*You should carefully consider all of the information in this document, including the risks and uncertainties described below, before making an **[REDACTED]** in our H Shares. The following is a description of what we consider to be our material risks. Any of the following risks could have a material adverse effect on our business, financial condition and results of operations. In any such case, the trading price of our H Shares could decline, and you may lose all or part of your **[REDACTED]**.*

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

We believe there are certain risks and uncertainties involved in our operations and the industry, some of which are beyond our control. Additional risks and uncertainties that are presently not known to us or not expressed or implied below or that we currently deem immaterial could also harm our business, financial conditions and results of operations. You should consider our business and prospects in light of the challenges we face, including those discussed in this section.

RISKS RELATING TO OUR BUSINESS AND INDUSTRY

If we are unable to maintain our competitiveness in the highly competitive fashion consumer goods industry, our sales, profits and future growth could be materially and adversely affected.

We face intense competition in the fashion consumer goods industry, which includes jewellery and handbags, at an international, regional and national level. According to Frost & Sullivan, there are more than 700,000 jewellery companies in the overall jewellery market in the PRC and the top five player represented a market share of 31.8% in 2024. The industry is characterised by the presence of well-established brands recognised for offering trendy designs and high-quality products with distinctive brand identities. Key competitive factors include brand image, product quality, sales network, effectiveness of marketing and customer service quality. Our competitors may possess stronger brand recognition, greater financial and technical resources, or more established relationships with customers in certain markets.

There can be no assurance that we will be able to compete successfully against current and future competitors, or cope with the challenges posed by the competitive landscape. Failure to maintain or enhance our competitive position could have a material adverse effect on our business, operations financial condition and future growth.

If we are unable to respond effectively to changes in market trends and customer preferences, our market share and result of operations could be materially and adversely affected.

The success of our business depends on our ability to identify, anticipate and respond effectively to changes in market trends and customer preferences. This requires us to continuously innovate and create fashion consumer goods which align with the evolving tastes and demands of our target customers. During the Track Record Period, we offer jewellery products under our jewellery brands, namely, 潮宏基 CHJ Jewellery, CHJ|Soufflé, 臻 ZHEN, Cëvol, and handbags under FION. However, customer preferences can shift rapidly due to factors such as changing economic conditions, evolving fashion trends, or the influence of social media and cultural shifts. In particular, our comprehensive and distinctive product portfolio targets mid-to-high-end segments with evolving preference for trendy designs. Given how rapidly their fashion preferences change, brands that fail to keep up with shifting trends may face challenges such as excess inventory and outdated designs. If we are unable to predict and respond to the market changes and the changing customer preferences, or if we fail to design, manufacture and launch new products quickly to meet emerging demands, our business, financial performance and prospects would be materially and adversely affected.

We may be subject to the risk of litigation, claims and disputes, which may cause us to incur significant costs and reputational damage.

We cannot assure that any aspects of our operations or our business, as well as our franchisees do not or will not infringe upon or otherwise violate patents, copyrights or other intellectual property rights held by third parties. During the Track Record Period, we had two infringement-related litigation claims for which we had made provisions in FY2024 and FY2025 of RMB3.0 million. In 2024, we were sued by Bulgari S.P.A. and Richemont International SA for infringement claim of RMB5.0 million and RMB5.5 million, respectively. In addition to damages, the plaintiff of both litigations also sought a public declaration order on the Group to clarify the matter as one of remedies, while we are in the course of appeal, we may be ordered to make such declaration by the court at the end and therefore suffer reputational damage which may in turn adversely affect our prospect, business, financial condition and results of operations. For details of the aforementioned cases, please see "Business — Legal Proceedings and Compliance — Legal proceedings" and Note 31 and Note 29 in the Accountants' Report included in Appendix I to this document.

We may face other intellectual property infringement claims from competitors or other third parties who assert that our products, services or other aspects of our business infringed with their rights. If such claims are successful, we could be required to pay significant damages, cease the development, production or sale of the infringing products, or obtain licences to continue using the disputed intellectual property rights. The risk of being subject to intellectual property infringement claims will also increase as we continue to expand our product offerings. Successful infringement or licensing claims against us may result in significant liabilities, which may materially and adversely affect our business, financial conditions and results of operations.

In addition, we may be subject to legal or regulatory liabilities in the future. Substantial liability arising from a lawsuit judgment or a significant regulatory action against us or a disruption in our business arising from adverse adjudications in proceedings against our Directors, officers or employees could have a material adverse effect on our business, financial condition and results of operations.

Even if we successfully defend against such litigations, regulatory action or investigation, such proceedings could result in us incurring additional costs and significantly harm our reputation, which could materially affect our business, financial condition and results of operations.

We rely on the brand influence of 潮宏基 CHJ Jewellery and other brands in our brand portfolio. If we are unable to maintain our brand influence, it could have an material and adverse effect on our sales, profits and future growth.

"潮宏基 CHJ Jewellery" is our core brand, representing the cornerstone of our jewellery business. Our sales of jewellery heavily rely on our brand identity. There is no guarantee that other jewellery providers will not offer products with designs or styles that resemble our products which are beyond our control and may deteriorate our image and reputation among customers. If our brand or image deteriorate, we may not be able to sustain current sales volumes and retain our customer base, which may materially and adversely affect our business, operations, financial condition and future growth.

The strength of our brand and reputation is critical to maintaining customer trust, employee loyalty and investor confidence. Any negative publicity concerning our Company, affiliates, subsidiaries, management, or brand, even if untrue, could significantly harm our reputation and business prospects. Damage to our reputation could lead to a loss of customer trust, making potential or existing customers reluctant to engage with our brand. Negative publicity could also adversely affect our ability to recruit and retain skilled employees. In addition, any damage to our reputation could negatively impact investor confidence in our Company, potentially leading to a decline in the trading price of our H Shares.

Fluctuations in prices or availability of the raw materials we use may materially and adversely affect our business, results of operations and financial conditions.

Our business is susceptible to fluctuations in the prices and availability of raw materials, particularly gold, which represents the largest component of our raw material cost. During the Track Record Period, our purchase of gold accounted for 96.6%, 98.3% and 95.5% of our total purchase of raw materials for our jewellery segment, respectively. Significant changes in the price of gold could have a material adverse effect on our business, results of operations and financial condition.

Gold prices are influenced by a variety of factors, including investment and jewellery demand, government and institutional trading activities, stability of supply in major gold-producing nations, speculative trading, inflation expectations, interest rates, and geopolitical events. In addition, as gold prices are predominantly denominated in US dollars, they are inherently subject to volatility stemming from exchange rate movements. At the same time, gold price is one of the key factors that affect demand for jewellery as gold is perceived not only as a consumption product but also as an investment asset. In addition, the vast majority of our materials consisted of gold and some of our finished goods are made of gold. From 2020 to 2024, the average annual spot price for Au9999 gold in the PRC demonstrated consistent growth, surging from RMB387.4/g in 2020 to RMB557.2/g in 2024. However, future trend of gold price is unpredictable. Increase in gold price may positively affect demand of jewellery due to its perceived investment value while prolonged increasing trend of gold price may reduce demand as consumers withhold consumption in anticipation of potential fall of gold price. On the other hand, if gold prices decrease in the future, consumers may perceive gold jewellery less valuable and attractive, leading to a decrease in demand for our products and affecting our sales. In addition, our inventories are stated at the lower of cost and net realizable value; and therefore value of our inventories would be influenced by changes in the price of gold and the quantity of gold inventories we held. A decrease in gold prices may also result in a decrease in the carrying value of our inventories, negatively affecting our financial performance. Accordingly, any fluctuation in prices or availability of gold or raw materials may materially and adversely affect our business, financial condition and results of operations. For a sensitivity analysis on how gold price may affect our financial performance, please see "Financial Information — Key Factors Affecting Our Results of Operations".

If we cannot maintain or further develop our collaborations with our franchisees, or if we cannot manage our franchise network effectively, we may face the risk of channel stuffing and other risks that may adversely affect our business, financial conditions and results of operations.

As at 31 December 2023, 2024 and 2025, we had 1,125, 1,272 and 1,486 franchise stores in total for our jewellery business and 196, 155 and 109 franchise stores in total for our handbags business, respectively, across over 200 cities in China and in Southeast Asia. Our results of operations are subject to the performance of our franchise stores, and our success in part depends on our ability to maintain and strengthen our relationships with existing franchisees and continue to build new relationships with additional franchisees.

Our franchise agreements generally have a term of one to three years, which may be renewed upon mutual agreement. There is no assurance that our franchisees will renew their franchise agreements upon expiry nor we will be able to continue to expand our franchise network which could have a material adverse effect on our business, financial condition, and results of operations.

Moreover, there is no assurance that our franchisees will fully comply with our requirements and they may take actions that could have a material adverse effect on our business, prospects, and reputation. These actions include but are not limited to (i) breaching the franchise agreements by selling products below recommended retail prices, (ii) selling through unauthorised channels, (iii) failing to adequately promote our products or provide proper staff training, and (iv) violating applicable laws and regulations, such as those related to anti-money laundering, anti-bribery or competition.

We cannot guarantee that our franchisees will always comply with our pricing policies or refrain from offering aggressive discounts, which could affect our brand image. In addition, franchisees may make decisions or take actions that are not in our best interests, engage in misconduct, or violate laws and regulations. Such actions could harm our reputation, divert management resources to address negative publicity, or expose us to potential claims and litigation.

Franchisees may overstock leading to a false perceived market demand for different reasons, whether inadvertently or intentionally, such as inaccurate prediction of market trend and we may not be able to detect such in a timely manner or at all. Such may distort our understanding of market dynamics and lead to an oversupply of goods, increased operating costs and excessive inventory in our sales network. The resulting discrepancy between actual consumer demand and perceived sales trends may impair our ability to make informed business decisions. There can be no assurance that these measures will be effective in preventing all instances of poor inventory management or channel stuffing among our franchisees, the occurrence of any of which could have a material adverse effect on our business, financial performance and results of operations.

Any quality issue of our products could result in a loss of customers and sales.

The success of our business depends on our ability to consistently deliver products with high quality. Maintaining consistent product quality relies on a variety of factors, including the quality design and craftsmanship, the procurement and use of high-quality raw materials, and the effectiveness of our quality control systems. The effectiveness of these systems, in turn, depends on design of the quality control system and our ability to ensure that our employees adhere to our quality control policies and guidelines. There can be no assurance that our quality control standards and measures will prove effective at all times or that we will be able to identify and address any defects in a timely manner. For further details, please see "Business — Production — Quality Control and Assurance".

If the quality of our products deteriorates, or if consumers perceive our products as failing to meet their expectations, we may face product returns, customer complaints or reputational damage. Such issues could lead to a loss of customer trust, decline in sales and diminished market share. Addressing quality-related issues can be costly and time-consuming, requiring significant resources to investigate the root cause, implement corrective measures, and rebuild customer confidence. Failure to maintain consistent product quality or to respond effectively to quality issues could have a material adverse effect on our business, financial condition and results of operations.

If we or our franchisees are not able to maintain or renew the lease agreements or concession agreements of our stores, or not being able to find suitable locations for new self-operated stores and franchise stores on commercially acceptable terms, our business and operations may be negatively affected.

As at 31 December 2025, we had 1,670 jewellery stores and 195 FION stores. To establish our stores, we may enter into leases or concession arrangements. Our business therefore relies on maintaining or renewing leases and concession agreements with shopping malls for the operation of our stores. It is critical to our operations that these lease and concession agreements are renewed on terms acceptable to us. The term of our lease agreements typically range from one to five years, renewable upon mutual agreement, whereas our concession agreements typically have a term of one year and are not automatically renewed upon termination. If we are unable to renegotiate or renew these lease and concession agreements on favourable terms, or if they are terminated prematurely due to disputes with landlords or other reasons, we may need to relocate the affected stores to alternative premises. Relocating a store can cause business disruptions and require significant expenditure. There is no assurance that we will be able to find suitable alternative premises on commercially acceptable terms in a timely manner, or at all. In such cases, we may be forced to close the store, which could negatively impact our business and results of operations. There is also no assurance that the premises or locations of our stores will remain attractive throughout the lease period. If a location becomes less desirable, the sales and profitability of the store may decline, and we may incur additional costs related to terminating the lease, vacating the property and relocating the store.

Moreover, the supply of prime retail locations is limited, and competition for these spaces is intense. As a result, there is no assurance that we will be able to identify and lease or acquire suitable locations for our stores.

If our sales and marketing efforts are unable to implement effective marketing or sales campaigns, our business, financial conditions and results of operations could be adversely affected.

Effective sales and marketing initiatives are critical to increasing the market share of our existing products, enhancing brand awareness, and successfully introducing new products. Our marketing approach combines traditional media dominance with innovative retail experiences to strengthen brand positioning. For online marketing, we have implemented a comprehensive online broadcasting and social media strategy, leveraging KOLs and KOCs to recommend and promote our products. However, there is no assurance that our sales and marketing efforts will remain effective or achieve the desired results. This could result in reduced customer engagement, loss of sales and a decline in market share. If the results of our sales and marketing activities fail to meet our expectations, or if we fail to conduct our sales and marketing activities as planned, our business, financial condition, results of operations and prospects may be materially and adversely affected.

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

We have built a design system and framework that ensures the consistent creation of original and distinctive products, reinforcing our brand's unique identity in the market. In addition to our in-house design team, we also collaborate with external designers for our product development.

If our product development efforts fail to keep pace with evolving customer preferences or market trends, the demand for our products may decline which will negatively impact our sales and market shares. In addition, our competitors may possess product development capabilities that surpass ours in terms of cost efficiency, time or product quality which could diminish our competitive edge. Should any of these risks materialise, our business, financial condition and results of operations could be materially and adversely affected.

We may not be able to effectively manage any potential competition among our self-operated stores and franchise stores.

During the Track Record Period, our products were sold through a omni-channel sales network including self-operated stores and franchise stores. While this diversified sales network allows us to reach a broad customer base and expand rapidly in targeted markets, it also presents challenges in managing overlap and potential competition among our various channels. Our franchise stores may still engage in activities such as cross-region sales which violate their contractual obligations. If we are unable to effectively manage the potential competition among our sales channels, the expansion of our sales network may not result in a proportionate increase in sales revenue.

In addition, ineffective management of competition among our sales channels could lead to internal cannibalization, where sales from one sales channel erode the market share of another. This may destabilise our sales network, leading to reduced operational efficiency and potential conflicts within our sales ecosystem.

Our business is subject to legal, regulatory, political, economic, commercial and other risks associated with conducting operations in different jurisdictions

During the Track Record Period, we generated more than 90% of our revenue from our operation in the PRC. As the Latest Practicable Date, we had a total of 12 jewellery stores in Malaysia, Cambodia, Thailand and Singapore; and it is our plan to expand into the overseas market. Accordingly, we have faced and continue to face risks, including legal, regulatory, political, economic, commercial and other risks associated with conducting operations in various jurisdictions, any of which could negatively affect our financial performance. These risks include the following:

- legal, regulatory, political, economic and commercial instability and uncertainty;
- changes in foreign tax rules, regulations and other requirements, such as changes in tax rates and statutory and judicial interpretations of tax laws;
- changes in international trade policies and regulations including those in relation to economic sanctions, export controls, and import restrictions, as well as trade barriers such as imposition of tariffs cash repatriation restrictions;
- difficulty in coping with possible conflict of laws resulting from sanctions and import/export controls measures of different jurisdictions where we operate;
- changes in foreign country regulatory requirements, including data privacy laws;
- complexities relating to compliance with various laws, including foreign anti-bribery, anti-corruption and anti-money laundering regulations and antitrust laws;
- difficulty in obtaining or enforcing intellectual property rights;
- changes in geopolitical situations especially those in jurisdictions where we do business;
- foreign currency exchange rate fluctuations;
- increased costs associated with maintaining the ability to understand local markets and follow their trends, as well as develop and maintain an effective market presence.

If our external manufacturers fail to deliver products that meet our quality standards to us on time, our brand image and business may be negatively affected.

During the Track Record Period, we engage external manufacturers to carry out certain production processes. For FY2023, FY2024 and FY2025, our subcontracting cost accounted for 5.7%, 4.5% and 3.4% of our total cost of sales, and amounted to RMB250.8 million, RMB223.6 million and RMB247.8 million, respectively. For further details, please see "Business — Production — Outsourced Production" in this document. We also purchase certain finished goods from our suppliers from time to time.

We cannot assure that we will be able to maintain stable relationships with these external manufacturers. If any of our external manufacturers terminate their business relationships with us, we may be unable to find qualified external manufacturers on a timely basis or on commercially acceptable terms, which could adversely affect our business, financial condition and results of operations.

As we do not have any direct control over these external manufacturers, we cannot guarantee their quality of products. If there is any delay in delivery, damage to products resulting from poor handling or any other issue, we may lose customers and sales and our brand image may be tarnished. Moreover, delays in delivery due to disruptions on the transportation network, such as transportation shortages, work stoppages or infrastructure congestion, could adversely impact our ability to timely deliver the products we sell to our customers, which could in turn materially and adversely affect our business, financial condition, results of operations and prospects.

Our suppliers play a key role in our business.

Our top five suppliers mainly included Shanghai Gold Exchange and certain jewellery or jewellery material companies, from whom we procured raw materials and finished products during the Track Record Period. The amount we purchased from our top five suppliers for FY2023, FY2024 and FY2025 amounted to RMB3,053.2 million, RMB3,774.2 million and RMB6,030.4 million, respectively, which accounted for approximately 77.9%, 83.0% and 75.8% of our total purchase for the respective year.

There is no assurance that we will be able to continue to source sufficient quantities of high-quality raw materials from our major suppliers on commercially acceptable terms. If any of our major suppliers fails to meet our purchase orders in a timely manner, fails to meet our quality and quantity requirements, or terminates their business relationship with us, we may face challenges in securing comparable alternative suppliers. Such disruptions could result in delays, increased costs, or an inability to obtain the necessary raw materials, which could materially and adversely affect our business, financial condition and results of operations.

Any deterioration in our relationship with online platforms could have an adverse effect on our sales and profitability.

We are committed to delivering an integrated omni-channel shopping experience to our customers. As at 31 December 2025, our jewellery and handbags are available on 18 leading online platforms. In FY2023, FY2024 and FY2025, revenue generated from online sales channels for our jewellery and handbags segments, in aggregate, amounted to RMB1,191.9 million, RMB1,059.0 million and RMB1,059.7 million, which accounted for 20.5%, 16.4% and 11.5% of our total revenue, respectively. We cannot assure that we will be able to sustain our relationships with these key online platforms or that they will continue to cooperate with us at levels consistent with historical performance, or at all. These online platforms are not obligated to maintain their business relationships with us, and any termination or reduction in cooperation could significantly impact our online sales. If any of these online platforms were to terminate their relationship with us entirely, we may not be able to secure alternative platforms to compensate for the resulting loss of sales or business.

Furthermore, any deterioration in our relationship with these online platforms, or a perceived decline in the quality of service or reputation of these online platforms, could lead to a decrease in our online sales. Such developments could have a material adverse effect on our business, financial condition, results of operations and growth prospects.

Our business depends on our intellectual property, particularly our trade names, trademarks, product designs and trade secrets, which we may not be able to protect against infringement and unauthorised use in counterfeit products.

Our intellectual property including our trade names, including "潮宏基 CHJ Jewellery", "臻 ZHEN, CHJ|Soufflé , Cëvol and "FION", trademarks, product designs and trade secrets are critical to our success and competitive advantage. We have implemented policies to register and protect our intellectual property rights in the jurisdictions where we operate, to the extent permitted by local laws. As at the Latest Practicable Date, we had registered 48 trademarks, 35 patents and 19 domain names in China and overseas which we considered material. However, we cannot assure that we will be able to successfully renew these trademarks upon their expiration. If we are unable to renew or protect our trademarks, we may be prohibited from using them in our business or manufacturing and selling products under these trademarks, which could have a material adverse effect on our business, financial condition and results of operations.

We cannot assure that the measures we have taken to protect our intellectual property rights are or will be sufficient to prevent future infringement. Unauthorised use of our intellectual property rights could harm our brand image, market reputation and customer trust, which could adversely affect our financial performance. In addition, defending our intellectual property rights may result in significant legal costs and divert the management's attention from core business operations, further impacting our results of operations.

Furthermore, the key craftsmanship for our jewellery products such as the use of filigree inlay art, is rooted in ancient Chinese gold-making traditions and has been passed down through generations. While much of this craftsmanship is in the public domain, we protect the associated know-how as trade secrets. However, there is no assurance that such protections are adequate. If third parties copy our know-how, the competitiveness of our products and our reputation could be adversely affected, which could harm our business and results of operations. In addition, proving that a third party has copied our know-how may be difficult and costly, even if we are successful in doing so.

Failure to secure certain intellectual property rights in time may materially and adversely affect our business, financial condition and results of operation.

We are applying for, and may in the future apply for, certain trademarks, patents, or other intellectual property rights. The application process for these intellectual property rights can be time-consuming, and during this period, our use of such intellectual property rights may lack legal protection. If we fail to secure these intellectual property rights in a timely manner, we could not enforce our rights against their unauthorised use or maintain the exclusivity of our brand. This could result in a loss of customers, damage to our reputation and ultimately have a material adverse effect on our financial condition and results of operations. In addition, unauthorised use of our intellectual property rights by third parties during the application process, or the costs associated with defending our intellectual property rights, could further adversely impact our financial condition and business.

We may experience disruptions or delays in our production.

Incidents including significant manpower shortages, unscheduled downtime at our production bases, equipment breakdowns, power failures, planned power outages, adverse weather conditions, fires, explosions, or other natural disasters could disrupt our operations, delay our delivery schedules, and adversely affect our ability to meet customer demand.

While we have implemented policies to mitigate the risks of such incidents, there can be no assurance that we will be able to completely eliminate the risk of future disruptions. If our ability to operate at any of our facilities is compromised, it could take a significant amount of time and resources to restore or replace our manufacturing capabilities. In the event that alternative facilities cannot be secured promptly, our production capacity would be temporarily reduced and our ability to supply products to our customers will be impaired, which could harm our reputation and lead to loss of sales.

Our sales may be affected by seasonality.

Due to the nature of our jewellery products, which are tied to celebratory and gifting cycles, generally, we record higher sales in certain festivals that celebrates love and affection such as Valentine's Day, Chinese Valentine's day and Christmas. Also our business is subject to seasonal demand patterns, with sales peaking during major cultural celebrations (e.g. Lunar New year) and major online shopping events, particularly the Double 11 (11 November) and Double 12 (12 December) shopping festivals. Long holiday (e.g. National Day Holiday and Labour Day Holiday) may also positively affect our sales. During the Track Record Period, we recorded lower monthly sales of the year in April due to the absence of major festivities in April.

These seasonal factors can lead to significant variations in our sales and operating results from period to period. Comparisons of sales and financial performance between different periods within a single financial year may not be meaningful and should not be relied upon as indicators of our overall performance. Furthermore, these fluctuations in consumer demand may cause our operating results and financial condition to vary significantly from quarter to quarter, potentially impacting our ability to maintain consistent profitability and cash flow.

The nature of jewellery business exposes us to inventory security and transportation risks.

The high value of our jewellery products and raw materials such as gold, platinum and diamond exposes us to inventory security and transportation risks, including theft and robbery by external parties or, in some cases, internal employees. While we have implemented various security measures and bought insurance policies to safeguard our inventory at production bases and retail stores, we cannot assure that these measures will be fully effective. Any incidents of theft or robbery could result in inventory losses, financial losses and harm to our brand, which could have a material adverse effect on our results of operation.

Any negative news concerning the personnel whom we engage to market our products could materially and adversely affect our sales and reputation.

Our reputation is highly sensitive to public perception, which is shaped not only by the quality and competitiveness of our products, but also by the culture, values, and ethics we embody as a brand. We engage personnel, including influential KOLs, to market our products and represent our brand. While we strive to engage personnel who align with our core brand values, we cannot guarantee that their actions will always reflect these values. Furthermore, there is no assurance that these individuals will not, intentionally or unintentionally, disseminate information or engage in actions that could create a negative perception of our brand among the public.

Negative publicity or allegations concerning our personnel or products, even if unrelated to our products and regardless of their accuracy, could harm our reputation and lead to a loss of consumer confidence and decline in sales. Such incidents could also make it more difficult to retain or recruit talented individuals who are essential to our business operations.

Some of our leased properties have title defects, have no property ownership certificate or the lessor of which is unable to produce property ownership certificate, or yet to complete registration and filing procedures.

As of the Latest Practicable Date, some of our leased properties used for business operation did not have property ownership certificate, or the lessors of which were unable to provide us with property ownership certificates. For further details, please see "Business — Properties — Leased properties". Any dispute or claim in relation to these properties, including the lessors' alleged unauthorized lease of these properties, could force us to relocate these properties. If any of our leases is terminated or becomes unenforceable as a result of challenges from third parties, we would need to seek alternative properties and incur relocation costs. Any relocation could lead to disruptions to our operations and adversely affect our business, financial performance and results of operations.

As at 31 December 2025, we had entered into 105 leases as the lessee mainly for our self-operated stores and warehouses in the PRC, among which 93 leases had not been registered with the relevant PRC government authorities as required by PRC law. For further details, please see "Business — Properties — Leased properties". As advised by our PRC Legal Advisers, the absence of registrations will not affect the validity of the lease agreements. However, the relevant PRC authorities may impose a fine ranging from RMB1,000 to RMB10,000 for each unregistered lease agreement if the relevant PRC authorities require us to rectify and we fail to do so within the prescribed time period.

We may be adversely affected by increase in labour costs, shortage of skilled labour or deterioration in labour relations.

Since our products feature traditional handmade gold and handbag craftsmanship, our production capacity is dependent on skilled craftsmen. As at 31 December 2025, we had 563 craftsmen. According to Frost & Sullivan, the average monthly wage of jewellery craftsmen had increased from RMB5,000 to RMB7,000 from 2020 and 2024. We cannot assure that we will not experience labour shortages in the future. If we are unable to retain sufficient skilled craftsmen or fail to find replacements for relevant positions with comparable experience at similar wage levels, we may face increased operational costs due to higher salaries, training expenses for new employees, and potential declines in product quality. Such challenges could adversely affect our business, financial condition and results of operations. In addition, increase in our staff costs could increase our production expenses, and we may not be able to pass these additional costs on to our customers, which could negatively impact our profitability.

Furthermore, we strive to maintain favourable labour relations with our employees, as we believe our long-term growth depends on their expertise, experience, and development. For further details, please see "Business — Employees". However, there can be no assurance that we will not face labour disputes in the future. Any deterioration in labour relations could lead to disputes, strikes, legal proceedings or reputational damage. Labour shortages or disruptions caused by such issues could hinder our business operations and result in the loss of valuable experience, know-how and trade secrets.

We depend on the continued service of our key personnel, and our business, financial conditions and results of operations will suffer greatly if we lose their services.

Our success depends significantly on the expertise, experience and contributions of key personnel, including members of our senior management team, R&D team, sales and marketing team and production team. These individuals possess valuable knowledge of our products, industry and operations, and have played a critical role in driving our growth, product development and supply chain management. For instance, on average, our executive Directors and our senior management team had been with us for at least 17 years.

If we were to lose the services of any of these key individuals, or if they become unable or unwilling to fulfil their roles, we may face challenges in replacing them with personnel of comparable experience and capabilities in the near term, or at all. Any negative market or industry perception resulting from the departure of such key personnel could also harm our reputation and business prospects.

We cannot guarantee that our growth strategies will be successfully implemented or bring about the outcomes as we expected.

We continue to execute a number of strategies to expand our business. For further details, please see "Business — Our Strategies" and "Future Plans and **[REDACTED]**". However, expanding our business involves risks and challenges. For example, the costs of our future expansion plan may be higher than expected due to increased raw materials costs, or we may not have sufficient experience in executing these new business initiatives effectively. In particular, in relation to our overseas expansion plan, we have limited operating history outside of China. Our overseas operation is subject to different competitive landscapes, regulatory environments, customs, consumer tastes, and discretionary spending patterns. As a result, overseas stores may take longer to ramp up sales and achieve performance than expected, if at all, which could affect overall growth and profitability. We cannot assure you that any of these new business initiatives will achieve our expected market acceptance and generate desired outcome. If we are unable to manage our business strategies or expansion plan or the rising costs associated with such expansion plan effectively, our business, financial conditions and results of operation may be adversely affected.

Our insurance coverage may not cover all losses which could have a material and adverse effect on our business, financial conditions and results of operations.

Different types of insurance policies are maintained to cover our operations, including property insurance covering risks of physical loss or damage to the inventory of our products and fixed assets. For further details, please see "Business — Insurance". However, there can be no assurance that our insurance coverage is sufficient to prevent us from any loss or that we will be able to successfully claim our losses under our current insurance policy on a timely basis, or at all. If we incur any loss that is not covered by our insurance policies, or the compensated amount is significantly less than our actual loss, our business, financial condition and results of operations may be materially and adversely affected. There can also be no assurance that we will be able to renew our existing insurance levels of coverage on commercially acceptable terms, or at all.

Inadequate production capacity could hinder our capability to satisfy customer demand.

We cannot assure you that our current production capacity will be sufficient to meet the overall market demand for our products, particularly if we expand our sales network and experience increased demand. Similarly, there is no guarantee that we will be able to meet the demand for specific products, especially if production at any of our facilities is disrupted during periods of high demand. Under such circumstances, our ability to satisfy customer demand could be hindered, which may have a material adverse effect on our business, financial condition and results of operations. In FY2023, FY2024 and FY2025, the utilisation rate of our jewellery products in the Pujiang Production Base was 113.9%, 110.9% and 140.6%, respectively.

As our business grows, we may need to expand our production capacity through measures such as constructing new production bases or upgrading existing facilities. However, there can be no assurance that we will be able to successfully expand our production capacity or that new production bases will be ready in time to meet demand. Several factors could delay our expansion plans or increase costs, including funding constraints to establish new production bases, regulatory requirements in obtaining environmental and regulatory approvals, permits or licences, site acquisition challenges and construction delays.

Failure to expand our production capacity in a timely manner could limit our ability to meet customer demand and hinder our growth prospects. Conversely, if market demand declines in the future, we may not be able to recoup the costs incurred for constructing new production bases or maintaining expanded production capacity.

Our business relies on the proper operation of our integrated digitalised management system, any malfunction of which could materially and adversely affect our business, financial conditions and results of operations.

Our business relies heavily on the proper functioning of our integrated digitalised management system, including the SAP-ERP system, and this reliance is expected to grow as we continue to digitalise our operations. The back-end of our integrated digitalised management system, supported by the SAP-ERP system, streamline and manage our business processes across various departments, including finance, marketing and supply chain. It provides the source of the Company's data and allow different departments to access and share information in real-time. For further details, please see "Business — Research and Development — Integrated digitalised management system".

However, there is no assurance that our integrated digitalised management system will operate without interruption or remain free from temporary abnormalities or obsolescence. Any malfunction, disruption, or failure of our integrated digitalised management system could impair our ability to conduct operations smoothly, leading to delays, inefficiencies, or operational breakdowns. Such disruptions could have a material adverse effect on our business, financial condition, and results of operations.

Furthermore, our integrated digitalised management system are vulnerable to security breaches caused by employee error, malfeasance, system vulnerabilities, or external cyberattacks. As hacking techniques and data theft methods continue to evolve, our antivirus systems and security measures may not always adapt quickly enough to address new threats. We cannot assure that our current security measures are sufficient to prevent unauthorised access, data breaches, or improper usage by third parties.

We may fail to protect our proprietary data and customer information.

Our ability to compile, analyse and utilise sales and customer data is critical to our success. The CHJ Customer Loyalty Programme has built a comprehensive customer database by leveraging our extensive network of stores. This database includes customer information such as personal details, loyalty programme data, and transaction history, which we primarily collect through our online and offline stores. However, concerns about our practices regarding the collection, storage, use or disclosure of personal information, even if unfounded, could damage our reputation and erode customer trust. Such concerns could have a material adverse effect on our business, financial condition, results of operations, and growth prospects.

Any actual or alleged leakage or unauthorised use of customer data could lead to a decline in online traffic, reduced sales, and reputational harm. We cannot assure that security policies and measures to protect proprietary data and customer information will be sufficient to prevent breaches. Advances in technology, the increasing sophistication of hackers, or new discoveries in cryptography could compromise the systems we use to safeguard confidential information. In addition, we have limited control over the security policies and measures adopted by third-party online payment service providers and logistics partners, who may fail to uphold their confidentiality obligations or disclose customer information improperly.

Moreover, the regulatory landscape governing data privacy and the use of personal data is constantly evolving. Changes in these regulations could restrict our ability to collect, use or store customer data, or discourage customers from using our online sales channels. Such developments could have a material adverse effect on our business, financial condition, results of operations and prospects.

We do not prohibit our franchisees from being franchisees of other brands.

Our franchise agreement does not prohibit our franchisees from being franchisees of other brands, including those of our industry peers. The fact that our franchisees may have the option to act as franchisees of other brands at the same time may lead to potential conflicts of interest, as franchisees could prioritize or allocate more resources to other brands, especially competitors, over ours. It may reduce franchisees' focus on promoting our brand, which could affect the quality and consistency of our brand's market presence and weaken our competitive standing. These risks may adversely impact our brand reputation, market share, and overall financial performance.

We may be subject to the risk of litigation, claims and disputes, which may cause us to incur significant costs.

There is no guarantee that we will not be subject to legal or regulatory liabilities in the future. Substantial liability arising from a lawsuit judgment or a significant regulatory action against us or a disruption in our business arising from adverse adjudications in proceedings against our Directors, officers or employees could have a material adverse effect on our business, financial condition and results of operations. Moreover, even if we successfully defend against such litigation, regulatory action or investigation, such proceedings could result in us incurring additional costs and significantly harm our reputation, which could materially affect our business, financial condition and results of operations.

We expect to incur additional capital expenditure and increase in depreciation and amortisation expenses associated with the expansion of our international sales network.

We plan to open 20 self-operated jewellery under 潮宏基 CHJ Jewellery stores and three self-operated jewellery stores under 臻 ZHEN overseas by the end of 2028. For further details, please see "Future Plans and **[REDACTED] — [REDACTED]**". This expansion is expected to result in additional capital expenditure and increased depreciation and amortisation expenses related to rental expenses, design and renovation expenses and other costs. These expenses could negatively impact our financial condition and results of operations.

In addition, there is no guarantee that the new stores will achieve profitability in the near term. If the new stores fail to generate expected returns, our business, financial condition and results of operations could be materially and adversely affected.

The discontinuation of any government grants and other favourable policies currently available to us could adversely affect our financial condition, results of operations and prospects.

For FY2023, FY2024 and FY2025, we recognised government grants as our other income amounting to RMB8.0 million, RMB5.8 million and RMB14.3 million, respectively. Our government grants mainly represent incentives awarded by the local government to support our Group's operation. For further details, please see "Financial Information — Description of Selected Items in the Consolidated Statements of Profit or Loss — Other income and gains".

The availability, timing, and criteria for government grants and favourable policies are determined by local government authorities, and we have limited influence over these decisions. These grants and policies may be reduced, modified or discontinued at any time. Our eligibility for such support may depend on various factors, including compliance with government policies and the R&D advancements of peer companies. There is no assurance that the government grants we currently enjoy will continue to be available in the future. Any reduction or discontinuation of these government grants could have a material adverse effect on our business, financial condition and results of operations.

We may not be able to manage the growth of our business and operations and grow at a rate comparable to our growth rate in the past.

We have experienced growth during the Track Record Period. Our revenue increased from RMB5,836.5 million for FY2023 to RMB9,237.9 million for FY2025, representing a CAGR of 25.8%. However, this historical growth trend does not guarantee future performance, and we cannot assure that we will be able to sustain a comparable growth rate going forward.

The sustainability of our growth depends on various factors, many of which are beyond our control. These include our ability to retain existing customers, attract new customers and effectively manage the expansion of our sales network. In addition, changes in economic conditions, industry trends, competitive dynamics and other external factors could have a material adverse effect on our business. If we are unable to manage our growth effectively or adapt to changing market conditions, our business and growth prospects could be materially and adversely affected.

We are subject to risks relating to Third-party Payment Arrangement such as claims from third parties for return of funds and money laundering risks.

During the Track Record Period, certain of our franchisees (individually or collectively, the "**Relevant Franchisee(s)**") settled their payments with us through accounts of third-party payors designated by these Relevant Franchisees (such arrangements, the "**Third-Party Payment Arrangements**"). In FY2023, FY2024 and FY2025, 57, 74 and 67 Relevant Franchisees used the Third-Party Payment Arrangements, respectively, and the aggregate amount of payment from their designated third-party payors to us amounted to RMB38.6 million, RMB59.3 million and RMB72.9 million, respectively, representing approximately 0.7%, 0.9% and 0.8% of our total revenue in FY2023, FY2024 and FY2025, respectively.

We were subject to various risks relating to such Third-party Payment Arrangement during the Track Record Period, such as possible claims from Third-party Payors for return of funds as they were not contractually indebted to us and possible claims from liquidators of Third-party Payors; and potential money laundering risks as we have limited knowledge about the source and purpose of the funds utilised by the Third-party Payors. In the event of any claims from Third-party Payors or their liquidators, or legal proceedings (whether civil or criminal) instituted or brought against us to demand return of the relevant payment or for violation or non-compliance of laws and regulations, we will have to allocate financial and managerial resources to defend against such claims and legal proceedings, and we may be forced to comply with the court ruling and return the payment for the franchise fee and products that we sold, which may have an adverse effect on our business, financial conditions and results of operation.

RISKS RELATING TO OUR FINANCIAL POSITION

Our new self-operated stores or franchise stores may not achieve our expected level of profitability within our desired time frame, or at all.

As at 31 December 2025, for our jewellery business, we had 184 self-operated stores and 1,486 franchise stores in China and overseas. As at 31 December 2025, for our handbags business, we had 195 stores in China and overseas.

As part of our growth strategy, we plan to establish more self-operated stores and franchise stores within both our current operational regions and in new areas where our footprint is limited or nonexistent. Opening new stores requires significant capital outlays upfront, including the purchase of inventory, and the hiring and training of managers and sales staff. We or our franchisees may not have sufficient operation cash flow to conduct proper sales and marketing activities to generate sales. Stores may not achieve our expected level of profitability within the projected timeframe, or at all, due to a variety of factors which are beyond our control, including, among others, (i) our ability to properly position our new self-operated stores and franchise stores and to execute our business strategy in the locality, (ii) competitions from our existing or new competitors and (iii) the effectiveness of our marketing activities. We or our franchisees may not successfully conduct business in accordance with our expectations and standards. If our new stores do not break even or achieve expected level of profitability within expected timeframe, or at all, our expansion plan might be hindered, and our profitability may be adversely affected as a result of decrease in sales at our self-operated stores or our franchise stores' purchases from us.

We may fail to recover our trade receivables in a timely manner which may have a material adverse effect on our business, financial performance and results of operations.

We generate trade receivables in the ordinary course of business. Our trade receivables primarily consist of receivables due from counterparties, especially from our franchisees, the e-commerce platforms that resell our products to end consumers and shopping malls under the concession arrangements. For franchisees, in general, we will grant a credit period of 14 days and a credit period of 90 days to long term franchisees with sound credit history. Credit periods extended to these franchisees are subject to a monetary limit. As for the e-commerce platforms that resell our products to end consumers and shopping malls under the concession arrangements, we settle payment with them according to respective agreements on a quarterly or monthly basis. As at 31 December 2023, 2024 and 2025, our trade receivables was RMB286.3 million, RMB363.7 million, RMB669.9 million, respectively. For FY2023, FY2024 and FY2025, we had made allowance for impairment of trade receivables amounted to RMB27.2 million, RMB27.5 million and RMB30.4 million. For further details, please see "Financial Information — Description of Certain Items of Consolidated Statements of Financial Position — Trade receivables". In the event that our trade receivables increase significantly, and we fail to collect these receivables in a timely manner, our financial performance and business operations may be materially and adversely affected.

While 潮宏基CHJ Jewellery remained stable and strong during the Track Record Period, we may incur impairment loss of goodwill for our other brands, which could negatively affect our results of operations and financial condition.

Our intangible assets consist of goodwill. The carrying amounts of goodwill at 31 December 2023, 2024 and 2025 were RMB685.6 million, RMB508.8 million and RMB337.6 million, respectively. In FY2023, FY2024 and FY2025, we recorded an impairment of goodwill of RMB39.4 million, RMB176.8 million and RMB171.2 million, respectively, primarily of which resulted from impairment made for our handbag brand, FION. For further details of composition of goodwill and impairment testing of goodwill, please see note 16 to the Historical Financial Information of Appendix I to this document. Change in business prospects of any of our cash generating units, including but not limited to FION, may result in impairment on goodwill, which could negatively affect our results of operations. There is no assurance that we will not incur further impairment loss on our goodwill. Any significant impairment of our goodwill could have a material adverse effect on our financial performance.

Failure to maintain optimal inventory levels and ensure the security of our inventory could have a material adverse effect on our business, financial conditions and results of operations.

Maintaining optimal inventory levels is critical to the success of our business. As at 31 December 2023, 2024 and 2025, our inventory balances were RMB2,243.7 million, RMB2,603.0 million and RMB4,301.5 million, respectively. During the same periods, our inventory turnover days were 186 days, 177 days and 173 days, respectively. For further details, please see "Financial Information — Description of Certain Items of Consolidated Statements of Financial Position — Inventories".

We are exposed to inventory risks due to factors beyond our control, including fluctuations in gold prices, delays or disruptions in supply from our suppliers, decreases in customer orders, changing consumption trends, customer preferences and the launch of competing products. In addition, we estimate demand for our products in advance of actual sales, and there is no assurance that we will accurately predict market trends or maintain appropriate inventory levels. An unexpected decline in market demand could result in excess inventory, forcing us to offer discounts or conduct promotional activities to dispose of slow-moving inventory, sometimes at prices below cost. This could adversely affect our financial condition and results of operations. Conversely, insufficient inventory levels could lead to production and delivery delays, causing us to lose sales to competitors. Furthermore, the high cost of raw materials such as gold, platinum and diamonds means that under-stocking or over-stocking could negatively impact our liquidity.

We are also subject to risks related to product warehousing, particularly because we often store substantial amounts of high-value inventory in our warehouses pending delivery to or pickup by customers. Accidents such as theft, fire, explosion, smoke, water damage, severe weather, or other natural disasters could damage our inventory and disrupt our ability to supply products on time. Such incidents could result in significant unanticipated expenses, delayed deliveries and lost sales, which may not be fully recoverable under our existing insurance policies. Prolonged disruptions could also lead to a loss of customer trust. If any of these risks materialise, our business, financial condition, and results of operations could be materially and adversely affected.

RISKS RELATING TO THE JURISDICTIONS WHERE WE OPERATE

Our business is subject to legal, regulatory, political, economic, commercial and other risks associated with conducting operations in various jurisdictions.

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

Under the PRC laws and regulations, there are several filing procedures and other requirements imposed on future capital raising activities and future major events, including 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》) promulgated on 17 February 2023. See "Regulatory Overview — the PRC — Regulations Relating to Overseas Offering and Listing" in this document. The interpretation, application and enforcement of Trial Measures are subject to changes. If it is determined that we are subject to any filing or other authorisation or requirements of the CSRC or other PRC governmental authorities for future fund-raising activities or other major events, and we fail to complete such filing or meet such requirements in a timely manner or at all, we may need to postpone or terminate our future fund-raising activities if any. Any changes or negative publicity regarding such filing or other requirements stated above could materially and adversely affect our business, prospects, financial condition, reputation, and future **[REDACTED]** and **[REDACTED]** of the **[REDACTED]**.

Failure to comply with requisite approval and/or filing requirements in respect of our outbound investment may subject us to penalties and/or any other liabilities.

Under the PRC laws and regulations, there are filing procedures and other requirements imposed on outbound investment including the Administrative Measures for Outbound Investment by Enterprises (《企業境外投資管理辦法》), promulgated by NDRC and which became effective on 1 March 2018, the Measures for the Administration of Overseas Investment (《境外投資管理辦法》) promulgated by the MOFCOM on March 16, 2009, lastly amended on September 6, 2014 and implemented on October 6, 2014, or the Notice on Further Simplifying the Improving Policies for the Foreign Exchange Administration of Direct Investment (國家外匯管理局關於進一步簡化和改進直接投資外匯管理政策的通知) (the "**SAFE Circular 13**"), which became effective on 1 June 2015. See "Appendix IV — Summary of Principal Legal and Regulatory Provisions" for details of these laws and regulations.

If any of our historical or current outbound investment was regarded as failed to comply with the requisite approval/filing requirements, we may be subject to administrative penalties and/or any other liabilities, imposed by the relevant authorities, including the NDRC, the MOFCOM, and/or the SAFE, which may order us to suspend or terminate such implementation of our outbound investments. As at the Latest Practicable Date, we have not received any inquiry, notice, warning, or sanctions regarding any of our outbound investment. However, we cannot assure you that, there will be no detailed rules, circulars, policies, regulations or laws in relation to the imposition of penalty with respect to such non-compliance promulgated or implemented in the future. Therefore, there is no guarantee that we will not be subject to penalties or any other liabilities arising from such failure in performing such requisite approval and/or filing requirements.

Fluctuations in the value of Renminbi and other currencies may have a material adverse impact on your [REDACTED].

During the Track Record Period, substantially all of our revenues and expenditures were denominated in Renminbi, while the **[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 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 us.

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

To date, we have not entered into any hedging transactions in an effort to reduce our exposure to foreign currency exchange risks. In any event, the availability and effectiveness of these hedges may be limited and we may not be able to hedge our exposure successfully, or at all. As we expand overseas, our operations may involve other currencies. Fluctuation in currencies for which we hold position may cause us to incur foreign exchange losses and in turn, may materially and adversely affect our financial performance.

Our foreign exchange transactions, such as dividend payment to holders of our H shares are subject to foreign currency conversion policies.

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

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

Payment of dividends is subject to laws and regulations in regions where we operate.

We have declared dividends in the past. However, there is no assurance that dividends of any amount will be declared or distributed by us in any year in the future. Under the PRC laws, dividends may be paid only out of distributable profits. Our distributable profits represent our distributable net profits less appropriations to statutory surplus reserve, and discretionary surplus reserve (as approved by our Shareholders' meeting), each such appropriation based on the unconsolidated net profit determined under PRC GAAP. Our distributable net profit referred to above represents the lowest of (i) our net profit attributable to our equity holders for a period plus distributable profits or net of accumulated losses, if any, at the beginning of such period, as determined under PRC GAAP, and (ii) our net profit attributable to our equity holders for the period plus distributable profits or net of accumulated losses, if any, at the beginning of such period, as determined under HKFRS Accounting Standards. As a result, we may not have sufficient distributable profits, if any, to make dividend distributions to our Shareholders in the future, including in respect of periods where we register an accounting profit. Any distributable profits that are not distributed in a given year are retained and available for distribution in subsequent years.

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

Under the current PRC tax laws and regulations, non-PRC resident individuals and non-PRC resident enterprises are subject to different tax obligations with respect to the dividends paid to them by us and the gains realised upon the sale or other disposition of H Shares. Non-PRC resident individuals are required to pay PRC individual income tax at a 20% rate for the income derived in China under the Individual Income Tax Law of the PRC (《中華人民共和國個人所得稅法》, the "IIT Law") and its implementation guidelines. Accordingly, we are required to withhold such tax from dividend payments, unless applicable tax treaties between China and the jurisdiction in which the foreign individual resides reduce or provide an exemption for the relevant tax obligations. However, pursuant to the Circular on Certain Policy Questions Concerning Individual Income Tax (《財政部、國家稅務總局關於個人所得稅若干政策問題的通知》) (Cai Shui Zi [1994] No. 020) issued by the MOF and SAT on 13 May 1994, the income gained by individual foreigners from dividends and bonuses of enterprise with foreign investment are exempted from individual income tax for the time being. In addition, under the IIT Law and its implementation regulations, non-PRC 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, pursuant to Circular of Declaring that Individual Income Tax Continues to be Exempted over Income of Individuals from the Transfer of Shares (《關於個人轉讓股票所得繼續暫免徵收個人所得稅的通知》) (Cai Shui Zi [1998] No. 61) issued by the MOF and the SAT on 30 March 1998, from 1 January 1997, the income of individuals from the transfer of the shares of listed enterprises continues to be exempted from individual income tax.

As at the Latest Practicable Date, no aforesaid provisions have expressly provided that individual income tax shall be levied non-PRC resident individual holders on the transfer of shares in PRC resident enterprises listed on overseas stock exchanges.

For non-PRC resident enterprises that do not have establishments or premises in China, and for those have establishments or premises in China but whose income is not related to such establishments or premises, under the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法》, the "EIT Law") and its implementation regulations, dividends paid by us and gains realised by such foreign enterprises upon the sale or other disposition of H Shares are typically subject to PRC enterprise income tax at a 20% rate. In accordance with the Circular on Issues Relating to Withholding of Enterprise Income Tax by PRC Resident Enterprises on Dividends Paid to Overseas Non-PRC Resident Enterprise Shareholders of H Shares (《關於中國居民企業向境外H股非居民企業股東派發股息代扣代繳企業所得稅有關問題的通知》) (Guo Shui Han [2008] No. 897) issued by SAT on 6 November 2008, the withholding tax rate for dividends payable to non-PRC resident enterprise holders of H Shares has been reduced to 10% and we intend to withhold tax at a rate of 10% from dividends paid to non-PRC resident enterprise holders of our H Shares (including HKSCC Nominees). Non-PRC 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 Arrangement between the Mainland of China and the Hong Kong Special Administrative Region (the "HKSAR") 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稅和防止偷漏稅的安排》) signed on 21 August 2006, the Chinese government may impose tax on dividends paid by a Chinese company to a resident of the HKSAR (including natural person and legal entity), but such tax will not exceed 10% of the total amount of the dividends payable by the Chinese company. If an HKSAR resident directly holds 25% or more of the equity interest in a Chinese company, such tax will not exceed 5%of the total dividends payable by the Chinese company. The Fifth Protocol to the Arrangement between the Mainland of China and the HKSAR 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稅和防止偷漏稅的安排>第五議定書》) issued by the SAT effective on 6 December 2019 stipulates that the arrangements or transactions made for the primary purpose of obtaining the above-mentioned tax benefits are not subject to the above-mentioned provisions.

The PRC tax laws and regulations as well as the interpretation and application of such laws and regulations may change from time to time in the future which may adversely affect the value of your **[REDACTED]** in our H Shares.

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

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

Chinese Mainland and Hong Kong entered into the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region Pursuant to Choice of Court Agreements between Parties Concerned which came into effect on 1 August 2008 and was abolished on 29 January 2024, pursuant to which a party with an enforceable final court judgment rendered by any designated people's court of China or any designated Hong Kong court requiring payment of money in a civil and commercial case according to a written choice of court agreement, may apply for recognition and enforcement of the judgment in the relevant people's court of China or Hong Kong court. Chinese Mainland and Hong Kong have concluded the Arrangement on Mutual Recognition and Enforcement of Civil and Commercial Judgments between the Mainland and the Hong Kong Special Administrative Region, which took effect on 29 January 2024. Accordingly, the scope of applicable cases for judicial assistance can be expanded.

In principle, judgments made after 29 January 2024 are subject to the provisions of the new "Arrangement". However, for cases where the "written jurisdiction agreement" referred to in the old "Arrangement" was signed before 29 January 2024, the old "Arrangement" still applies regardless of when the judgment is made. Moreover, China has not entered into similar reciprocal treaties for the enforcement of court judgments with countries such as the United States, the United Kingdom, Japan, or many other nations. Furthermore, Hong Kong lacks an arrangement with the United States for the reciprocal enforcement of court judgments. According to PRC Civil Procedure Law and other relevant regulations, a court judgment from the United States or other jurisdictions may only be recognised and enforced in Chinese Mainland or Hong Kong if there is a relevant treaty or agreement between China and the country where the judgment was issued, which is currently not the case with many major jurisdictions.

We are subject to environmental protection, fire safety and health and safety laws and regulations and may be exposed to potential costs for compliance and liabilities, including consequences of accidental contamination, biological or chemical hazards, or personal injury.

Our business operations are subject to national and local laws in the jurisdictions in which we operate, including but not limited to the laws on the treatment and discharge of pollutants into the environment. For further details, please see "Business — Environmental, Social and Governance ("**ESG**") Matters". Our business operations in China are also subject to fire safety laws. Special construction projects shall be subject to fire protection design review before construction and an inspection before such construction is put into use. If more stringent regulatory requirements are implemented, we may have to incur significant expenses and divert substantial management time and resources to address such deficiencies, and we may also experience negative publicity arising from such deficiencies, which may materially and adversely affect our business operations and financial performance.

In addition, we cannot fully eliminate the risk of accidental personal injury at our production bases during our production processes. In the event of any accident, we could be held liable for damages that, to the extent not covered by existing insurance or indemnification, could be burdensome to our business. Other adverse effects could result from such liability, including reputational damage resulting in the loss of business from customers. We may also be forced to suspend operations at certain of our affected production bases temporarily for investigation and inspection purposes. As a result, any accidental personal injury could have a material and adverse impact on our business, financial conditions and results of operations.

RISKS RELATING TO THE [REDACTED]

We will be concurrently subject to [REDACTED] and regulatory requirements of Chinese Mainland and Hong Kong.

As we are listed on the Shenzhen Stock Exchange and will be **[REDACTED]** on the Main Board in Hong Kong, we will be required to comply with the listing rules (where applicable) and other regulatory regimes of both jurisdictions, unless an exemption is available or a waiver has been obtained. Accordingly, we may incur additional costs and resources in continuously complying with all sets of listing rules in the two jurisdictions.

The characteristics of the A share and H share markets may differ.

Our A Shares are listed and traded on the Shenzhen Stock Exchange. Following the **[REDACTED]**, our A Shares will continue to be traded on the Shenzhen Stock Exchange and our H Shares will be **[REDACTED]** on the **[REDACTED]**. Under current laws and regulations of Chinese Mainland, without the approval from the relevant regulatory authorities, our H Shares and A Shares are neither interchangeable nor fungible, and there is no **[REDACTED]** or settlement between the H Share and A Share markets. With different trading characteristics, the H Share and A Share markets have divergent **[REDACTED]** volumes, liquidity and **[REDACTED]** bases, as well as different levels of retail and institutional **[REDACTED]** participation. As a result, the **[REDACTED]** of our H Shares and A Shares may not be comparable. Nonetheless, fluctuations in the price of our A Shares may adversely affect the price of our H Shares, and vice versa. Due to the different characteristics of the H Share and A Share markets, the historical prices of our A Shares may not be indicative of the performance of our H Shares. You should therefore not place undue reliance on the trading history of our A Shares when evaluating the **[REDACTED]** decision in our H Shares.

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

Prior to the completion of the **[REDACTED]**, there has been no public market for our H Shares. There can be no guarantee that an active trading market for our H Shares will develop or be sustained after the completion of the **[REDACTED]**. The **[REDACTED]** is the result of negotiations between our Company, the **[REDACTED]** (for itself and on behalf of the **[REDACTED]**), which may not be indicative of the price at which our H Shares will be traded following completion of the **[REDACTED]**. The **[REDACTED]** of our H Shares may drop below the **[REDACTED]** at any time after completion of the **[REDACTED]**.

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

The **[REDACTED]** of our H Shares may be volatile and could fluctuate widely in response to factors beyond our control, including general market conditions of the securities markets in Hong Kong, China, the United States and elsewhere in the world. In particular, the performance and fluctuation of the market prices of other companies with business operations located mainly in Chinese Mainland that have listed their securities in Hong Kong may affect the volatility in the price of and trading volumes for our H Shares. A number of Chinese Mainland-based companies have listed their securities, and some are in the process of preparing for listing their securities, in Hong Kong. Some of these companies have experienced significant volatility, including significant price declines after their initial public offerings. The trading performances of the securities of these companies at the time of or after their offerings may affect the overall investor sentiment towards Chinese Mainland-based companies listed in Hong Kong and consequently may impact the **[REDACTED]** performance of our H Shares. Pursuant to the applicable PRC law, within the 12 months following the **[REDACTED]**, all existing Shareholders could not dispose of any of the Shares held by them. Due to such lock-up requirement, the liquidity and trading volume of the H Shares in the short term following the **[REDACTED]** may be significantly affected. These factors may significantly affect the **[REDACTED]** and volatility of our H Shares, regardless of our actual operating performance.

Future sales or perceived sales of substantial amounts of our H Shares in the [REDACTED] could have a material adverse effect on the [REDACTED] of our H Shares and our ability to raise additional capital in the future.

The **[REDACTED]** of our H Shares could decline as a result of future sales of a substantial number of our H Shares or other securities relating to our H Shares in the **[REDACTED]**, or the issuance of new shares or other securities, or the perception that such sales or issuances may occur. Future sales, or anticipated sales, of substantial amounts of our securities, including any future **[REDACTED]**, could also materially and adversely affect our ability to raise capital at a specific time and on terms favourable to us. In addition, our shareholders may experience dilution in their holdings if we issue more securities in the future. New shares or shares-linked securities issued by us may also confer rights and privileges that take priority over those conferred by the H Shares.

You will incur immediate and substantial dilution if the [REDACTED] of our H Shares is higher than the net tangible asset value per H Share and may experience further dilution if we issue additional Shares in the future.

The **[REDACTED]** of the **[REDACTED]** is higher than the net tangible asset value per H Share immediately prior to the **[REDACTED]**. Therefore, purchasers of the **[REDACTED]** in the **[REDACTED]** will experience an immediate dilution in **[REDACTED]** consolidated net tangible asset value. There can be no assurance that if we were to immediately liquidate after the **[REDACTED]**, any assets will be distributed to Shareholders after the creditors' claims. To expand our business, we may consider **[REDACTED]** and issuing additional Shares in the future. Purchasers of the **[REDACTED]** may experience dilution in the net tangible asset value per Share of their Shares if we issue additional Shares in the future at a price which is lower than the net tangible asset value per Share at that time.

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

Certain facts, forecast and other statistics in this document are derived from various government and official resources. However, our Directors cannot guarantee the quality or reliability of such source materials. We have no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading. Nevertheless, information from official government sources has not been independently verified by us, our Directors, the Sole Sponsor, the **[REDACTED]**, the **[REDACTED]**, the **[REDACTED]**, the **[REDACTED]**, the **[REDACTED]**, the **[REDACTED]**, the **[REDACTED]** or any of their respective affiliates or advisers and, therefore, we make no representation as to the accuracy of such facts and statistics. Further, we cannot assure our investors that they are stated or compiled on the same basis or with the same degree of accuracy as similar statistics presented elsewhere. In all cases, our investors should consider carefully how much weight or importance should be attached to or placed on such facts or statistics.

The interests of the Company's Single Largest Group of Shareholders may conflict with the best interests of its other Shareholders.

Immediately upon the completion of the **[REDACTED]**, without taking into account any Shares which may be issued pursuant to the exercise of the **[REDACTED]**, our Single Largest Group of Shareholders will, through their voting power at the Shareholders' meetings and their delegates on the Board, have significant influence over our business and affairs, including decisions in respect of mergers or other business combinations, acquisition or disposition of assets, issuance of additional Shares or other equity securities, timing and amount of dividend payments, and our management. Our Single Largest Group of Shareholders may not act in the best interests of our minority Shareholders. This concentration of ownership may also discourage, delay or prevent a change in control of our Company, which could deprive our Shareholders of an opportunity to receive a premium for the Shares as part of a sale of our Company and may significantly reduce the price of our H Shares.

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 "aim", "anticipate", "believe", "continue", "could", "expect", "estimate", "intend", "may", "plan", "potential", "predict", "project", "propose", "seek", "should", "will", "would" or similar terms. Those statements include, among other things, the discussion of our growth strategy and expectations concerning future operations, liquidity and capital resources. Investors of our H Shares are cautioned that reliance on any forward-looking statements 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. The uncertainties in this regard include, but are not limited to, those identified in this section, many of which are not within our control. In light of these and other uncertainties, the inclusion of forward-looking statements in this document should not be regarded as representations that our plans or objectives will be achieved and investors should not place undue reliance on such forward-looking statements. Our

Company does not undertake any obligation to update publicly or release any revisions of any forward-looking statements, whether as a result of new information, future events or otherwise. For further details, please see the section headed "Forward-Looking Statements".

You should not place any reliance on any information released by us in connection with the listing of our A Shares on the Shenzhen Stock Exchange.

As our A Shares are listed on the Shenzhen Stock Exchange, we have been subject to periodic reporting and other information disclosure requirements in Chinese Mainland. As a result, from time to time, we publicly release information relating to us on the Shenzhen Stock Exchange or other media outlets designated by the CSRC. However, the information announced by us in connection with our A Shares listing is based on regulatory requirements of the securities authorities, industry standards and market practices in Chinese Mainland, which are different from those applicable to the **[REDACTED]**. The presentation of financial and operational information for the Track Record Period disclosed on the Shenzhen Stock Exchange or other media outlets may not be directly comparable to the financial and operational information contained in this document. As a result, **[REDACTED]** in our H Shares should be reminded that, in making their investment decisions as to whether to purchase our H Shares, they should rely only on the financial, operating and other information included in this document. By applying to purchase our H Shares in the **[REDACTED]**, you will be deemed to have agreed that you will not rely on any information other than that contained in this document and any formal announcements made by us in Hong Kong with respect to the **[REDACTED]**.

Investors should read the entire document carefully before making an [REDACTED] decision concerning our H Shares and should not rely on information from other sources, such as press articles, media or research coverage without carefully considering the risks and the other information in this document.

There may be, subsequent to the date of this document but prior to the completion of the **[REDACTED]**, press, media or research analyst coverage regarding us, our business, our industry and the **[REDACTED]**.

You should rely solely upon the information contained in this document in making your **[REDACTED]** decisions regarding the Shares and we do not accept any responsibility for the accuracy or completeness of the information contained in such press articles, other media or research analyst reports nor the fairness or the appropriateness of any forecasts, views or opinions expressed by the press, other media or research analyst regarding the Shares, the **[REDACTED]**, our business, our industry or us.

We make no representation as to the appropriateness, accuracy, completeness or reliability of any such information, forecasts, views or opinions expressed or any such publications. To the extent that such statements, forecasts, views or opinions are inconsistent or conflict with the information contained in this document, we disclaim them. Accordingly, **[REDACTED]** are cautioned to make their **[REDACTED]** decisions on the basis of information contained in this document only and should not rely on any other information.