Convention to the recognition and enforcement of arbitral awards made in the territory of another contracting state based on the principle of reciprocity; and (ii) the New York Convention will only apply to disputes deemed under PRC law to be arising from contractual or non-contractual mercantile legal relations.

The Arrangements on the Mutual Enforcement of Arbitral Awards between the Mainland and the Hong Kong Special Administrative Region (關於內地與香港特別行政區相互執行仲裁裁決的安排) were passed at the Judicial Committee meetings of the Supreme People's Court on 18 June 1999, which came into effect on 1 February 2000, and was amended by the Supplemental Arrangement of the Supreme People's Court for the Mutual Enforcement of Arbitral Awards between the Mainland and the Hong Kong Special Administrative Region (2021) (最高人民法院關於內地與香港特別行政區相互執行仲裁裁決的補充安排(2021)). In accordance with this arrangement, awards made by PRC arbitral authorities under the Arbitration Law can be enforced in Hong Kong, and Hong Kong arbitration awards are also enforceable in the PRC.

The Supplementary Arrangements of Supreme People's Court on Reciprocal Enforcement of Arbitration Awards between the Mainland and the Hong Kong Special Administrative Region (關於內地與香港特別行政區相互執行仲裁裁決的補充安排) were promulgated by the Supreme People's Court on 26 November 2020. Under these arrangements, if a party fails to perform the arbitral award rendered in the Mainland or the Hong Kong, the other party may apply for enforcement to the relevant court in the place where the respondent is domiciled or where the property is located.

Judicial Judgement and its Enforcement

On 14 January 2019, the Judicial Committee of the Supreme People's Court adopted the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region (關於內地與香港特別行政區法院相互認可和執行民商事案件判決的安排), which took effect on 29 January 2024 and seeks to establish a mechanism with greater clarity and certainty for recognition and enforcement of Judgments in wider range of civil and commercial matters between Hong Kong and the mainland China. The arrangement discontinued the requirement for a choice of court agreement for bilateral recognition and enforcement. The arrangement further regulates, among others, the scope and particulars of Judgments, the procedures and methods of the application for recognition or enforcement, the review of the jurisdiction of the court that issued the original judgement, the circumstances where the recognition and enforcement of judgement shall be refused, and the approaches towards remedies for the reciprocal recognition and enforcement of Judgments in civil and commercial matters between the courts in mainland China and those in the Hong Kong. Upon implementation of this Arrangement, the Arrangement between the Mainland and the Hong Kong Special Administrative Region on Reciprocal Recognition and Enforcement of Judgments of Civil and Commercial Matters under Consensual Jurisdiction (關於內地與香港特別行政區法院相互認可和執行當事人協議管轄的民商事案件判決的安排) which was adopted by the Judicial Committee of the Supreme People's Court on 12 June 2006 and took effect on 1 August 2008 has been repealed.

This Appendix is mainly providing investors with an overview on the Articles of Association of our Company. The following information is only a summary, not covering all the information that may be material to investors.

SHARES AND REGISTERED CAPITAL

The issuance of the shares of our Company shall be conducted in the principle of fairness and justness, and each share of the same class shall be entitled to equal rights. For shares issued at the same time and within the same class, it shall be issued in the same conditions and price; and subscribers shall pay the same price for each share they subscribe. The domestic **[REDACTED]** shares issued by our Company shall be deposited at a domestic securities depository and settlement agency. The overseas **[REDACTED]** shares issued by our Company may be deposited in accordance with applicable laws of Hong Kong and the general practice of securities registration and depository.

INCREASE/DECREASE, REPURCHASE AND TRANSFER OF SHARES

Increase/Decrease of Shares

According to the needs for the operation and development of our Company, and subject to applicable laws, administrative regulations, departmental rules, normative documents, Listing Rules, and requirements by relevant regulatory authorities upon resolution by a Shareholders' meeting, our Company may increase its registered capital by any of the following means:

(1) issuing shares to non-specific objects;

(2) issuing shares to specific objects;

(3) distribution of bonus shares to existing Shareholders;

(4) converting the reserved funds into share capital; or

(5) other means stipulated by applicable laws, administrative regulations, departmental rules, normative documents, securities regulatory provisions of the stock exchange **[REDACTED]** venue and approved by or filed with the relevant domestic and overseas securities regulatory authorities.

To reduce its registered capital, our Company shall proceed in compliance with the PRC Company Law, the Listing Rules, other relevant applicable laws, administrative regulations, departmental rules, normative documents, securities regulatory provisions of the stock exchange **[REDACTED]** venue and the Articles of Association.

Repurchase of Shares

In any of the following circumstances, our Company may repurchase its issued shares in accordance with the PRC Company Law, the Listing Rules and other relevant applicable laws, administrative regulations, departmental rules, normative documents, securities regulatory provisions of the stock exchange **[REDACTED]** venue and the Articles of Association and subject to the registration or filing with the relevant domestic and overseas securities regulatory authorities:

(1) reducing the registered capital of our Company;

(2) merging with another company holding shares of our Company;

(3) using shares for stock incentive plans and employee stock plans;

(4) acquiring the shares of Shareholders who vote against any resolution adopted at the Shareholders' meeting on the merger or demerger of our Company and request our Company to acquire their shares;

(5) using shares for converting corporate bonds issued by our Company convertible into shares;

(6) as required for our Company to maintain corporate value and Shareholders' interests; or

(7) other circumstances approved by applicable laws, administrative regulations, departmental rules, normative documents, securities regulatory provisions of the stock exchange **[REDACTED]** venue and regulatory authorities.

Any repurchase under circumstances (3), (5) or (6) above, subject to the requirements of the Listing Rules and the regulatory rules and guidelines of the Hong Kong Stock Exchange, shall be conducted through open and centralised trading.

A resolution of a Shareholders' meeting is required for repurchasing shares under circumstances (1) or (2) above. In accordance with the provisions of the Articles of Association or the authorisation of the Shareholders' meeting, repurchase of shares under circumstances (3), (5) or (6) above may be resolved by a resolution of a meeting of the Board with a quorum of two thirds or more of Directors, unless otherwise provided by the Listing Rules. In compliance with securities regulatory provisions of the stock exchange **[REDACTED]** venue, the shares acquired under the above circumstance (1), shall be de-registered within ten days from the date of repurchase; the shares acquired under the above circumstances (2) or (4), shall be transferred or de-registered within six months; and the shares acquired under the above circumstances (3), (5) or (6), shall be transferred or de-registered within three years, and the shares held in total by our Company shall not exceed 10% of total shares issued by our Company. Where applicable laws, administrative regulations, departmental rules, normative documents, securities regulatory provisions of the stock exchange **[REDACTED]** venue and domestic and overseas securities regulatory authorities provide otherwise regarding the relevant matters involved in the aforementioned share repurchase, those provisions shall prevail.

Where our Company acquires its own shares, it shall fulfil its information disclosure obligations in accordance with applicable laws, administrative regulations, departmental rules, normative documents, securities regulatory provisions of the stock exchange **[REDACTED]** venue and the relevant requirements of domestic and overseas securities regulatory authorities.

Transfer of Shares

Unless otherwise required by applicable laws, administrative regulations, departmental rules, normative documents, securities regulatory provisions of the stock exchange **[REDACTED]** venue and the Articles of Association, the fully paid shares of our Company may be transferred freely. The transfer of overseas **[REDACTED]** shares shall be registered with the local Hong Kong **[REDACTED]** entrusted by our Company.

Shares issued by our Company prior to the **[REDACTED]** shall not be transferred within one year from the date our Company's shares are **[REDACTED]** and traded **[REDACTED]**.

The Directors and senior management of our Company shall report their shareholding in our Company and changes thereof to our Company, and during their tenure determined at the time of taking office, the shares transferred by them each year shall not exceed 25% of the total number of Company shares held by them; the shares held by them shall not be transferred within one year from the date when the shares of our Company are **[REDACTED]** and traded; within half a year from departure from our Company, the aforesaid persons shall not transfer our Company shares held by them. If applicable laws, administrative regulations, departmental rules, normative documents and securities regulatory provisions of the stock exchange **[REDACTED]** venue provide otherwise, such rules shall apply in the principle of strictness.

All transfers of overseas **[REDACTED]** shares shall adopt the written transfer instrument in general or common format or any other form acceptable to the Board (including the standard transfer format or transfer form prescribed by Hong Kong Stock Exchange from time to time); the written transfer documents may only be manually signed with signatures, or (if the transferor or the transferee is a corporation) stamped with valid seals. If the transferor or transferee of the shares of our Company is a recognised clearing house or its nominee as defined by the relevant regulations in force from time to time under the laws of Hong Kong, the written transfer documents may be signed by hand or machine printing. All transfer documents must be placed at the legal address of our Company, the address of the transfer office or such other place as the Board may designate from time to time.

SHAREHOLDERS AND SHAREHOLDERS' MEETING

Shareholders

Our Company establishes its register of Shareholders based on certificates provided by the securities registration and **[REDACTED]** and the register of Shareholders shall be the prima facie evidence of share ownership, unless there is evidence to the contrary. Shareholders enjoy rights and assume obligations according to the class of shares they hold; each share of the same class shall bear the same rights and obligations.

The Shareholders of our Company shall be entitled to the following rights:

(1) receiving dividends and other forms of interest distribution in proportion to their shareholdings;

(2) requiring to hold, convening, chairing, attending by person or by proxy a Shareholders' meeting pursuant to the laws, and exercising the relevant speaking right, inquiry right and voting right at the meeting;

(3) supervising, presenting suggestions on or making inquiries about the business operation of our Company;

(4) transferring, gifting or pledging the shares held by them, in accordance with applicable laws, administrative regulations, departmental rules, normative documents, securities regulatory provisions of the stock exchange **[REDACTED]** venue and the Articles of Association;

(5) accessing and replicating the Articles of Association, the register of Shareholders, minutes of Shareholders' meeting, resolutions of Board and publicly disclosed financial data and accounting reports;

(6) participating in the distribution of residual assets of our Company in proportion to their shareholdings, upon termination or liquidation of our Company;

(7) for Shareholders who vote against any resolution adopted at the Shareholders' meeting on the merger or demerger of our Company, requesting our Company to acquire its shares; and

(8) any other rights stipulated by applicable laws, administrative regulations, departmental rules, normative documents, securities regulatory provisions of the stock exchange **[REDACTED]** venue or the Articles of Association.

In the event that any resolution by the Shareholders' meeting or the Board meeting violates applicable laws and administrative regulations, the Shareholders may request people's court to invalidate such a resolution. In the event that the convening procedures or voting means of the Shareholders' meeting or the Board meeting violate applicable laws, administrative regulations or the Articles of Association, or any resolution violates the Articles of Association, Shareholders may request people's court to withdraw such resolution within sixty days from the date of resolution, unless there are only minor defects in the convening procedures or voting means of the Shareholders' meeting or the Board meeting, which do not have a material impact on the resolutions. If there is a dispute among the Board, Shareholders, or the relevant parties regarding the validity of a Shareholders' meeting resolution, the concerned parties shall promptly file a lawsuit with the people's court. Before the people's court issues a judgement or ruling to withdraw such resolution, the relevant parties shall implement the resolution. Our Company, the Directors and senior management shall diligently perform their duties to ensure normal operations of our company.

The Shareholders of our Company shall undertake the following obligations:

(1) abiding by applicable laws, administrative regulations, departmental rules, normative documents, securities regulatory provisions of the stock exchange **[REDACTED]** venue and the Articles of Association;

(2) making payment according to the number of shares subscribed for and the manners of subscription;

(3) not withdrawing the shares, unless otherwise stipulated by applicable laws, administrative regulations, departmental rules, normative documents, securities regulatory provisions of the stock exchange **[REDACTED]** venue and the Articles of Association;

(4) not abusing Shareholder's rights to harm the interests of our Company or other Shareholders; not abusing the independent legal person status of our Company and the limited liability of Shareholders to harm the interests of our Company's creditors; and

(5) any other obligations stipulated by applicable laws, administrative regulations, departmental rules, normative documents, securities regulatory provisions of the stock exchange **[REDACTED]** venue and the Articles of Association.

Any Shareholder who abuses Shareholder's rights causing losses to our Company or other Shareholders shall be liable for compensation pursuant to the laws. Any Shareholder who abuses the independent legal person status of our Company and the limited liability of Shareholders to evade debts and severely infringe upon the interests of our Company's creditors shall be held jointly and severally liable for our Company's debts.

Controlling Shareholder and Actual Controller

The controlling Shareholder and actual controller of our Company shall exercise their rights and perform their obligations pursuant to the provisions of applicable laws, administrative regulations, department rules, normative documents, securities regulatory provisions of the stock exchange **[REDACTED]** venue, and domestic and foreign securities regulatory requirements, protect the interests of our Company.

The controlling Shareholder and actual controller of our Company shall comply with the following provisions:

(1) exercise shareholder rights in accordance with the law, and shall not abuse controlling rights or use connected relationships to harm the legitimate rights and interests of our Company or other shareholders;

(2) strictly fulfil all public statements and commitments made, and shall not arbitrarily modify or waive them;

(3) strictly perform information disclosure obligations in accordance with relevant regulations, actively cooperate with our Company in information disclosure work, and promptly inform our Company of any major events that have occurred or are planned to occur;

(4) shall not occupy Company's funds in any form;

(5) shall not compel, direct, or require our Company and its personnel to provide illegal or non-compliant guarantees;

(6) shall not use our Company's undisclosed material information for personal gain, disclose any undisclosed material information related to our Company in any form, or engage in illegal or non-compliant activities such as insider trading, short-swing trading, or market manipulation;

(7) shall not harm the legitimate rights and interests of our Company and other Shareholders through non-arm's length connected transactions, profit distribution, asset restructuring, external investments, or any other means;

(8) ensure our Company's asset integrity, personnel independence, financial independence, organisational independence, and business independence, and shall not affect our Company's independence in any way; and

(9) other provisions stipulated by applicable laws, administrative regulations, department rules, normative documents, securities regulatory provisions of the stock exchange **[REDACTED]** venue and the Articles of Association.

If our Company's controlling shareholder or actual controller does not serve as a director but de facto manages our Company's affairs, the provisions of the Articles of Association regarding directors' fiduciary duties and duty of diligence shall apply. If our Company's controlling shareholder or actual controller instructs a director or senior management personnel to engage in conduct that harms the interests of our Company or its Shareholders, such controlling shareholder or actual controller shall bear joint and several liability with such director or senior management personnel.

General Rules for Shareholders' Meetings

The Shareholders' meeting is composed of all shareholders. The Shareholders' meeting is the organ of authority of our Company, and shall duly exercise the following functions and powers:

(1) to elect and remove any Director (not including employee representative(s)), and to determine the remuneration of the relevant Directors;

(2) to review and approve the reports of the Board;

(3) to review and approve our Company's profit distribution plans and loss recovery plans;

(4) to resolve on our Company's increase/decrease of registered capital;

(5) to resolve on our Company's issuance of bonds or any class of shares, warrants and other similar securities as well as the **[REDACTED]**;

(6) to resolve on our Company's merger, division, spin-off, dissolution, liquidation or change of its corporate form;

(7) to amend the Articles of Association;

(8) to decide on the engagement or dismissal of the accounting engaged for the Company's audit services firm and the audit fee of the accounting firm;

(9) to review and approve the relevant transactions and guarantee matters required to be resolved by the Shareholders' meeting as specifically provided in the Articles of Association;

(10) to review and approve our Company's purchase or disposals of material assets accumulated within one year in the amount exceeding 30% of the latest audited total assets of our Company;

(11) to review and approve the stock incentive plans and employee stock plans;

(12) other matters to be decided by Shareholders' meeting under applicable laws, administrative regulations, departmental rules, normative documents, securities regulatory provisions of the stock exchange **[REDACTED]** venue and the Articles of Association.

There are two types of Shareholders' meetings, namely annual Shareholders' meeting and extraordinary Shareholders' meeting. The annual Shareholders' meeting shall be convened once a year and shall be held within six months from the end of last accounting year.

The extraordinary Shareholders' meeting shall be convened within two months from the date of occurrence of any of the following events:

(1) the number of Directors is less than two-thirds of the quorum required by the PRC Company Law, or less than two-thirds of the quorum required by the Articles of Association;

(2) the outstanding losses of our Company account for one-third of our Company's total paid-up share capital;

(3) Shareholder(s) individually or jointly holding at least 10% shares of our Company send(s) a written request for meeting;

(4) the Board deems necessary;

(5) other circumstances under applicable laws, administrative regulations, departmental rules, normative documents, securities regulatory provisions of the stock exchange **[REDACTED]** venue or the Articles of Association.

Convening of Shareholders' Meetings

The Audit Committee may propose in writing to convene an extraordinary Shareholders' meeting. In accordance with applicable laws, administrative regulations, departmental rules, normative documents, securities regulatory provisions of the stock exchange **[REDACTED]** venue and the Articles of Association, the Board shall provide written feedback on whether to agree or disagree with the proposal to convene such extraordinary Shareholders' meeting within ten days after receiving the proposal. In the event the Board agrees to convene an extraordinary Shareholders' meeting, the Board shall issue an extraordinary Shareholders' meeting notice within five days of making its resolutions, and any changes to the original proposal in such notice shall be agreed upon by the Audit Committee. In the event that the Board declines to convene an extraordinary Shareholders' meeting or fails to respond within ten days, it shall be deemed to be unable or to fail to fulfil its duty to convene a Shareholders' meeting and then the Audit Committee may convene and preside over the meeting on its own.

Shareholder(s) individually or jointly holding 10% or more of shares may request in writing to convene an extraordinary Shareholders' meeting to the Board and specify the subject of the meeting. In accordance with applicable laws, administrative regulations, departmental rules, normative documents, securities regulatory provisions of the stock exchange **[REDACTED]** venue, the Articles of Association and the relevant rules of procedure for the meeting, the Board shall provide written feedback on whether to agree or disagree with the request to convene such extraordinary Shareholders' meeting within ten days after receiving the request. In the event the Board agrees to convene an extraordinary Shareholders' meeting, the Board shall issue an extraordinary Shareholders' meeting notice within five days of making its resolutions, and any changes to the original request in such notice shall be agreed upon by the requesting Shareholder(s). In the event that the Board declines to convene an extraordinary Shareholders' meeting or fails to respond in writing within ten days after receiving the request, Shareholder(s) individually or jointly holding 10% or more of shares may request in writing to convene an extraordinary Shareholders' meeting to the Audit Committee. In the event the Audit Committee agrees to convene an extraordinary Shareholders' meeting, the Audit Committee shall issue an extraordinary Shareholders' meeting notice within five days of receiving such request, and any changes to the original request in such notice shall be agreed upon by the requesting Shareholder(s). In the event that the Audit Committee fails to issue the notice within the time limit, it shall be deemed to fail to convene and chair a Shareholders' meeting, and then the Shareholder(s) individually or collectively holding 10% or more of shares for at least ninety consecutive days may convene and chair the meeting on its/their own.

In the event of the Audit Committee or the Shareholder(s) convening and holding a Shareholders' meeting on its/their own, the necessary expenses incurred for such meeting shall be borne by our Company.

Notice of Shareholders' Meetings

To hold an annual Shareholders' meeting, the convener shall notify all Shareholders by announcement twenty-one days in advance. To hold an extraordinary Shareholders' meeting, the convener shall notify all Shareholders by announcement fifteen days in advance. If applicable laws, administrative regulations, departmental rules, normative documents, securities regulatory provisions of the stock exchange **[REDACTED]** venue and the Articles of Association provide otherwise, such rules shall apply. The period shall exclude the date on which the meeting is convened.

The notice of Shareholders' meeting shall be made in writing (including paper documents or electronic documents that meet the requirements of the relevant regulatory rules of the **[REDACTED]** venue) and include the following:

(1) the time, place and duration of meeting;

(2) convening method of the meeting;

(3) matters and proposals submitted to the meeting for review;

(4) explain in conspicuous words that all Shareholders have the right to attend the Shareholders' meeting and may appoint a proxy in writing to attend the meeting and participate in the vote, and the Shareholder proxy need not be a Shareholder of our Company;

(5) name and telephone number of the permanent contact person for conference affairs.

Proposals at Shareholders' Meetings

When our Company convenes a Shareholders' meeting, the Shareholder(s) individually or jointly holding 1% or more of shares of our Company are entitled to put forward new proposals to our Company and submit them in writing to the convener ten days in advance, and the convener of the Shareholders' meeting shall issue a supplemental notice of Shareholders' meeting, announcing the contents of the new proposals, within two days after receiving such proposals, and submit the new proposals to the Shareholders' meeting for deliberation; provided however, that this shall not apply if the interim proposals contravene the provisions of applicable laws, administrative regulations, department rules, normative documents, securities regulatory provisions of the stock exchange **[REDACTED]** venue, or the Articles of Association or fall outside the scope of authority of the Shareholders' meeting.

Proxy at Shareholders' Meetings

A Shareholder may appoint one or more persons (such persons need not be Shareholders) as proxies to attend and vote within the authorisation scope on the Shareholders behalf.

The power of attorney issued by any Shareholder for appointing a proxy to attend the Shareholders' meeting shall include the instructions to vote for, vote against or abstain from each matter to be discussed as listed in the agenda of the Shareholders' meeting etc.

Resolutions of Shareholders' Meetings

There are two kinds of resolutions made at Shareholders' meeting, namely ordinary resolutions and special resolutions. Ordinary resolutions shall be approved by more than half of voting rights held by the Shareholders attending the Shareholders' meeting. Special resolutions shall be approved by above two-thirds of the voting rights held by Shareholders attending the Shareholders' meeting.

When the matters of connected transactions (as defined in the Listing Rules) are reviewed at Shareholders' meeting, connected Shareholders or their close associates (as defined in the Listing Rules) shall not vote, and the number of voting shares held by them shall not be included in the total number of valid votes. The announcement on resolution of Shareholders' meeting shall fully disclose the voting results of non-connected Shareholders. Before the Shareholders' meeting reviews connected transactions, our Company shall determine the scope of connected Shareholders in accordance with applicable laws, administrative regulations, departmental rules, normative documents, normative documents and securities regulatory provisions of the stock exchange **[REDACTED]** venue. Connected Shareholders or their proxies may attend the Shareholders' meeting and express their views to the attending Shareholders in accordance with the meeting procedures.

The following matters shall be approved by ordinary resolutions at the Shareholders' meeting:

(1) the work report of the Board;

(2) the profit distribution plan and plan for covering losses formulated by the Board;

(3) the election and removal of members of the Board (not being employee representative(s)) and their remunerations and the method of payment thereof;

(4) other matters to be decided by the Shareholders' meeting other than those required to be approved by a special resolution under applicable laws, administrative regulations, departmental rules, normative documents, securities regulatory provisions of the stock exchange **[REDACTED]** venue and the Articles of Association.

The following matters shall be approved by special resolutions at the Shareholders' meeting:

(1) the increase or decrease of share capital of our Company;

(2) the division, spin-off, merger, or the change of corporate form of our Company;

(3) the amendment to the Articles of Association;

(4) the purchase, disposals of material assets or provision of guarantees to others accumulated within one year in the amount exceeding 30% of latest audited total assets of our Company;

(5) the equity stock incentive plans and employee stock plans; and

(6) any other matters to be approved by extraordinary resolutions as required by applicable laws, administrative regulations, departmental rules, normative documents, securities regulatory provisions of the stock exchange **[REDACTED]** venue and the Articles of Association as well as other matters that are determined by the ordinary resolutions of the Shareholders' meeting to have a significant impact on our Company and require to be approved by special resolutions.

DIRECTORS AND THE BOARD OF DIRECTORS

Directors

The Directors of our Company shall be natural persons.

Non-employee representative Directors shall be elected or replaced at Shareholders' meeting. Upon the expiration of his tenure, a Director may be re-elected and serve consecutive terms.

The tenure of a Director shall be from the date of appointment to the expiry of tenure of the current Board. If a Director's tenure expires but an alternate Director is not elected in time, then before the alternate Director holds office, the original Director shall still perform the duties as Director, in accordance with applicable laws, administrative regulations, departmental rules, normative documents, securities regulatory provisions of the stock exchange **[REDACTED]** venue and the Articles of Association.

A Director may propose resignation before expiry of tenure, by filing a resignation report in writing to our Company. The resignation is effective on the date our Company receives the resignation report, and our Company will disclose the relevant information within the time limit specified by applicable laws, administrative regulations, departmental rules, normative documents and securities regulatory provisions of the stock exchange **[REDACTED]** venue. Directors shall not evade their responsibilities through resignation or other means. If the resignation of a Director causes the number of board members to be less than the quorum, then before the alternate Director holds office, the original Director shall still perform the duties as Director under applicable laws, administrative regulations, departmental rules, normative documents, securities regulatory provisions of the stock exchange **[REDACTED]** venue and the Articles of Association.

A Shareholders' meeting may resolve to remove a Director. The removal takes effect on the date of the resolution made. If, without proper reason, a Director is removed before expiry of tenure, he/she may request compensation from our Company.

Chairman

The Board shall have one chairman, who shall be elected by more than half of Directors.

The chairman of the Board shall exercise the following powers and functions:

(1) leading the Board and ensuring the effective operation of the Board;

(2) supervising and inspecting the implementation of resolutions of the Board;

(3) other duties granted by the Board.

Where the chairman is incapable of performing or fails to perform its duties, such duties shall be performed by a Director jointly elected by a majority of Directors.

Board

Our Company sets up the Board, composed of 9 Directors.

The Board shall exercise the following functions and powers:

(1) convening the Shareholders' meeting and submitting work reports to the Shareholders' meetings;

(2) implementing resolutions of the Shareholders' meetings;

(3) determining the operating plans and investment schemes of our Company;

(4) formulating the profit distribution plan and loss makeup plan of our Company;

(5) formulating our Company's plans for increase or decrease of the registered capital, issuance of corporate bonds or other securities, or **[REDACTED]** plans;

(6) considering the plans for major acquisitions, share repurchase, merger, division, dissolution or change of corporate form of our Company;

(7) deciding, to the extent authorised by the Shareholders' meeting, our Company's external investment, acquisition and sale of assets, mortgage of assets, external guarantee, entrusted management of wealth, connected transactions, external donations and other matters;

(8) deciding on the establishment of internal management institutions of the Company;

(9) deciding on the appointment or dismissal of our Company's general manager, secretary to the Board and other senior officers; deciding on the appointment or dismissal of the executive deputy general manager, chief financial officer, according to the nomination by the general manager, and deciding on their remuneration, reward and punishment;

(10) formulating the fundamental management systems of our Company;

(11) formulating the modification plan of the Articles of Association;

(12) proposing to the Shareholders' meeting the engagement or replacement of the accounting firm which provides audit services to our Company;

(13) hearing the work reports by the general manager of our Company and inspecting the work performed by the general manager;

(14) any other functions and powers granted by applicable laws, administrative regulations, departmental rules, normative documents, securities regulatory provisions of the stock exchange **[REDACTED]** venue, the Articles of Association or the Shareholders' meeting.

The Board shall explain to Shareholders' meeting about the non-standard audit opinions issued by the CPA firm against the financial statements of our Company.

The Board shall hold at least two regular meetings per year, convened by the chairman.

The notice of interim meetings shall be sent to all Directors five days prior to the date of interim meetings by fax, e-mail, or other means. In an emergency requiring the Board to hold an interim meeting as soon as possible, the notice of meeting may be given by telephone or other oral means, provided that the convener shall make explanations at the meeting.

Every Director may cast one vote. A motion at the meeting of the Board may be passed as resolution by a simple majority of all Directors unless otherwise required by the Articles of Association, and any Director who has an interest in or has a connection with any matter to be resolved at the meeting, or is required to abstain from voting according to the Listing Rules shall abstain from voting, nor shall they exercise voting rights on behalf of other Directors.

Directors shall attend Board meetings in person. A Director who is unable to attend a meeting for any reason shall appoint another Director to attend a Board meeting on its behalf in writing. The failure of a Director to attend a Board meeting in person or by proxy shall be deemed as forfeiting his/her voting rights at such meeting.

The independent non-executive Directors shall perform their duties seriously pursuant to the provisions of applicable laws, administrative regulations, department rules, normative documents, securities regulatory provisions of the stock exchange **[REDACTED]** venue, the Articles of Association, and domestic and foreign securities regulatory requirements, play a role of participation in decision-making, supervision, checks and balances and professional consultancy in the Board, safeguard our Company's overall interests and protect the legitimate rights and interests of minority Shareholders.

Board Special Committees

Audit Committee

The Board shall establish an Audit Committee to exercise the powers and functions of the supervisory committee as prescribed by the PRC Company Law.

Nomination Committee and Remuneration Committee

The Board shall establish a Nomination Committee and a Remuneration Committee, which shall perform their duties in accordance with the Articles of Association and the Board's authorisation. Proposals adopted by these committees shall be submitted to the Board for decision. The Board shall adopt detailed rules governing each committee's work.

General Manager and Other Senior Management

The term of office of the general manager shall be three years and may be re-elected and serve consecutive terms.

The general manager shall be responsible to the Board, and exercises the following functions and powers:

(1) take charge of the production, operation and management of our Company, organise the implementation of resolutions made at Board meetings and report to the Board;

(2) organise the implementation of the annual operation plan and investment plan of our Company;

(3) contemplate the internal management setup plan of our Company;

(4) contemplate the fundamental management system of our Company;

(5) formulate the specific rules and regulations of our Company;

(6) propose to the Board the appointment or dismissal of the executive deputy general manager or the chief financial officer;

(7) appoint or dismiss a manager other than those who should be appointed or dismissed by the Board; and

(8) other duties authorised by the Articles of Association or the Board.

The general manager shall attend Board meetings.

The senior management shall faithfully perform his/her duties and safeguard the maximum interest of our Company and all Shareholders. If the senior management fails to faithfully perform their duties or violate their integrity obligations, causing damage to the interest of our Company and the public Shareholders, they shall bear compensation liability in accordance with the law.

Eligibility and Obligations of Directors, and Senior Management

Any of the following persons shall not act as Director, general manager or other senior management of our Company:

(1) who has no or limited civil capacity;

(2) who was sentenced for corruption, bribery, embezzlement or misappropriation of properties or destruction of the order of socialist market-oriented economy; or who was deprived of political rights due to any crime, and the execution of such deprivation has expired for no more than five years, and for those who have been declared on probation, the probation period has expired for no more than two years;

(3) who acted as director, factory manager, manager of a company or enterprise in bankruptcy liquidation, and was personally liable for the bankruptcy of such a company or enterprise, and a three-year period has not elapsed since the completion of bankruptcy liquidation of such company or enterprise;

(4) who acted as the legal representative of a company or enterprise whose business licence was revoked, or which was ordered to close down due to violation of law and who is personally liable, and a three-year period has not elapsed since the revocation of the business licence or the closure of such company or enterprise;

(5) who has a significant amount of due and outstanding debts and was listed as dishonest person subjected to enforcement by the people's court;

(6) any other circumstances stipulated by applicable laws, administrative regulations, departmental rules, normative documents and securities regulatory provisions of the stock exchange **[REDACTED]** venue.

The Directors shall comply with applicable laws, administrative regulations, departmental rules, normative documents, securities regulatory provisions of the stock exchange **[REDACTED]** venue and the Articles of Association and assume the duty of loyalty to our Company. The Directors shall take steps to avoid their own interests conflicting with our Company's interests and may not take advantage of position to seek improper benefits. Such duties of loyalty include:

(1) shall not offer bribery or accept other illegal income by using his or her powers and position;

(2) shall not embezzle our Company's property or misappropriate our Company's funds;

(3) shall not open accounts in his/her own name or in the names of others to deposit funds or assets of our Company;

(4) shall not accept commission for transactions with our Company as personal gains;

(5) shall not disclose any confidential information involving our Company without authorisation;

(6) other loyalty obligations provided under applicable laws, administrative regulations, departmental rules, normative documents, securities regulatory provisions of the stock exchange **[REDACTED]** venue and the Articles of Association.

The senior management assume the aforementioned duty of loyalty.

The Directors shall comply with applicable laws, administrative regulations, departmental rules, normative documents, securities regulatory provisions of the stock exchange **[REDACTED]** venue and the Articles of Association and assume the duty of diligence to our Company. When performing duties, the Directors shall exercise reasonable care as a manager for the best interest of our Company. Such duties of diligence include:

(1) shall exercise the powers granted by our Company carefully, faithfully and diligently to ensure the business carried out by our Company is in compliance with applicable laws, administrative regulations, departmental rules, normative documents, securities regulatory provisions of the stock exchange **[REDACTED]** venue and economic policies of the state, and such business activities are within the scope of business scope specified in our Company's business licence;

(2) shall treat all Shareholders equally;

(3) shall stay informed with the business and operation of our Company timely;

(4) shall provide relevant information and materials to the Audit Committee truthfully and shall not hinder the Audit Committee from performing their duty; and

(5) other diligence obligations in accordance with applicable laws, administrative regulations, departmental rules, normative documents, securities regulatory provisions of the stock exchange **[REDACTED]** venue and the Articles of Association.

FINANCIAL ACCOUNTING POLICY

Our Company formulates the financial and accounting system according to applicable laws, administrative regulations, departmental rules, normative documents and securities regulatory provisions of the stock exchange **[REDACTED]** venue.

Our Company shall not establish other accounting books other than those required by laws. Our Company's assets shall not be deposited into any account opened in the name of any individual person.

PROFITS DISTRIBUTION

To distribute after-tax profits for the current year, our Company shall allocate 10% of profits for the statutory reserves of our Company. If the cumulative amount of statutory reserves exceeds 50% of the registered capital of our Company, no further allocation is required. If the statutory reserves are insufficient to make up for previous losses, then our Company shall firstly make up for previous losses with current profits, before any allocation is made to the statutory reserves in accordance with the preceding sentence.

After foregoing provision for statutory reserves, our Company may also draw discretionary reserves from after-tax profits, subject to the resolution of the Shareholder's meeting.

The remaining after-tax profits after loss makeup and provisions for reserves shall be distributed to Shareholders in proportion to their shareholding percentages, except for those that are not distributed in proportion to the shareholding percentages as stipulated in the Articles of Association.

If the Shareholder's meeting breaches the PRC Company Law and distributes profits to Shareholders before losses are made up and the statutory reserves are drawn, then Shareholders shall refund the distributed profits to our Company in violation of the foregoing provisions. Where such violation causes losses to our Company, Shareholders and duty-bound Directors and senior officers shall be jointly and severally liable for compensation.

The shares held by our Company per se shall not participate in the profit distribution.

The reserves of our Company are used to make up losses, expand business, or increase the registered capital of our Company. To make up for our Company's losses, the discretionary reserves and statutory reserves should be used first; if it is still unable to make up for it, the capital reserves can be used in accordance with relevant provisions.

When the statutory reserves are converted into capital, the remaining amount of said reserves shall not be less than 25% of the registered capital of our Company before such conversion.

After the Shareholders' meeting of the Company has resolved on the profit distribution plan, the Board shall complete the distribution of dividends within two months from the date of the Shareholders' meeting.

ENGAGEMENT OF ACCOUNTING FIRM

Our Company shall engage an independent accounting firm in compliance with relevant state regulations, to conduct accounting statement auditing, net asset verification and other related consulting services. The engagement period is one year and can be renewed.

The engagement, removal or dismissal of an accounting firm and the remuneration of the accounting firm shall be decided by an ordinary resolution of the Shareholders' meeting. The Board shall not engage an accounting firm prior to the decision by the Shareholders' meeting.

Our Company shall send fifteen-day prior notice to the accounting firm, in order to dismiss or not to reappoint the accounting firm. The accounting firm, in order to resign, shall make representations regarding whether our Company has any improper affairs to the Shareholders' meeting.

MERGER AND DIVISION OF OUR COMPANY

The merger of our Company may take two forms: merger by absorption or merger by new establishment.

In a merger of our Company, all parties to the merger shall sign the merger agreement and shall prepare their respective balance sheets and inventory lists of assets. Our Company shall notify its creditors within ten days from the date of passing the merger resolution and make a public announcement in newspaper or on the National Enterprise Credit Information Publicity System and the website of the Hong Kong Stock Exchange within thirty days from the date of passing the merger resolution. Upon the merger, the creditors' rights and the indebtedness of each merging party shall be assumed by the surviving entity or the newly established company resulting from the merger.

Where our Company is to be divided, its assets shall be divided accordingly. In the event of the division of our Company, the parties to such division shall prepare a balance sheet and a list of assets. Our Company shall notify its creditors within ten days from the date of the resolution on such division and shall make a public announcement in newspaper or on the National Enterprise Credit Information Publicity System and the website of the Hong Kong Stock Exchange within thirty days from the date of the resolution on such division. The post-division company shall be jointly and severally liable for the pre-division debts of our Company, unless provided otherwise in a written agreement pertaining to the payment of debts between our Company and its creditors prior to the division.

Where our Company undergoes a merger or division, changes in the particulars of our Company shall be registered with our Company registration authorities in accordance with the laws. Where our Company is dissolved, cancellation of its registration shall be conducted in accordance with the laws. Where a new company is established, it shall be registered in accordance with the laws.

DISSOLUTION AND LIQUIDATION OF OUR COMPANY

Our Company shall be dissolved upon the occurrence of any of the following events:

(1) expiry of the valid term of the business or the occurrence of other events of dissolution as stated in the Articles of Association;

(2) a resolution for dissolution is passed by a Shareholders' meeting;

(3) dissolution is necessary due to a merger or division of our Company;

(4) our Company is revoked of business licence, ordered to close or cancelled according to law; or

(5) serious difficulties arise in the operation and management of our Company and its continued existence would cause material loss to the interests of the Shareholders and such difficulties cannot be resolved through other means, in which case Shareholders holding at least 10% of the voting rights may petition a people's court to dissolve our Company.

Where our Company is dissolved in accordance with the provisions of items (1), (2), (4) and (5) above, it shall be liquidated. The Directors shall be the obligors of our Company's liquidation and shall form a liquidation committee to carry out the liquidation within fifteen days from the date on which the cause of dissolution arises. The members of the liquidation committee shall comprise Directors, unless otherwise provided in the Articles of Association or as resolved by a Shareholders' meeting to elect others persons.

The liquidation committee shall exercise the following functions and powers during the period of liquidation:

(1) to dispose of the property of our Company, and to prepare a balance sheet and a list of properties;

(2) to inform creditors by notice and public announcement;

(3) to dispose of unfinished business of our Company relating to the liquidation;

(4) to pay up all outstanding taxes and tax arising during the liquidation process;

(5) to clear up claims and debts;

(6) to distribute the residual properties of our Company after the full settlement of debts; and

(7) to represent our Company in civil litigation.

The liquidation committee shall notify the creditors within ten days after its establishment and publish announcements in the newspaper or on the National Enterprise Credit Information Publicity System within sixty days. Creditors shall, within thirty days from the date of receiving the notice; or for creditors who do not receive the notice, within forty-five days from the date of the public announcement, declare their claims to the liquidation committee.

The creditor shall provide a description and supporting evidence of matters relating to their claims. The liquidation committee shall register the creditors' claims.

The liquidation committee shall not make any debt settlement during the period of declaration of claims.

A liquidation plan shall be formulated by the liquidation committee after the stocktaking of our Company's assets has been carried out and the balance sheet and a detailed inventory of assets have been formulated and shall be submitted to the Shareholders' meeting or people's court for confirmation.

The assets of our Company shall be applied for liquidation in the following order: payment of liquidation expenses, staff wages, social insurance expenses and statutory compensation, payment of outstanding taxes, and payment of our Company's debts. The residual assets of our Company after settlement of all liabilities in accordance with the provisions of the preceding sentence shall be distributed to the Shareholders of our Company in proportion to their shareholdings.

During the liquidation period, our Company shall continue to exist but shall not carry out business activities unrelated to the liquidation. Before our Company's debts have been fully repaid in accordance with the provisions of the preceding paragraph, no assets of our Company shall be distributed to its Shareholders.

Where the liquidation committee, having examined our Company's assets and having prepared a balance sheet and an inventory of assets, discovers that our Company's assets are insufficient to pay its debts in full, it shall immediately apply to the people's court for a bankruptcy liquidation. Once the people's court has accepted a bankruptcy application, the liquidation committee shall turn over any matters regarding the liquidation to the bankruptcy administrator designated by the people's court.

Following the completion of liquidation, the liquidation committee shall formulate a report on liquidation, which shall be submitted to the Shareholders' meeting or the people's court for confirmation. The liquidation committee shall also submit the aforesaid documents to our Company registration authority and apply for cancellation of registration of our Company.

AMENDMENT TO THE ARTICLES OF ASSOCIATION

Under one of the following circumstances, our Company shall amend the Articles of Association:

(1) when the Articles of Association contradict the newly implemented amendments of PRC Company Law, the Listing Rules and any other applicable laws, administrative regulations, departmental rules, normative documents and securities regulatory provisions of the stock exchange **[REDACTED]** venue;

(2) due to any change, when the information of our Company is inconsistent with the matters set forth in the Articles of Association; or

(3) when the Shareholders' meeting has made a resolution to amend the Articles of Association.

In the event that the amendment to the Articles of Association adopted by the Shareholders' meeting needs to be approved by the competent authority, our Company shall seek approval from relevant authority and if it involves company registration matters, change registration shall be handled in accordance with the law. The Board shall follow such resolutions by the Shareholders' meeting and the approval opinions of relevant authority when amending the Articles of Association.

In the event that an amendment to the Articles of Association qualifies as required disclosure under applicable laws, administrative regulations, departmental rules, normative documents and securities regulatory provisions of the stock exchange **[REDACTED]** venue, such amendment should be publicly announced.

A. FURTHER INFORMATION ABOUT OUR COMPANY AND OUR SUBSIDIARIES

1. Incorporation

Our Company was established in the PRC on 3 August 2020 and converted into a joint stock company under the PRC Company Law on 19 April 2024.

The registered address of our Company is Room 901, Block 2, Oceanwide International Centre, Sijiqing Subdistrict, Shangcheng District, Hangzhou, Zhejiang Province, PRC. Our Company has established a principal place of business in Hong Kong SAR at 6/F, The Annex, Central Plaza, 18 Harbour Road, Hong Kong, and [has been] registered as a non-Hong Kong company in Hong Kong SAR under Part 16 of the Hong Kong Companies Ordinance on [•]. Ms. Chu Mei Yi has been appointed as our authorised representative for the acceptance of service of process in Hong Kong SAR. The address for service of process on our Company in Hong Kong SAR is the same as our Company's principal place of business in Hong Kong SAR.

As we are incorporated in the PRC, our corporate structure and Articles of Association are subject to the relevant laws and regulations of the PRC. A summary of the relevant provisions of our Articles of Association is set out in Appendix V to this Document. A summary of certain relevant aspects of the laws and regulations of the PRC is set out in Appendix IV to this Document.

2. Changes in the share capital of our Company

Save as disclosed in "History, Development and Corporate Structure – Major Shareholding Changes of Our Company" in this Document, there has been no alteration in the share capital of our Company within the two years immediately preceding the date of this Document.

3. Resolutions of our Shareholders

At an extraordinary general meeting of our Company held on 19 December 2025 among other things, the following resolutions were passed by the Shareholders of our Company:

(a) the issue of the H Shares of nominal value of RMB1.00 each and such H Shares be **[REDACTED]** on the Stock Exchange;

(b) the number of H Shares to be issued initially shall not be more than **[REDACTED]**% of the total number of issued Shares as enlarged by the **[REDACTED]** (assuming the **[REDACTED]** is not exercised), and the number of H Shares to be issued pursuant to the exercise of the **[REDACTED]** shall not be more than **[REDACTED]**% of the number of H Shares to be **[REDACTED]** initially pursuant to the **[REDACTED]**;

(c) subject to the completion of the **[REDACTED]**, the Articles of Association be approved and adopted, which shall only become effective on the **[REDACTED]** and the Board be authorised to amend the Articles of Association in accordance with any comments from the Stock Exchange and the relevant PRC regulatory authorities; and

(d) the Board or its authorised individual be authorised to handle all matters relating to, among other things, all matters relating to the **[REDACTED]**, the issue and **[REDACTED]** of the H Shares on the Stock Exchange.

4. Changes in the share capital of our principal operating subsidiaries

A summary of the corporate information and the particulars of our principal operating subsidiaries is set out in Note 1 of the Accountants' Report set out in Appendix I to this Document.

There has been no alteration in the share capital of our principal operating subsidiaries within two years immediately preceding the date of this Document.

5. Restrictions on Repurchase of Shares

See "Summary of the Articles of Association of the Company" in Appendix V to this Document for details.

B. FURTHER INFORMATION ABOUT OUR BUSINESS

1. Summary of material contracts

The following contracts (not being contracts entered into in the ordinary course of our business) have been entered into by us within the two years preceding the date of this Document and are or may be material:

(1) the Capital Increase Agreement dated 21 October 2024 between Hangzhou Industrial Investment, our Company, Maoyuanchang Holdings, Hangzhou Maosifa, Ms. Peng, Mr. Ke Jinliang, Ms. Yang Hong and Ms. Liu Lifei; and

(2) **[REDACTED]**.

2. Intellectual property rights of our Group

Trademarks

Trademarks for which registration has been granted

As at the Latest Practicable Date, we were the registered owner of and had the right to use the following trademarks which we consider to be or may be material to our business:

No.	Trademark	Place of Registration	Registration number	Registered Owner	Class	Expiry Date
1.	星小圆	PRC	73185638	Our Group	9	6 February 2034
2.	毛源昌眼镜	PRC	69279144	Our Group	44	27 July 2033
3.	MAOYUANCHANG	PRC	55210695	Our Group	9	20 April 2032
4.	毛源昌眼镜	PRC	41366406	Our Group	25	6 June 2030
5.	毛源昌眼镜	PRC	38236114	Our Group	44	6 February 2030
6.	毛源昌眼镜	PRC	38229888	Our Group	9	6 February 2030
7.	MYC1862	PRC	30670476	Our Group	44	13 June 2029

No.	Trademark	Place of Registration	Registration number	Registered Owner	Class	Expiry Date
8.	MYC Since 1862	PRC	30648108	Our Group	44	13 June 2029
9.	MYC Since 1862	PRC	30656400	Our Group	9	20 February 2029
10.	MYC1862	PRC	30664105	Our Group	9	20 February 2029
11.	毛源昌	PRC	18720376	Our Group	9	6 February 2027
12.	毛源昌	PRC	18720374	Our Group	25	6 February 2027
13.	MYC	PRC	13825013	Our Group	9	6 March 2035
14.	MAOYUANCHANG	PRC	12810027	Our Group	44	13 December 2034
15.	毛源昌	PRC	11200802	Our Group	41	6 December 2033
16.	毛源昌	PRC	11196139	Our Group	25	6 December 2033
17.	毛源昌	PRC	11190204	Our Group	18	27 November 2033
18.	毛源昌	PRC	11184761	Our Group	3	27 November 2033
19.	毛源昌	PRC	11185013	Our Group	10	27 November 2033
20.	毛源昌	PRC	11184985	Our Group	9	27 November 2033
21.	王源昌	PRC	4425475	Our Group	44	27 June 2028
22.	毛源昌	PRC	3935248	Our Group	35	20 December 2033
23.	毛源昌	PRC	3822632	Our Group	44	20 September 2028
24.	毛 源 昌	PRC	1288835	Our Group	9	27 June 2029
25.	毛源昌	PRC	355717	Our Group	9	29 July 2029
26.	巍雅斯	PRC	4728638	Our Group	9	6 April 2028
27.	巍雅斯	PRC	4728652	Our Group	44	6 February 2029
28.	毛源昌	PRC	7969778	Our Group	44	6 March 2031
29.		PRC	75490798	Our Group	44	6 February 2035

No.	Trademark	Place of Registration	Registration number	Registered Owner	Class	Expiry Date
30.	毛源昌	PRC	74633466	Our Group	44	27 June 2035
31.	EZOTEN	PRC	47509579	Our Group	9	13 March 2031
32.	伊佐腾	PRC	10233598	Our Group	9	27 January 2033
33.	简杰	PRC	10224403	Our Group	9	27 January 2033
34.	安姿	PRC	10224372	Our Group	9	20 January 2033
35.	兰科达	PRC	12811625	Our Group	5	13 December 2034
36.	KDOPTICAL	PRC	12811702	Our Group	5	13 December 2034
37.	兰科达	PRC	12811745	Our Group	9	6 December 2034
38.	金城科达	PRC	12811765	Our Group	9	13 December 2034
39.	KDOPTICAL	PRC	12811813	Our Group	9	6 December 2034
40.	兰科达	PRC	12811853	Our Group	35	20 December 2034
41.	KDOPTICAL	PRC	12811938	Our Group	35	13 December 2034
42.	兰科达	PRC	12811987	Our Group	44	13 January 2035
43.	KDOPTICAL	PRC	12812101	Our Group	44	27 October 2034
44.		PRC	40617272	Our Group	35	20 June 2030
45.		PRC	40602150	Our Group	9	20 June 2030
46.		PRC	40602120	Our Group	44	20 June 2030

Patents

As at the Latest Practicable Date, our Group had registered the following patents in the PRC which are material to the business of our Group:

No.	Patent	Registered owner	Registration number	Registration date
1.	A movable eyeglasses display cabinet (一種可移動的眼鏡展示櫃)	Our Company	2022219144974	13 December 2022
2.	A pair of eyeglasses with anti-slip wearing features (一種佩戴防脫眼鏡)	Our Company	2022218882976	6 January 2023
3.	A portable eyeglasses case (一種便攜式眼鏡盒)	Our Company	2022218872137	24 February 2023
4.	A screwless, snap-fit elastic temple structure (一種無螺絲卡扣式彈力眼鏡腿結構)	Our Company	2023235061221	16 July 2024

Copyrights

As at the Latest Practicable Date, our Group had registered the following copyrights in the PRC which are material to the business of our Group:

No.	Copyright	Registered owner	Registration number	Registration date
1.	Mao Yuan Chang Optical SME Franchisee Management Service Platform System V1.0 (毛源昌眼鏡中小加盟商管理服務平台系統V1.0)	Our Company	2024SR0288388	21 February 2024
2.	Eyewear Chain Brand Membership Service Platform System V1.0 (眼鏡連鎖品牌會員服務平台系統V1.0)	Our Company	2023SR1740596	25 December 2023
3.	Mao Yuan Chang Eyewear Online Ordering Management System V1.0 (毛源昌眼鏡在綫訂貨管理系統V1.0)	Our Company	2024SR0273495	18 February 2024
4.	Mao Yuan Chang Eyewear Online WeChat Mall System V1.0 (毛源昌眼鏡在綫微商城系統V1.0)	Our Company	2024SR0267092	9 February 2024
5.	Mao Yuan Chang Eyewear Supply Chain Collaboration Platform V1.0 (毛源昌眼鏡供應鏈協同平台系統V1.0)	Our Company	2024SR0286206	21 February 2024
6.	Mao Yuan Chang Eyewear Retail Business Middleware System V1.0 (毛源昌眼鏡零售業務中台系統V1.0)	Our Company	2024SR0290649	21 February 2024

No.	Copyright	Registered owner	Registration number	Registration date
7.	Mao Yuan Chang Eyewear Store Retail POS System V1.0 (毛源昌眼鏡門店零售POS系統V1.0)	Our Company	2024SR0273673	18 February 2024
8.	Mao Yuan Chang Eyewear Brand Franchising Service Platform System V1.0 (毛源昌眼鏡品牌連鎖加盟服務平台系統V1.0)	Our Company	2024SR0287546	21 February 2024
9.	Mao Yuan Chang Eyewear Business-Finance Integrated Platform System V1.0 (毛源昌眼鏡業財一體化平台系統V1.0)	Our Company	2024SR0293616	22 February 2024
10.	Mao Yuan Chang Eyewear Mascot "Yuan Yua" IP Image (毛源昌眼鏡吉祥物"源源"IP形象)	Our Company	浙作登字-2023-F-00042593	6 December 2023
11.	Mao Yuan Chang Eyewear Store Signage and Store Image (毛源昌眼鏡店店招和店面形象)	Our Company	國作登字-2022-F-10262386	13 December 2022
12.	Mao Yuan Chang (毛源昌)	Our Company	浙作登字-2018-F-00003102	6 March 2018

Domain Names

As at the Latest Practicable Date, our Group had registered the following domain names in the PRC which are material to the business of our Group:

No.	Domain	Registrant	Date of registration
1.	zjmyc.cn	Our Group	11 October 2024
2.	hzmyc.cn	Our Group	11 March 2026
3.	kdyj.cn	Our Group	3 April 2024

C. FURTHER INFORMATION ABOUT OUR DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

1. Disclosure of Interests

(a) Disclosure of interest of Substantial Shareholders

For information on the persons (other than Directors and chief executive of our Company) who, immediately following the completion of the **[REDACTED]** (assuming the **[REDACTED]** is not exercised), will or will be deemed or taken to have interests and/or short positions in our Company's Shares or underlying Shares which would be required to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at the general meetings of any other member of our Group, see "Substantial Shareholders" in this Document for details.

Save as disclosed in "Substantial Shareholders" in this Document, as at the Latest Practicable Date, our Directors were not aware of any persons who would, immediately following the completion of the **[REDACTED]** (assuming the **[REDACTED]** is not exercised), having or be deemed or taken to the beneficial interests or short position in our Shares or underlying Shares which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or directly or indirectly be interested in 10% or more of the issued voting shares of any member of our Group or had option in respect of such capital.

The substantial Shareholders of our Company do not have interests in any member of our Group (other than our Company).

(b) Disclosure of interest of Directors and chief executive in the registered capital of our Company or associated corporations of our Company

Immediately following the completion of the **[REDACTED]** (but without taking into account the exercise of the **[REDACTED]**), the interests or short positions of our Directors and chief executive of our Company in the Shares, underlying Shares and debentures of our Company or any associated corporation (within the meaning of Part XV of the SFO) which will have to be notified to us and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or will be required, pursuant to the Model Code for Securities Transactions by Directors and Listed Issuers (contained in Appendix C3 of the Listing Rules) to be notified to us and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, will be as follows:

Interests in the Shares of our Company

Name of Director	**Nature of interest**	**Number of Shares directly and indirectly held immediately following the completion of the [REDACTED][(1)]**	**Approximate percentage of shareholding in the total issued share capital immediately following the completion of the [REDACTED][(2)]**
Mr. Jin	Interest in controlled corporation[(3)]	**[REDACTED]**	**[REDACTED]**%
	Interest of spouse[(4)]	**[REDACTED]**	**[REDACTED]**%
Ms. Peng	Beneficial interest	**[REDACTED]**	**[REDACTED]**%
	Interest of spouse[(3)(4)]	**[REDACTED]**	**[REDACTED]**%
Ms. Liu Lifei	Beneficial interest[(5)]	**[REDACTED]**	**[REDACTED]**%
Mr. Liao Peng	Beneficial interest[(6)]	**[REDACTED]**	**[REDACTED]**%

Notes:

(1) All interests stated are long positions.

(2) The calculation is based on the total number of **[REDACTED]** H Shares in issue immediately after completion of **[REDACTED]** since **[REDACTED] [REDACTED]** Shares will be converted into H Shares and **[REDACTED]** H Shares will be issued pursuant to the **[REDACTED]**, assuming that the **[REDACTED]** is not exercised.

(3) As at the Latest Practicable Date, Maoyuanchang Holdings is held (i) as to 65% by Hangzhou Dashengchang, which is in turn wholly-owned by Mr. Jin; and (ii) as to 10% by Hangzhou Shuangzhou, which is held as to 98% by Mr. Jin and also controlled by Mr. Jin as general partner. Therefore, under the SFO, Mr. Jin is deemed to be interested in the Shares held by Hangzhou Dashengchang. As at the Latest Practicable Date, Hangzhou Maosifa is a limited partnership controlled by Mr. Jin as general partner, who also holds 67.35% equity interest in Hangzhou Maosifa. Therefore, under the SFO, Mr. Jin is deemed to be interested in the Shares held by Hangzhou Maosifa.

(4) Mr. Jin and Ms. Peng are spouse. See "Substantial Shareholders" in this Document for further details.

(5) As at the Latest Practicable Date, Ms. Liu Lifei directly holds 171,888 Shares of our Company.

(6) As at the Latest Practicable Date, Mr. Liao Peng directly holds 278,665 Shares of our Company.

2. Particulars of service contracts

We have entered into a contract with each of our Directors. The principal particulars of these service contracts include (i) the term of service, and (ii) termination mechanism in accordance with their respective term. The service contracts may be renewed in accordance with our Articles of Association and the applicable Listing Rules.

Save as disclosed above, none of the Directors has entered into any service contracts as a director with any member of our Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)).

3. Remuneration of Directors

The aggregate remuneration (including fees, salaries, contributions to pension schemes, allowances, benefits in kind, discretionary bonuses and share-based payments) paid to our Directors in respect of the years ended 31 December 2023, 2024 and 2025 were nil, approximately RMB0.88 million, and approximately RMB1.49 million, respectively.

Save as disclosed above, no other payments have been made or are payable, in respect of years ended 31 December 2023, 2024 and 2025, by any of member of our Group to any of our Directors.

4. Directors' Competing Interests

None of our Directors is interested in any business apart from our Group's business which competes or is likely to compete, directly or indirectly, with the business of our Group.

5. Disclaimers

Save as disclosed in this Appendix and in "Directors and Senior Management" and "Substantial Shareholders" in this Document:

(a) none of our Directors or chief executive of our Company has any interests or short positions in the shares, underlying shares and debentures of our Company or our associated corporations (within the meaning of Part XV of the SFO) which will be required to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which he is taken or deemed to have taken under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to in that section, or which will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, to be notified to our Company and the Stock Exchange, once the Shares are **[REDACTED]** on the Stock Exchange;

(b) so far as is known to any Director or chief executive of our Company, no person has an interest or short position in the Shares and underlying Shares which would fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or is, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group;

(c) none of our Directors nor any of the persons listed in "– E. Other Information – 7. Qualification of experts" in this section is interested in the promotion of, or in any assets which have been, within the two years immediately preceding the issue of this Document, acquired or disposed of by or leased to any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group;

(d) none of our Directors nor any of the persons listed in "– E. Other Information – 7. Qualification of experts" in this section is materially interested in any contract or arrangement with our Group subsisting at the date of this Document which is unusual in its nature or conditions or which is significant in relation to the business of our Group as a whole;

(e) save in connection with **[REDACTED]**, none of the persons listed in "– E. Other Information – 7. Qualification of experts" in this section has any shareholding in any member of our Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group;

(f) none of our Directors has entered or has proposed to enter into any service agreements with our Company or any member of our Group (other than contracts expiring or determinable by the employer within one year without payment of compensation other than statutory compensation); and

(g) none of our Directors or their respective associates (as defined under the Listing Rules), or Shareholders who are interested in more than 5% of the issued share capital of our Company has any interest in our Company's five largest customers and five largest suppliers.

D. EMPLOYEE INCENTIVE SCHEMES

The Company adopted the 2022 Employee Incentive Scheme and the 2023 Employee Incentive Scheme. Under the Employee Incentive Schemes, eligible participants were granted direct interests in our Company or partnership interests in our employee shareholding platform, Hangzhou Maosifa. As at the Latest Practicable Date, Hangzhou Maosifa held in aggregate 2,095,556 underlying Shares, representing approximately 7.59% of the Shares of our Company.

The following is a summary of the principal terms of the Employee Incentive Schemes. The terms of the Employee Incentive Schemes are not subject to the provisions of Chapter 17 of the Listing Rules. All awards under the Employee Incentive Schemes have been fully granted, and no Shares will be issued pursuant to the Employee Incentive Schemes after **[REDACTED]**.

2022 Employee Incentive Scheme

The main purpose is to establish an incentive mechanism and promote the continued growth of the performance of our Company. The participants include senior management and core personnel who had served our Company for a minimum period of five years. The participants subscribed for partnership interests in Hangzhou Maosifa, and thereby indirectly held the Shares of our Company through their capacity as partners of Hangzhou Maosifa.

2023 Employee Incentive Scheme

The main purpose is to improve corporate governance, retain outstanding talents and motivate key personnel of our Company. The participants include key business personnel who had made significant contributions to our Company's business development, and had been employed for more than two years. The transfer or sale by the participants shall be subject to a lock-up period from the date the participants were granted the awards to at least one year after our Company completes the **[REDACTED]**.

Under the 2023 Employee Incentive Scheme, two participants were granted awards that allow them to hold the Shares of our Company directly as Shareholders. Other participants acquired partnership interests in Hangzhou Maosifa, and as partners of Hangzhou Maosifa, indirectly held shares in our Company.

E. OTHER INFORMATION

1. Estate duty

Our Directors have been advised that no material liability for estate duty is likely to fall on our Company or any of our subsidiaries.

2. Litigation

As at the Latest Practicable Date, save as disclosed in this Document, our Company is not involved in any material litigation, arbitration or administrative proceedings. So far as we are aware, no such litigation, arbitration or administrative proceedings are pending or threatened.

3. Sole Sponsor

The Sole Sponsor has made an application on our behalf to the **[REDACTED]** of the Stock Exchange for **[REDACTED]** of, and permission to deal in, our H Shares, including any **[REDACTED]** which may be issued pursuant to the exercise of the **[REDACTED]**. All necessary arrangements have been made enabling the H Shares to be admitted into **[REDACTED]**.

The Sole Sponsor satisfies the independence criteria as set out in Rule 3A.07 of the Listing Rules.

The total amount of fees paid and payable to the Sole Sponsor is HK$4 million, in respect of its services as the sponsor for the proposed **[REDACTED]**.

4. Preliminary expenses

Our Company has not incurred any material preliminary expense.

5. Promoter

The promoters of the Company are Maoyuanchang Holdings, Ms. Peng, Hangzhou Maosifa, Mr. Ke Jinliang, Ms. Yang Hong, and Ms. Liu Lifei.

6. Taxation of holders of Shares

(a) Hong Kong

The sale, purchase and transfer of H Shares registered with our Hong Kong SAR branch register of members will be subject to Hong Kong SAR stamp duty. The current rate charged on each of the purchaser and seller is 0.1% of the consideration of or, if higher, of the fair value of the H Shares being sold or transferred. For further details in relation to taxation, see "Taxation and Foreign Exchange" in Appendix III to this Document.

(b) Consultation with professional advisors

Intending holders of the Shares are recommended to consult their professional advisors if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding or disposing of or dealing in the Shares. It is emphasised that none of our Company, our Directors or the other parties involved in the **[REDACTED]** will accept responsibility for any tax effect on, or liabilities of, holders of Shares resulting from their subscription for, purchase, holding or disposal of or dealing in the Shares or exercise of any rights attaching to them.

7. Qualification of experts

The following are the qualifications of the experts who have given opinion or advice which are contained in this Document:

Name	Qualifications
Quam Capital Limited	A licenced corporation to conduct Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities (as defined under the SFO)
KPMG	Certified public accountants Public Interest Entity Auditor registered in accordance with the Accounting and Financial Reporting Council Ordinance
Beijing Dacheng Law Offices, LLP (Shanghai)	PRC Legal Advisor to our Company
Euromonitor International Limited	Industry consultant

8. Consent of experts

Each of the experts see "– E. Other Information – 7. Qualification of Experts" in this Appendix has given and has not withdrawn their respective written consents to the issue of this Document with the inclusion of their reports and/or letters and/or legal opinion (as the case may be) and references to their names included in the form and context in which it respectively appears.

None of the experts named above has any shareholding interests in our Company or any of our subsidiaries or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in our Company or any of our subsidiaries.

9. Bilingual Document

The English language and Chinese language versions of this Document are being published separately in reliance on the exemption provided in section 4 of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

This Document is written in the English language and contains a Chinese translation for information purpose only. Should there be any discrepancy between the English language of this Document and the Chinese translation, the English language version of this Document shall prevail.

10. Binding effect

This Document shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance so far as applicable.

11. Miscellaneous

Save as disclosed in this Document:

(a) within the two years preceding the date of this Document, we have not issued nor agreed to issue any share or loan capital fully or partly paid either for cash or for a consideration other than cash;

(b) no share or loan capital of our Company, if any, is under option or is agreed conditionally or unconditionally to be put under option;

(c) we have not issued nor agreed to issue any founder shares, management shares or deferred shares;

(d) we have no outstanding convertible debt securities or debentures;

(e) within the two years immediately preceding the date of this Document, no commission, discount, brokerage or other special term has been granted in connection with the issue or sale of any capital of our Company;

(f) there is no arrangements under which future dividends are waived or agreed to be waived;

(g) there has been no interruptions in our business which may have or have had a significant effect on the financial position in the last 12 months; and

(h) our Directors confirm that, save for the expenses in connection with the **[REDACTED]**, up to the date of this Document, there has been no material adverse change in the financial or trading position or prospects of our Group since 31 December 2025 (being the date on which the latest audited consolidated financial statements of our Group were made up), and there had been no events since 31 December 2025 which would materially affect the information shown in our consolidated financial statements included in the Accountant's Report.

APPENDIX VII DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES AND AVAILABLE ON DISPLAY

A. DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

The documents attached to a copy of this Document delivered to the Registrar of Companies in Hong Kong SAR for registration were, among other documents:

(a) the written consents referred to "Statutory and General Information – E. Other Information – 8. Consent of Experts" in Appendix VI to this Document; and

(b) a copy of each of the material contracts referred to "Statutory and General Information – B. Further Information about Our Business – 1. Summary of Material Contracts" in Appendix VI to this Document.

B. DOCUMENTS AVAILABLE ON DISPLAY

Copies of the following documents will be published on the Stock Exchange's website at **www.hkexnews.hk** and our Company's website at **http://www.zjmyc.cn/** to and including the date which is 14 days from the date of this Document:

(a) the Articles of Association;

(b) the Accountants' Report and the report on the unaudited **[REDACTED]** financial information of our Group from KPMG, the texts of which are set out in Appendices I and II to this Document, respectively;

(c) the audited consolidated financial statements of our Group for each of the three years ended 31 December 2023, 2024 and 2025;

(d) the material contracts referred to in "Statutory and General Information – B. Further Information about Our Business – 1. Summary of Material Contracts" in Appendix VI to this Document;

(e) the service contracts referred to "Statutory and General Information – C. Further Information about Our Directors and Substantial Shareholders – 2. Particulars of Service Contracts" in Appendix VI to this Document;

(f) the written consents referred to "Statutory and General Information – E. Other Information – 8. Consents of Experts" in Appendix VI to this Document;

(g) the industry report prepared by Euromonitor International Limited, our industry consultant;

(h) the legal opinion issued by Beijing Dacheng Law Offices, LLP (Shanghai), our legal advisor as to PRC laws, in respect of certain aspects of our Group and our property interests in mainland China; and

(i) the PRC Company Law, the PRC Securities Law and the Overseas Listing Trial Measures together with their unofficial English translations.