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OVERVIEW

Who We Are

We are multi-brand jewellery brand in the PRC founded in 1996. At the heart of our business is our flagship jewellery brand 潮宏基 CHJ Jewellery. In 2023, we were recognized by Forbes as “Guochao Innovation Brands” (國潮創新品牌), being the only fashion jewellery brand in China receiving this honour.

With products designed to capture the demand of the mid-to-high end segment^(Note), we ranked the first in 2024 among all China-based jewellery companies in fashion jewellery market, in terms of revenue with a market share of 1.4% according to Frost & Sullivan. Targeting the middle and upper classes customers who look for products designed for daily wear/use, with our comprehensive and distinctive product portfolio, we were also an established jewellery brand in the overall jewellery market and traditional gold jewellery market in China that we ranked 9th among all jewellery companies in China in terms of revenue with a market share of 0.8% and ranked 8th among all Chinese Mainland-based jewellery companies in terms of revenue in the classic gold jewellery market with a market share of 0.6%.

潮宏基 CHJ Jewellery has been one of China’s 500 Most Valuable Brands (中國500最具價值品牌) for 21 consecutive years. From 2023 to 2025, in recognition of our brand influence, we were awarded “The Asia’s 500 Most Influential Brands” (亞洲品牌500強) by the World Brand Laboratory for three consecutive years. For each year during the Track Record Period, our jewellery business has been our core business, representing more than 90% of our total revenue. With 潮宏基 CHJ Jewellery as the core driver, we have adopted a multi-brand strategy to capture customer segments with differentiated needs, including 潮宏基 CHJ Jewellery, CHJ Soufflé and 臻 ZHEN. We have also developed a new brand targeting the emerging market of lab-grown diamond, Cēvol. Complementary to our jewellery products, in 2014, we acquired FION which offers fashion handbags targeting young consumers.

Our Path

Since our establishment, we continuously contribute to China’s jewellery industry:

- in 1998, we exclusively sponsored the First China Jewellery Design Grand Prix (第一屆中國珠寶首飾設計大獎賽) to promote the development of jewellery design in China
- in 2006, we became the first Asian jewellery brands to showcase at Baselworld, the world’s premier jewellery fair
- in 2007, we co-established the “潮宏基CHJ Jewellery Laboratory” (潮宏基首飾實驗室) with the Academy of Arts and Design, Tsinghua University, becoming the first Chinese jewellery brand to start a scientific research institution with an art academy
- in 2008, “CHJ Golden Management Rules” were selected as a case study for outstanding management by the Guanghua School of Management, Peking University and featured in the Harvard Business Review
- in 2009, “CHJ filigree inlay workshop” (潮宏基花絲鑲嵌工作坊) commenced operations
- in 2013, CHJ Jewellery published its first “Coloured Gold Jewellery Trends Report” (彩金珠寶潮流趨勢), which has become the trendsetting annual publication of the coloured gold jewellery industry in China. In the same year, we opened our jewellery museum in China, Zhen Museum (臻寶首飾博物館), with more than 2,000 artifacts showcasing the exquisite craftsmanship of different ethnic cultures are displayed

We blend cultural heritage with modern styles. Since 2018, we have collaborated with experts in other sectors to develop collections of filigree inlay jewellery. Our collaborative effort has birthed our signature collections, such as “Sweet Candy•Filigree Collection” (非遺花絲•糖果), “Fortune Bridge•Filigree Collection” (非遺花絲•風雨橋) and “Rising Cloud•Filigree Collection” (非遺花絲•雲起).

Note: According to Frost & Sullivan, the mainstream product price band of mid-to-high-end gold jewellery brands is primarily concentrated at RMB5,000 to RMB15,000.

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In addition to applying heritage craftsmanship, we infuse traditional cultural rituals and meanings into our designs that cater for different consumption scenarios of consumers. The outcome of our effort is a portfolio of hot-sellers that drives our growth:

- High Gold Jewellery** — Drawing inspiration from traditional Eastern motifs such as quadruple ruyi (四合如意), the Om Mani Padme Hum mantra (六字真言) and eight Buddhist treasures (佛八寶), our high gold jewellery collection combines precious gems with our heritage craftsmanships including filigree inlay (花絲鑲嵌), carving and chasing (鑿刻), and enamel work (琺瑯).



- Golden charm bracelets (黄金串珠系列)** — To satisfy young consumers’ demand of personalised accessories that symbolize blessings and fortune, we launched a DIY collection with more than 1,000 SKUs of golden charms as at the Latest Practicable Date, such as “Career Success charms” (職場開運珠) and “Blessing charms” (祈福珠) that successfully captured young customers. According to Frost & Sullivan, in terms of revenue, we ranked the first among all jewellery brands in the PRC in the gold charm bracelet market in 2024.

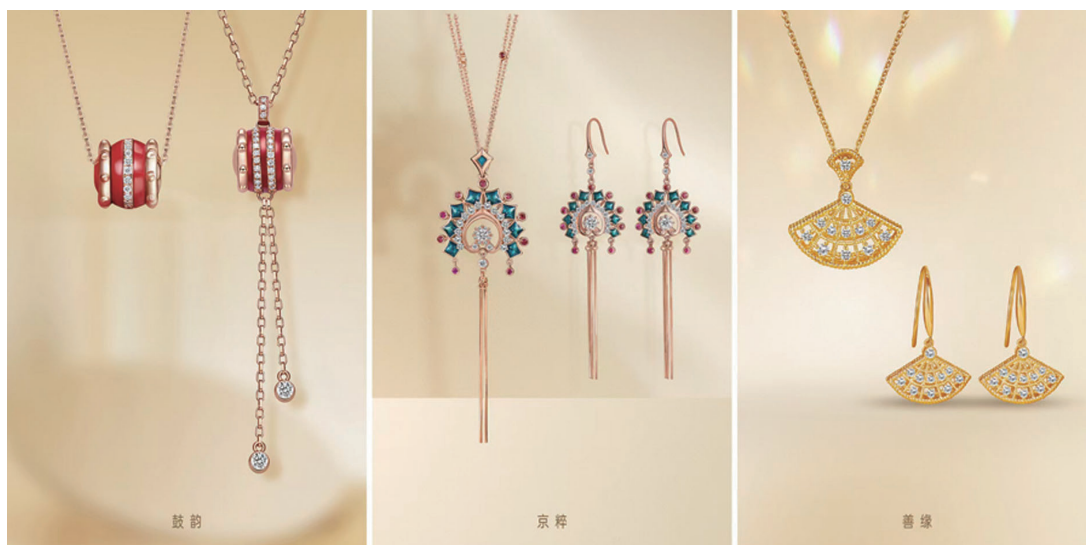


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- Animation IP collection (卡通IP聯名系列)* — Since 2010, we have collaborated with international IP licensing companies such as Universal Studios and Sanrio. According to Frost & Sullivan, we ranked the first in terms of number of authorised IP collaboration among jewellery companies in the PRC in 2024. For FY2023, FY2024 and FY2025, revenue generated from the animation IP collection amounted to RMB337.1 million, RMB398.9 million and RMB765.9 million, respectively, representing 5.8%, 6.2% and 8.3% of the total revenue of our Group during the corresponding year.



- K gold jewellery* — We mix Chinese culture elements in modern designs and created K gold jewellery including “Essence of Oriental” (京粹) and “Cadence of Drum” (鼓韵). According to Frost & Sullivan, we ranked the fifth in the PRC in 2024 in terms of revenue generated from K-gold jewellery products.



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Our Sales Channels and Coverage

We adopt an integrated business model encompassing our sales channels, products, and brands, establishing a comprehensive omni-channel presence across both offline and online platforms. Today, with our brand identity, we have established market presence for our jewellery business, across different cities in China. As at 31 December 2025, we had 1,670 stores for our jewellery business in over 200 cities across China and Southeast Asia. Aligning with our brand identity and target demographic, we strategically position ourselves in China’s tier-1 and tier-2 cities while steadily expanding into tier-3 and tier-4 markets. In 2024, we have become the fastest-growing jewellery brand in China in terms of annual number of newly opened franchise store, according to Frost & Sullivan. In 2024, we have made our first footprint overseas for our jewellery business. As at 31 December 2025, we had 11 overseas jewellery stores in total in Singapore, Malaysia, Thailand and Cambodia.

We also reach consumers nationwide through online channels. As at 31 December 2025, we sell our jewellery on 14 major online sales platforms in China including JD.com (京東), Tmall (天貓), VIP.com (唯品會), respectively.

Our Market Opportunity

Rapidly growing spending power of young consumers

According to Frost & Sullivan, the consumer structure of the fashion jewellery market is rapidly skewing toward younger demographics, with the 18–40 age group emerging as the primary growth driver. These younger buyers increasingly prioritise fashion-forward, personalised, and emotionally meaningful designs. In particular, consumers born in the 1990s and 2000s have become the primary purchasers of gold jewellery in the PRC as of 2024, with a notable preference for pieces featuring traditional craftsmanship. Going forward, China’s fashion jewellery market is expected to further evolve in introducing contemporary aesthetics, bold designs and customizable features to cater to evolving tastes.

The rise of Guochao (國潮) culture which fuels the growth of jewellery market and innovation in jewellery designs

According to Frost & Sullivan, the rise of Guochao (國潮) (Chinese cultural revival) is a national wave and trend that Chinese consumers are rapidly adopting. This trend has driven the growth of the jewellery market and other consumer products markets in China, as there is increasing consumer preference for designs that blend tradition with modern craftsmanship, and the deepening of brand youth-oriented strategies and digital marketing. Consumers, particularly including Gen Z with a population of 264.0 million, are increasingly drawn to jewellery pieces that incorporate traditional Chinese elements, such as ancient craftsmanship, cultural motifs, and auspicious symbols. Young consumers also demonstrate strong endorsement sentiment toward Guochao brands. According to the 2024 China Youth Guochao Report published by China Youth Daily, 84.6% of surveyed youths expressed willingness to recommend Guochao brands to others. As a result, Guochao culture has strengthened the competitiveness of local brands, fostering a unique identity within the global jewellery market.

Our Brands

Leveraging the brand of 潮宏基 CHJ Jewellery, we have built a brand portfolio to capture market trends, namely CHJ|Soufflé, which is a younger and gift-focused jewellery brand, 臻 ZHEN which offers high-end bespoke jewellery and gold and silver ware, and Cèvol which focuses on lab-grown diamond jewellery. In response to the demand of fashion consumer goods, we venture into different verticals. In 2014, we acquired a fashion handbag brand, FION.

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Our Recent Financial Performance

During the Track Record Period, we primarily derived our revenue through (i) sales of classic gold jewellery and fashion jewellery; (ii) sales of handbags; and (iii) provision of franchising and related sales services. We recorded significant growth during the Track Record Period. Our revenue increased from RMB5,836.5 million for FY2023 to RMB6,452.4 million for FY2024 and further increased to RMB9,237.9 million for FY2025, representing a CAGR of 25.8% from FY2023 to FY2025.

OUR COMPETITIVE STRENGTHS

We believe that the following strengths have set us apart from our competitors.

We are an established jewellery brand in the PRC that blends oriental heritage and modern designs

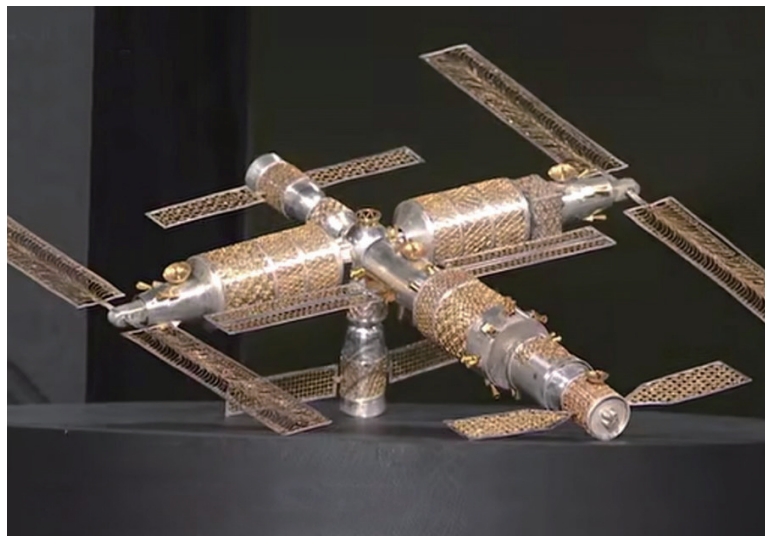
Our flagship brand, 潮宏基 CHJ Jewellery is recognised and validated by multiple measures, including but are not limited to the following:

- according to Frost & Sullivan, we ranked the first among all Chinese Mainland-based jewellery companies in the fashion jewellery market in terms of revenue in 2024;
- according to Frost & Sullivan, we ranked the fifth all jewellery companies in the PRC in the K-gold market in terms of revenue in 2024;
- according to Frost & Sullivan, we ranked the ninth in 2024 among all jewellery companies in the PRC in the jewellery market in terms of revenue;
- according to Frost & Sullivan, in terms of revenue, we ranked the first among all jewellery companies in the PRC in the gold charm bracelet market in 2024;
- according to Frost & Sullivan, we are one of the fastest-growing jewellery brands in China in terms of revenue growth in 2024;
- we have been awarded by the World Brand Laboratory as one of the China’s 500 Most Valuable Brands (中國500最具價值品牌) for 21 consecutive years and one of the Asia’s 500 Most Influential Brands (亞洲品牌500強);
- in 2023, we were awarded the “Guochao Innovative Brand” (國潮創新品牌) by Forbes China (福布斯中國); and
- we were honoured as the “The Most Powerful Chinese-Chic Brand in 2024” (2024最具國潮品牌力公司) by New Fortune magazine (新財富雜誌), a prominent Chinese financial and business publication.

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Underpinning our success is our capability to inlay and manifest heritage and fashion, not only in our products but also in various dimensions of our brands:

- Brand-defining cross-industry collaborations** — Taking filigree as a focal point, we celebrate the hype of cross-industry collaborations ahead of our competitors. Early in 2018, we crossed sectoral boundaries and collaborated with Starbucks to launch a filigree-themed Starbucks membership card (花絲星享卡). In 2022, we collaborated with popular craftsmanship-themed content creator on Bilibili and created the art piece that marries filigree artistry with modern industrial concept of China’s Space Station (also known as Tiangong Space Station, “天宮空間站”), “Filigree Tiangong Space Station” (花絲天宮空間站) which had been featured on CCTV, topped the top search chart on Bilibili, and garnered 300 million impressions on Weibo Hot Search.



Filigree Tiangong Space Station
(花絲天宮空間站)



Filigree Starbucks
Membership Card
(花絲星享卡)

Since 2022, we have launched the “One City, One Intangible Cultural Heritage” (一城一非遺) brand building initiative in four cities that blends the art of filigree with the local cultures of different cities. We believe that our marketing approach does not only promote the cultural heritage but also reinforce our brand identity. Our “One City, One Intangible Cultural Heritage” (一城一非遺) initiative has earned seven industry awards since its debut including the Tiger Roar Award (虎嘯獎) in 2024, being the only jewellery brand to have received this honour.

- Continuous brand image innovation with award-winning storefront and packaging concepts** — To offer immersive experience, we regularly upgrade our appeal to our customers, from storefronts to packaging. Today, we have come to the 9th-generation store concepts and our contemporary oriental aesthetic store designs which distilled inspiration from our signature filigree artistry has earned the DFA Design for Asia Awards (DFA 亞洲最具影響力設計獎). Echoing the design concepts centering on filigree, our jewellery packaging has been honoured with the Asia Design Prize (2023亞洲設計獎).

Benefiting from our distinctive and fashion forward brand identity and product design, we have developed a loyal customer base of young consumers. According to Frost & Sullivan, the fashion jewellery market is experiencing a notable shift toward younger consumers, reflecting the growing purchasing power and demand for trend-driven designed jewellery. For each year during the Track Record Period, based on age data available on our database, customers between 25 to 45 years old accounted for around 80% of total sales recorded for customers with age data provided. We believe that these metrics underscore the strong appeal and vitality of our brand among young consumers which is on a strong growth trajectory.

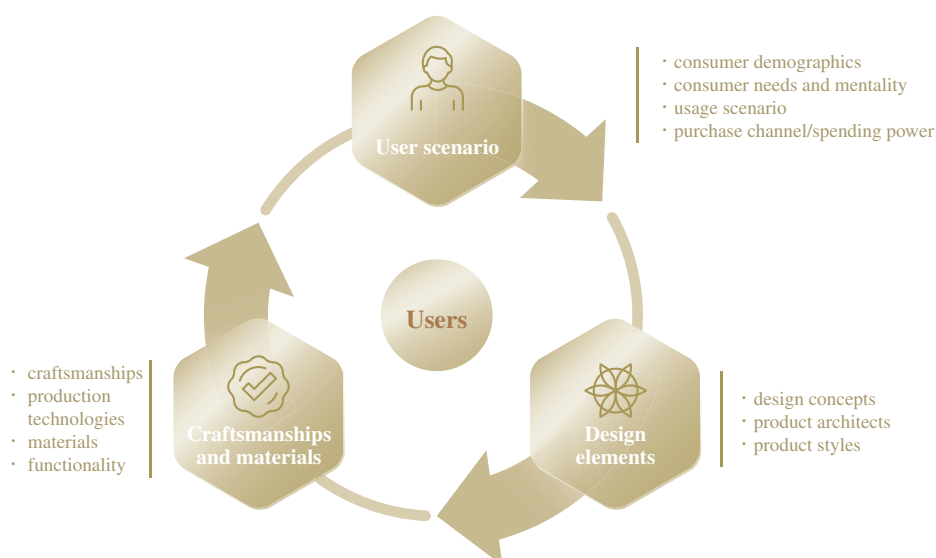
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Effective product development and new product launch system

While product design may be easily imitable, we believe that product development and product launch system are not easily replicable. With our (i) user-driven product development model that intertwines the trinity of user scenarios, design elements and craftsmanship and materials, (ii) an collaborative design development framework, and (iii) structured product launch process and marketing, we have built a portfolio of differentiated products.

(i) *The user-driven “trinity” of product development*

Our product development system is user-centric, build upon the three essential elements of user scenario, craftsmanship and materials and design elements.



For details of our product development framework, please refer to “Our Design and Product Development — Our product development and product launch framework”.

(ii) *Our collaborative design development framework*

Our collaborative design development framework embraces external talents in different sectors to create synergy with our internal design team and nurture creative and distinctive designs. We have created various collections that do not only promote our sales but also depict our brand image. Combining our in-house design capability, the result is a strategic product portfolio that serves multiple purposes targeting different segments:

- *The brand-defining “Filigree Inlay” Collection (非遺花絲系列)* — A showcase of our signature mastery of filigree inlay, “Filigree Inlay” collection had become our brand statement that we had sold over 350,000 pieces since its debut in 2019 up to the Latest Practicable Date. The “Filigree Inlay” Collection has generated an annual GMV of over RMB792 million in 2025.
- *The growth-driving “Supreme Gold with Diamond” Collection (臻金·臻鑽系列)* — the “Supreme Gold with Diamond” collection is a culmination of traditional techniques, such as filigree inlay, carving and chasing and enamel work, and modern technology such as hard-gold technology and gold-CNC hybrid method. Riding on the trend of Guochao and heritage gold, the “Supreme Gold with Diamond” collection is one of our top selling collection with a wide price range from approximately RMB7,000 to RMB50,000 which generated an annual GMV of over RMB1 billion in 2025.

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- *The traffic-generating Golden Charm Bracelets Collection (黃金串珠系列) and Animation IP Collection (卡通IP聯名系列)* — Featuring cultural-themed charms, such as the auspicious mythical animal “Pi Xiu” (貔貅) and scenario-themed charms such as “Career Success charms” (職場開運珠) and “Blessing charms” (祈福珠), our golden charm bracelets collection presents a playful blend of Chinese traditional symbolism, modernity and practicality. By addressing different meaningful life events and occasions, our golden charm bracelets inspire emotional connection and have received market success. According to Frost & Sullivan, in terms of revenue, our golden charm bracelets ranked the first among all jewellery brands in China in 2024. As at the Latest Practicable Date, we had enlisted 12 globally top-tier IPs including Sanrio’s Kuromi (酷洛米), Doraemon (哆啦A夢), Universal Studios’ Minions (小黃人) and Jurassic Park (侏羅紀公園). Designed to offer luxuriousness at an affordable price, with price range from approximately RMB500 to RMB5,000, these two collections connect us with younger customers and customers looking for affordable luxury.

(iii) Effective product launch process and marketing

We strategically plan and execute every step to product launch, from pre-launch to post-launch execution to ensure a successful rollout of our products. Also, we emphasise staff training during the entire product launch process which is crucial for a successful product launch because it ensures our team are knowledgeable, aligned, and prepared to support customers, which in turn maximizes product adoption. For details of our product development product launch framework, please refer to “— Our Product Development and Product Launch Framework”.

Extensive sales network and omni-channel presence that has driven market penetration

Apart from products and brand, we attribute our growth to our channel deployment layout which enables us to establish omni-channel presence that has driven our market penetration.

Offline Sales

To maximise our market coverage, we have established an extensive sales network across China. As at 31 December 2025, our offline sales network spans over 200 cities in China, including 1,659 jewellery stores. As locations of our stores will not only determine our sales but also our brand identity, as at 31 December 2025, we operated 717 jewellery stores in the tier-1 cities and emerging tier-1 cities in China as part of our brand positioning strategy of our jewellery business. We have established strategic partnerships with prominent commercial property developers/management companies and made our entrance in top-tier shopping malls of major developers such as MixC Malls (萬象城) and SKP. We believe our presence in these prime locations not only endorses our brand image but also strengthens our network expansion ability that sustains our growth in the future as we are widely recognised as an anchor tenant of premium malls and commercial properties. At the same time, in light of the strong growth potential in spending power in tier-2 and tier-3 cities, we have continuously expanded into the other tier cities in China. As at 31 December 2025, we operated 678 jewellery stores in tier-2 and tier-3 cities.

Having the benefits of brand positioning from our store openings in tier-1 cities and prime locations and penetrating the growing spending power through store openings in tier-2 and tier-3 cities at the same time, we became the fastest-growing jewellery brand in China in terms of CAGR of number of franchise stores in 2024 according to Frost & Sullivan. Leveraging our experience in expanding our sales network rapidly in China, we have marked our footprint overseas. The number of our franchise jewellery stores increased from 1,125 as at 31 December 2023 to 1,486 as at 31 December 2025, representing a CAGR of 14.9%. As at 31 December 2025, in addition to our franchise jewellery stores in China, we had ten franchise jewellery stores in Southeast Asia.

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Online Sales

Complementing our physical presence, as at 31 December 2025, we have established an online footprint on 14 online platforms including leading platforms such as JD.com (京東), Tmall (天貓), VIP.com (唯品會) for jewellery business. To keep pace with the ever-changing online sales landscape, we have launched our CHJ Cloud Store, a WeChat Mini Programme to ensure a seamless and consistent customer experience cross both online and offline channels. Our cloud store mirrors our offline stores’ layout and provides product information and availability to customers. We maintain consistent pricing and promotions across our cloud store and offline stores.

With our multi-pronged approach, we ranked the fifth among all jewellery brands in China in 2024 in terms of proportion of online sales revenue in total revenue and reflected our capability to spot emerging trends.

Integrated digitalised management system that enables operational efficiency and supports future scalability

To effectively manage an extensive sales network with offline stores, online stores and our CHJ cloud store, our management system has been the linchpin of our operation. According to Frost & Sullivan, we are one of the first jewellery companies in China that employs a digitalised management system. We are the first jewellery company in China to start using ERP system developed by SAP, the international leading developer of integrated resource planning system that is known for its functionality in providing centralized platform to streamline operations, share data, and improve efficiency in 2006. In 2018, we established an integrated intelligent management system which comprises the back end, the middle platform and the front end. For further details, please see “Research and Development” in this section.

After years of use and refinement, we have developed our proprietary system, CHJ Data Assistant System (潮宏基數據助手系統), that our internal department, regional managers, store supervisors, and franchisees may access anytime conveniently through their mobile devices. With CHJ Data Assistant System, we can obtain detailed analysis results of our operational data such as sales, products, channels, customers in real time across all store locations and geographic markets, allowing us to closely monitor our stores and gain insights on different dimensions, from sales performance to inventory management and changes in customers’ behaviour.

Moreover, our digitalised management system also plays an important role in managing our extensive franchise networks. The system facilitates comprehensive and close monitoring of various aspects of each franchise store, such as sales data and inventory level. With our data management system and market analytics, our franchisees can grasp a better understanding of the dynamics between product mix and sales performance. Based on data collected, we can also provide specific and actionable feedback for our franchisees which in turn empower them to grow with us.

Our digital infrastructure has been a cornerstone of our operational success, driving not only the rapid expansion of our franchise network but also significantly enhancing the performance of our franchisees. The tangible impact of our IT system is evidenced by the significant increase in the number of franchise jewellery stores from 1,125 franchise jewellery stores as at 31 December 2023 to 1,486 franchise jewellery stores across China and in overseas as at 31 December 2025 and the significant growth of average same franchise store sales at the growth rate of 14.1% and 34.8% during the Track Record Period, respectively. We believe that our advanced operation management facilitates seamless supply chain and retail management; which in turn, maximises store return and supports our scalability as more franchisees are attracted to join our sales network.

Our supply chain system that optimises each stage of the entire supply chain

In addition to quality products, we believe that the path of commercialization is equally important to maximise our sales. To ensure products are available exactly when and where our customers want them, we have established a supply chain system that focuses on satisfying demand in a timely manner while balancing the risks and costs associated with over-stocking. We leverage our digitalised order and

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inventory management system to enhance inventory management and coordination from three dimensions, namely, in-store inventory management, inventory procurement and stock control and order management.

We believe that our approach collaborates players of the entire supply-chain, covering inventory flow from suppliers to end customers. We have created multi-win scenario that not only enhance inventory turnover but also single-store performance and satisfaction of both customers and our franchisees, whom we value as our business partners, and ultimately driving efficient market penetration and profit growth for our brand.

In-store inventory management

Based on store traffic, location and sales performance of different jewellery stores, we devise differentiated product assortment among different stores, ensuring optimal visual merchandising and inventory allocation across our store network. Through structured training programmes, we ensure our stores and frontline staff are familiarised and aligned with our strategies, therefore maximising a consistent consumers’ perception.

Inventory Procurement

Our order and inventory management system enables us to continuously identify best-selling and in-demand products driving our sales to maintain optimal stock levels. By sharing and connecting our suppliers with our smart order and inventory management system, when inventory levels fall below a predetermined reorder point, new orders will be placed with suppliers automatically. Such rolling inventory replenishment through strategic supplier partnerships ensure optimal inventory of in-demand products will be replenished in a timely manner.

Stock control and order management

- **Replenishment at the right time** — Since our smart order and inventory management system is accessible through our CHJ Data Assistant System which can be accessed on mobile devices, store managers may monitor their stock level and make inventory management conveniently, such as requesting internal transfer of stocks from other stores and urgent replenishment from warehouse, thereby allowing stores to quickly replenish inventory and reduce out-of-stock risks.
- **Replenishment at the right quantity** — Our smart order and inventory management system integrates forecasting tools and inventory analysis. With in-depth analytics, we empower our stores by assisting them to make precise and efficient replenishment in a scientific manner.

Entrepreneurial, experienced and cohesive management team

Our company culture, strategic vision and operational execution are driven by our entrepreneurial and cohesive management team. Our Chairman, executive Director and general manager, Mr. Liao Chuangbin has over 30 years of experience in the jewellery industry. His outstanding contributions to promote original jewellery designs and to revitalise China’s local jewellery industry have been widely recognised by numerous authoritative and prestigious awards. Early in 2018, Mr. Liao Chuangbin was honoured as the “China Jewellery Industry Leadership Award for 40 Years of Reform and Opening-Up” (中國改革開放40周年珠寶行業領軍人物獎) by the China Gem & Jewellery Trade Association (中國寶石珠寶協會). In 2023, Mr. Liao Chuangbin received one of the sector’s most prestigious award of “Jewellery World Award — Extraordinary 40” (JWA大獎 — 非凡40) which was set to honour the exceptional achievements individuals over the world who have helped shape and continue to make a positive difference in the jewellery industry today. In 2024, Mr. Liao Chuangbin further obtained the “ASEAN-China Master Award” (東盟 — 中國大師獎). We believe the entrepreneurship of Mr. Liao Chuangbin has not only contributed to and highlighted 潮宏基 CHJ Jewellery’s position in the industry, but also brought together and cohered a coalition of talents who share the same vision. On average, our executive Directors and our senior management team had been with us for at least 17 years which has reflected their commitment to build 潮宏基 CHJ Jewellery together as a team. With the support of our

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experienced team across key functional areas, including production, finance, legal and retail operation, we believe that our strong bench of talent will enable us to manage our growing business and brand portfolio of 潮宏基 CHJ Jewellery and to grow even larger.

OUR STRATEGIES

Implement our “1+N” brand strategy to enhance brand recognition and influence

In the face of the challenges posed by product homogenization and ever-changing consumer preferences, we believe that multi-brand strategy and brand differentiation will allow us to sustain our growth while mitigate the risks of segment or brand downturn. At present, we have a strategic multi-brand layout comprising 潮宏基 CHJ Jewellery as our core and CHJ|Soufflé, 臻 ZHEN, Cèvol and FION to cater demand for different products, style preferences and price points. In the future, we will continue to strengthen our brand portfolio with the goal of creating synergy between our brands, allowing them to share customer insights and design expertise, channels, and brand influence. In particular, to strengthen brand differentiation and to capitalise on the growing demand for bespoke luxury in the market, we plan to open three flagship stores under the brand of 臻 ZHEN in prime shopping malls in tier-1 and emerging tier-1 cities in China. To implement our aforementioned plans of diversification, we plan to use [REDACTED] from the [REDACTED]. For further details, please see the section headed “Future Plans and [REDACTED]”.

As we believe that products will remain to be the pivotal of our brands, we will continue our effort in product development to develop distinctive product portfolio to fortify highly differentiated brand images and positioning for our different brands. To enhance brand recognition and influence, we will also formulate marketing strategies to strengthen storytelling of our brand identity promote brand awareness of our different brands. Through strengthening brands beyond 潮宏基 CHJ Jewellery, we believe that we are able to tap into new revenue streams, respond with agility to emerging trends and strengthen our competitive edge in the dynamic jewellery and handbag industry.

Continue to expand our sales network domestically and internationally

For deeper market penetration, we seek to expand our sales network in the PRC and overseas. In relation to expansion in the PRC, we will continue to increase our point of sales in a nationwide context, in particular, in tier-1 to tier-3 cities where we see ample room for penetration. To pursue our mission of promoting oriental cultural heritage, we also aim to expand our sales network overseas. We have marked a footprint of our jewellery business overseas in 2024 with our first overseas self-operated 潮宏基 CHJ Jewellery store in Malaysia. Subsequently, our sales network further expanded to Thailand, Cambodia and Singapore. We believe that our expansion overseas in recent years is a strategic move that allow us to open our door to the international market. As part of our overseas expansion plan, we also plan to set up a new office in Hong Kong serving as our international headquarter overseeing and managing our overseas operation.

To support our expansion plan both domestically and internationally, we will devote marketing efforts in relevant regions to increase our brand awareness. We will employ an omni-channel marketing strategy which integrate offline and online channels to enhance our brand awareness and establish our brand image.

To implement our plans of domestic and overseas expansion and brand building aforementioned, we plan to use [REDACTED] from the [REDACTED]. In this connection, we plan to establish 20 self-operated stores overseas under 潮宏基 CHJ Jewellery overseas and three flagship stores of 臻 ZHEN. For further details, please see the section headed “Future Plans and [REDACTED]”.

With our established market position and brand in the PRC market, we believe that we can leverage our understanding of customers’ preferences and the upcoming trend of Chinese heritage and Guochao (國潮) than competitors in the overseas market which do not possess the specialty in Guochao designs. Also, according to Frost & Sullivan, several of our peers in had successfully expanded into the Southeast Asia market. Given our years of experience in the jewellery industry in the PRC and in view of the sales performance of our overseas stores established during the Track Record Period, we believe that we will be able to compete effectively with competitors in the overseas market.

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Continue our digitalisation to optimise our sales network management

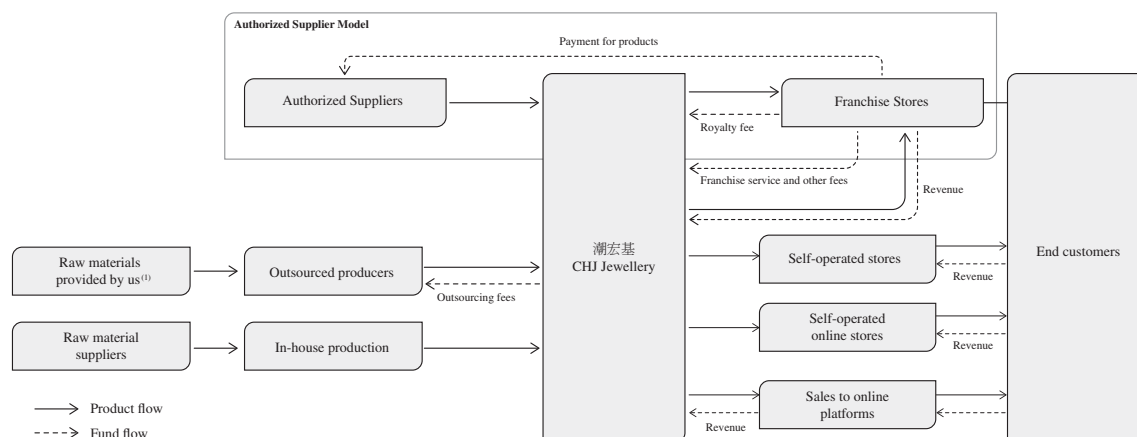
Our digitalised management system has been the linchpin of our operations as it does not only maintain our operation efficiency but also empowers our jewellery sales network comprising 1,670 self-operated and franchise stores in China and Southeast Asia as at 31 December 2025. To ensure operational efficiency and seamless coordination, we will continue to increase investment in our integrated digitalised management system, strengthening its three core layers namely (i) the back-end SAR-ERP system for real-time cross-departmental data synchronisation, (ii) the middle platform for centralised order management, inventory planning and franchisee/customer data processing; and (iii) the front-end applications for real-time sales monitoring and analytics across all stores. We believe our digitalization will improve our sales network management, and continuously enhance our core competitiveness for long-term development.

Further expand our production capacity to strengthen our core competitiveness

The industry presents growth potential and prospect. According to Frost & Sullivan, the jewellery market is projected to reach RMB937.0 billion in 2029, with an accelerated CAGR of 5.2% from 2024 to 2029, driven by the Guochao trend, which blends traditional Chinese culture with modern design, as well as increasing consumer demand for personalised and affordable luxury jewellery. In order to capture the rising demand, in addition to our Pujiang Production Base, we plan to construct a new production base with an aggregate site area of not more than 20,000 sq.m. and we expect that our production capacity will be increased upon the establishment of our new production base. The expansion will enable us to further enrich our product offerings and boost our long-term growth. To expand our production capacity as aforementioned, we plan to allocate part of the [REDACTED] of the [REDACTED] of approximately RMB[REDACTED] to expand our production capacity. As at the Latest Practicable date, we had acquired a parcel of land in Shantou, Guangdong Province, the PRC. We plan to commence the construction of the New Production Base by the first half of 2026. For further details, please see the section headed “Future Plans and [REDACTED]”.

OUR BUSINESS MODEL

We have two main businesses: (i) jewellery and (ii) handbags. For each business, we operate on a similar business model that encompasses product development and design, procurement, production and sales through franchise and self-operated stores. Set forth below is an overview of our business model:



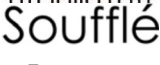
Note:

- (1) We engage external manufacturers to carry out certain production processes and we provide them semi-finished products for their processing.

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OUR BRANDS

潮宏基 CHJ Jewellery stands at the heart of our brand portfolio, representing a harmonious blend of oriental culture and contemporary fashion. To cater to the diverse needs of our customers, we have built a comprehensive brand portfolio centred around 潮宏基 CHJ Jewellery. Our portfolio is designed to appeal to a wide range of customers, spanning different age groups and budget preferences as illustrated in the following table.

Brand	Logo	Major products	Retail price range of major products	Target customer age group
潮宏基 CHJ Jewellery		Classic gold jewellery and fashion jewellery	RMB1,000 to RMB30,000	25 to 45
CHJISoufflé		Fashion jewellery	RMB2,000 to RMB4,000	18 to 35
臻 ZHEN		Tailor-made jewellery and gold and silverware	RMB10,000 or above	35 or above
Cèvol		Lab-grown diamond jewellery	RMB2,000 to RMB20,000	25 to 40 or above
FION		Handbags	RMB600 to RMB2,500	25 to 45

潮宏基 CHJ JEWELLERY

At the core of our business lies “潮宏基 CHJ Jewellery”. Under the brand of 潮宏基 CHJ Jewellery, we have created a variety of collections targeting consumers aged 25 to 45 including “Gliding Radiance” (浮光掠影), “Delightening” (悦己), “Rising Cloud•Filigree Collection” (非遺花絲•雲起), “Ruyi•Filigree Collection” (非遺花絲•如意), “Blissful Circle•Filigree Collection” (非遺花絲•圓滿), “Supreme Gold•Sacred Adornment” (臻金•梵華), “Supreme Gold•Timeless Treasure” (臻金•臻藏) and “Supreme Gold with Diamond” (臻金•臻鑽).

We have partnered with well-known IPs including Sanrio, Doraemon (哆啦A夢), Crayon Shin-chan (蠟筆小新), Maltese (線條小狗), Minions (小黃人) and Butter Bear (黃油小熊), and launched our gold charm bracelet collection, featuring interchangeable charms that allow customers to create personalised accessories. As at the Latest Practicable Date, we had collaborated with 12 IPs. These collaborations resonate with loyal fans and new customers, helping us expand our reach and connect with younger audiences.



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CHJ|Soufflé

CHJ|Soufflé is a gifting-themed jewellery brand, targeting the young consumer demographic aged 18 to 35. With a product portfolio that is fashion-forward and diverse, including gold, K-gold jewellery and diamond pieces and signature packaging design, the brand elevates gift-giving experience. CHJ|Soufflé targets the affordable luxury segment, CHJ|Soufflé offers jewellery primarily priced between RMB2,000 and RMB4,000.



臻 ZHEN

臻 ZHEN is a high-end gold and silverware and jewellery customisation brand that focuses on using traditional gold and silver craftsmanship combined with contemporary Oriental Life Aesthetics (當代東方生活美學). Blending contemporary design and lifestyle needs, 臻 ZHEN offers culturally significant and value-preserving collectibles and is distinctively positioned to target high-spending customers aged 35 or above and high-net-worth families who value family inheritance.



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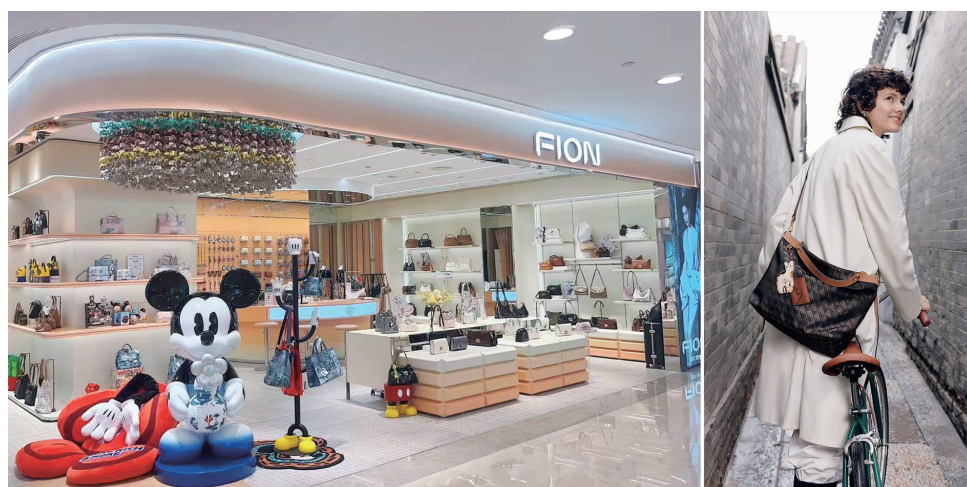
Cëvol

Tapping into the lab-grown diamond jewellery market, in 2023, we launched Cëvol, a new brand under our joint venture with a leading lab-grown gem manufacturer in China. Positioned as jewellery brand mainly targeting young consumers, Cëvol made its official debut with the opening of its flagship store at the landmark BFC Bund Finance Center in Shanghai (上海BFC外滩金融中心). Signature collections include “Born to Shine” (生而閃耀), “C”, “Treasure” (寶藏), and “Wings of Dawn” (拂曉之翼), showcasing the diversity and possibilities of lab-grown diamonds which are comparable with natural diamonds. The brand’s emphasis on creativity, sustainability, and craftsmanship underscores our commitment to innovation that aligns with the growing demand for ethical and sustainable luxury.



FION

FION is a brand dedicated to crafting elegant and refined handbags and accessories targeting the middle-class ladies. FION offers three core collections, namely “Classic Fashion”, the “Monogram” and “IP & Art Collaboration”. The Classic Fashion collection honours traditional leathercraft techniques, preserving the inherent beauty of leather while maintaining practical functionality. The Monogram collection features highly recognisable designs and proprietary materials. The IP & Art Collaboration collection targets younger audiences and families featuring IPs such as Disney’s Mickey Mouse and Universal Studio’s Minions.



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OUR PRODUCTS

During the Track Record Period, we offer jewellery products under our jewellery brands, namely, 潮宏基 CHJ Jewellery, CHJISoufflé, 臻 ZHEN, Cëvol, and handbags under FION. Our jewellery products are categorised into (i) fashion jewellery and (ii) classic gold jewellery. For FY2023, FY2024 and FY2025, our revenue derived from the sales of jewellery was our major source of income, accounted for 89.5%, 91.3% and 94.0% of our total revenue, respectively. The following table sets forth a breakdown of our revenue by product during the Track Record Period:

	Year ended 31 December					
	2023		2024		2025	
	RMB'000	%	RMB'000	%	RMB'000	%
Jewellery						
Sale of products						
— Fashion jewellery ^(Note 1)	2,955,420	50.7	2,943,765	45.6	5,068,073	54.9
— Classic gold jewellery ^(Note 2)	2,237,950	38.3	2,915,720	45.2	3,570,290	38.6
— Others ^(Note 3)	28,112	0.5	32,190	0.5	41,379	0.5
Provision of franchising and related sales services	213,694	3.7	263,006	4.1	291,558	3.2
Subtotal	5,435,176	93.2	6,154,681	95.4	8,971,300	97.2
Handbags						
Sales of products	371,224	6.4	269,598	4.2	220,007	2.4
Provision of franchising and related sales services	459	0.0	460	0.0	587	0.0
Subtotal	371,683	6.4	270,058	4.2	220,594	2.4
Others ^(Note 4)	29,599	0.4	27,702	0.4	45,971	0.4
Total	<u>5,836,458</u>	<u>100.0</u>	<u>6,452,441</u>	<u>100.0</u>	<u>9,237,865</u>	<u>100.0</u>

Notes:

1. Our fashion jewellery refers to jewellery which are designed with higher level of overall artistry, design exclusivity, and brand value. Accordingly, prices of fashion jewellery are determined not only with reference to its cost and craftsmanship fee but also its perceived design and brand value; and therefore they are fixed priced.
2. Our classic gold jewellery refers to jewellery made of pure gold (i.e. fine gold with gold content of 99.0% or above, according to the PRC National Standard No. GB11887). Given they are primarily made of pure gold, prices of classic gold jewellery float and determined mainly with reference to product weight and craftsmanship fee similar to traditional gold jewellery in the market.
3. Other products of jewellery mainly include sale of jewellery component materials and packaging materials to franchisees.
4. Other revenue mainly includes sale of properties and rental income and income generated from material processing services.

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The following table sets forth the average selling price by type of jewellery product during the Track Record Period:

	Year ended 31 December		
	2023	2024	2025
	RMB	RMB	RMB
By product category			
Fashion jewellery	7,049	6,582	5,986
Classic gold jewellery	4,907	5,801	8,329

We have a wide product price range. While the average selling price for FY2025 was around RMB6,000 to RMB8,300, certain top selling collections, such as the golden charm bracelets collection, have lower prices (ranging from RMB500 to RMB5,000) with more than 1,000 SKUs, while certain top selling collections, such as Supreme Gold with Diamond have much higher price range ranging from RMB7,000 to RMB50,000 with fewer than 300 SKUs.

The following table sets forth the number of new SKUs launched during the Track Record Period. As at the Latest Practicable Date, we had over 15,000 SKUs:

	Year ended 31 December		
	2023	2024	2025
New SKUs launched	2,749	3,354	5,658

Fashion Jewellery

We offer fashion jewellery at fixed price, determined not only by weight and labour charge, but the overall artistry, design exclusivity and brand value. Fashion jewellery is crafted from and is made of a variety of materials, including gold, K-gold, diamond, gemstones and jade. We offer a range of fashion jewellery including necklaces, pendants, bangles, bracelets, rings and earrings. Fashion jewellery is predominantly trend-driven, with a strong emphasis on innovative and stylish designs. We employ advanced craftsmanship and techniques such as precision engraving, hollow tubing (空心管製造) and micro pave (微鑲) to create fashion jewellery. Our signature collections of fashion jewellery include “Fortune Bridge•Filigree Collection” (非遺花絲•風雨橋), “Waves•Filigree Collection” (非遺花絲•浪潮), “Forbidden City•Blessing and Prosperity” (故宮文化•福祿), “Essence of Oriental” (京粹), “Cadence of Drum” (鼓韻) and Animation IP “Doraemon” (哆啦A夢) Collection. According to Frost & Sullivan, we ranked the first in the fashion jewellery market in 2024 among all Chinese Mainland-based jewellery companies in terms of revenue.

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Set forth are the signature collections of our fashion jewellery:



Ruyi • Filigree Collection



Waves • Filigree Collection

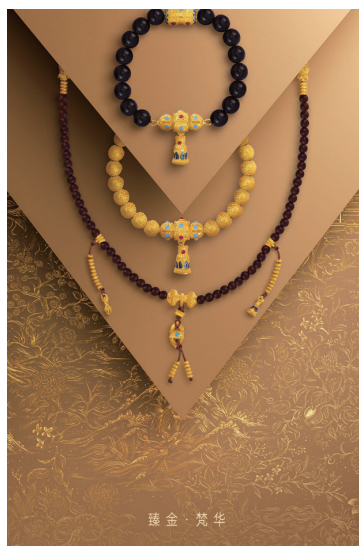


Fortune Bridge • Filigree Collection

Classic Gold Jewellery

We offer classic gold jewellery, which is crafted from pure gold and is priced mainly with reference to weight and labour charge. Our range of classic gold jewellery comprise pure gold accessories such as necklaces, pendants, bangles, bracelets, rings and earrings.

Set forth is the signature collection of our classic gold jewellery:



Supreme Gold



Supreme Gold



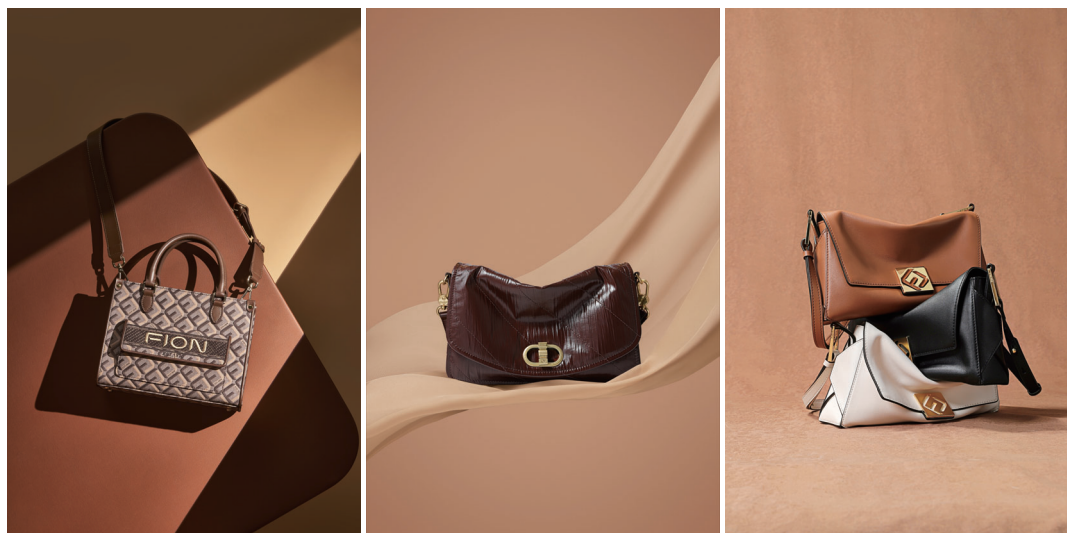
Supreme Gold

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Handbags

Our handbags brand, FION, provides collections of handbags, small leather goods such as wallets and handbag accessories. FION offers three core collections, namely, Classic Fashion Collection, the Monogram Collection and IP & Art Collaboration Collection.

Set forth are the three core collections of FION:



Our Craftsmanship

Filigree Inlay

Filigree inlay art originated in the Warring States Period (475–221 BC) and has historically been controlled and appreciated only by royal families and the imperial class, also known as one of the intangible cultural heritage concepts from the Eight Great Imperial Handcrafts of Beijing (燕京八絕). We are dedicated to pass on the ancient filigree inlay, a national-level intangible cultural heritage (國家級非物質文化遺產). Filigree inlay is a meticulous and intricate traditional craftsmanship that involves creating delicate designs using fine metal threads (filigree) and embedding gemstones or other materials into the metal. The filigree inlay craftsmanship is highly intricate and complex, and can generally be divided into eight major techniques: nipping (掐), plaiting (填), gathering (攢), jointing (焊), piling (堆), layering (壘), weaving (織), and braiding (編).

In our Zhen Museum (臻寶首飾博物館), to demonstrate the heritage craftsmanship of filigree inlay, we created Filigree Fortune Bridge (花絲風雨橋). Inspired by Fortune Bridge (風雨橋), which symbolises shelter and unity in Dong (侗族) ethnic culture, it is an exquisite piece that took five years to complete. With a length of 5.2 metres and a height of two metres, the piece is made of golden and silver filigree threads of approximately 100-kilometre long and inlaid with over 30,000 pieces of gems and precious stones. In 2014, Filigree Fortune Bridge (花絲風雨橋) is announced as the world’s largest piece of filigree work by Shanghai China Records Headquarter.

Hard Gold

Traditionally, pure gold had been less practical for everyday jewellery due to its soft and malleable nature, which limits its durability and design versatility. These inherent characteristics have constrained the use of pure gold in functional jewellery. However, the introduction of hard gold technique has revolutionised the industry. This innovative technique involves a hollow, intricate, and three-dimensional design process, utilising electroplating to enhance the hardness of pure gold. By incorporating this advanced technique into our jewellery production, we are able to create lightweight, delicate, and three-dimensional gold pieces that are both durable and visually striking. While classic gold jewellery is prone

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to scratches and damage over time due to its high ductility, hard gold offers enhanced scratch resistance. Additionally, its hollow design reduces weight, making it more affordable and accessible, particularly appealing to the younger generation seeking modern, stylish, and practical gold jewellery options.

Heritage Gold Craftsmanship

We master heritage gold craftsmanship and techniques such as carving and chasing, enamel work and hollowing and we are committed to their revitalization. We have developed the velvet gold craftsmanship through sandblasting techniques, which gives the surface of traditional ancient-style plain gold bracelets a velvety luster, preserving the artisanal texture while adding a sheen. With our brand 臻 ZHEN, we combine multiple complex ancient techniques, including gold-inlay and chiseling, to create our handcrafted teapot collection such as “Hidden Bamboo 竹隱”.

OUR DESIGN AND PRODUCT DEVELOPMENT

Originality is our priority. We have built a design process and framework that ensures the consistent creation of original and distinctive products, reinforcing our brand’s unique identity in the market. This enables us to launch a high volume of new products annually. As at the Latest Practicable Date, we had 132 collections under 潮宏基 CHJ Jewellery, 33 collections under CHJ|Soufflé and four jewellery collections under 臻 ZHEN. In addition to our in-house design team, we collaborate with external designers to infuse freshness and creativity into our collections.

In-house Designs

While our product design department takes lead in driving our product design and development, we also emphasize involvement of different departments in our design development. Directors from various departments, including brand management department, R&D planning department and product design department hold two meetings annually to determine the strategy and target of new product development for the upcoming Spring/Summer and Fall/Winter seasons. After the R&D planning department identifies trending consumer demand, the product design department integrates insights from bestsellers from leading social media platform and customers’ preferences to develop relevant product design. Product design department shall submit proposal regularly for new collections. Such proposals shall go through rounds of product sketch review and sample review shall be passed before the new design being logged into the product profile. A product launch generally takes around six months from the initial design stage.

Collaborations with designers and IP owners

We collaborate with renowned designers in different fields worldwide to spark creativity and originality for our designs. Since the launch of the Filigree Residency Programme (花絲駐地計劃) in 2018, we invited designers from various fields to participate in our filigree inlay workshop, where they exchange ideas and experience with our master artisans of filigree.

During the Track Record Period, we collaborated with eight external designers including Oki Sato, Jacques Wei and MING DESIGN STUDIO, bringing our art of filigree to the global stage. Intellectual property rights for these designs and creations under collaborations agreements between our external designers and us belong exclusively to us.

For IP collaborations, as at the Latest Practicable Date, we have curated 12 IPs, including Sanrio’s Kuromi (酷洛米), My Melody (美樂蒂), Cinnamoroll (玉桂狗), Hangyodon (人魚漢頓), Pompompurin (布丁狗), Doraemon (哆啦A夢), Crayon Shin-chan (蠟筆小新), Maltese (線條小狗), Butter Bear (黃油小熊), Mofusand (鯊魚貓), as well as Universal Studios’ Minions (小黃人) and Jurassic Park (侏羅紀公園).

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Below is a summary of the salient terms of the agreements entered into between IP owners and us:

Term	:	Generally range from one to three years
Rights and obligations	:	We may manufacture, produce, package, market and sell products in authorized forms which may contain different design elements of the IPs, including portraits, logos, characters, names, and visual representations. To avoid infringement of intellectual properties of IP owners, we are required to submit sample products to IP owners for their approval before launch of products.
Authorised forms of products	:	The agreements specify categories of products on which the IPs can be used, such as 24k gold jewellery, 18k gold jewellery, gold bars.
Fees and payment	:	We will need to pay the IP owners royalty fee. Generally, the royalty is calculated based on (i) a certain percentage of total sales of relevant products or (ii) a fixed royalty fee per piece of jewellery in a specified period. Generally, we are also subject to a minimum annual royalty fee or deposit payable to the IP owners, which may be offset with the royalty fee. Settlement of royalty fee is generally made on a quarterly or annual basis.
Authorised channels of distribution	:	We are authorized to sell our products with IPs in online and physical stores.

Below is a summary of the salient terms of the agreements entered into between the external designers and us:

Term	:	Generally within six months
Rights and obligations	:	The design shall create the agreed number of jewellery designs within the term of agreement.
Fees and payment	:	We shall pay the designers a fixed design fee according to the payment schedule stipulated in the agreement.
Ownership of intellectual properties	:	The intellectual property rights of the design works under the agreements (including but not limited to design drawings, design proposals, design documents, design drafts, molds, samples, finished products, semi-finished products, etc.) shall belong to us. We have the right to apply for patent rights and copyright registration in our name.
Use of portraits and name of designer for marketing purpose:	:	We have the rights to use portraits and names of designers for marketing purpose and we have the rights to clip, edit, modify, and adapt the aforementioned marketing materials that feature the designers' portraits.
No infringement of intellectual properties	:	External designers undertake that all products designed by them, including drawings, visual presentations, audio-visual files, prototypes developed at any stage of product development process, have not been published previously and are neither identical nor similar to products in the same or similar industries.

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Our product development and product launch framework

Our product development system is user-centric, build upon the three essential elements of (i) user scenario, (ii) design elements and (iii) craftsmanship and materials.

- User scenario — We start our product development process by analysing purchase scenario. From understanding the context and occasion where purchase occurs, we gain useful insights of different dimensions of our customers’ profiles and consumption mentality to develop designs which are relevant to the latest trend.
- Design elements — Through a modern interpretation of traditional culture, we convey auspicious symbolism with our designs which build a distinct brand identity.
- Craftsmanship and materials — We combine ancient techniques, such as filigree inlay, carving and chasing, enamel work, with modern technologies like 3D printing for material and functionality innovation.

To support our product sales, we have a structured product launch framework that encompasses the life cycle of a product launch:

- Pre-launch — We organise cross-departmental pre-launch training and franchisee onboarding to make sure our stores in our sales network will be able to deliver a rollout of new products consistently as contemplated.
- Execution and Post launch — To minimise erosion of attractiveness and ageing of product appeal, we conduct active product lifecycle management by making with biannual seasonal launch (“Spring/Summer” or “Fall/Winter”) and strategic reiteration of our core products. We enrich our product portfolio through a tiered classification system that aligns products with clearly defined market objectives. Leveraging customer feedback and sales data, we carry out precise design refinements and launch reiterated collections and products in a sequence that aim for sustained market relevance and growth. Furthermore, to assist each of our stores to sustain sales momentum, we closely monitor and support stock replenishment and provide other in-store support such as display optimisation, sales coaching and post-launch review.

FION

For FION, the majority of our products are designed in-house, while a small proportion are developed in collaboration with external designers. During the Track Record Period, we launched approximately 350 to 400 new products each year. Our sales department works closely with the design team to communicate the latest market demands and trends. To ensure market readiness, we conduct small-batch sales to test consumer response. Products that demonstrate strong sales performance during this trial phase are then commercially launched on a larger scale.

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SALES NETWORK

Revenue by Sales Channel

The table below sets forth the breakdown of our revenue by sales channel during the Track Record Period:

	Year ended 31 December					
	2023		2024		2025	
	RMB'000	%	RMB'000	%	RMB'000	%
Jewellery						
Self-operated stores	1,880,659	32.2	1,798,619	27.9	1,943,096	21.0
Franchise network	2,397,561	41.1	3,224,179	50.0	5,796,212	62.7
Online sales channels	1,022,391	17.5	941,746	14.6	966,275	10.5
Others ^(Note 1)	134,565	2.4	190,137	2.9	265,717	3.0
Subtotal.	5,435,176	93.2	6,154,681	95.4	8,971,300	97.2
Handbags						
Self-operated stores	118,480	2.0	92,714	1.5	83,021	0.9
Franchise network	83,666	1.4	60,109	0.9	44,153	0.5
Online sales channels	169,537	3.0	117,235	1.8	93,420	1.0
Subtotal.	371,683	6.4	270,058	4.2	220,594	2.4
Others ^(Note 2)	29,599	0.4	27,702	0.4	45,971	0.4
Total	5,836,458	100.0	6,452,441	100.0	9,237,865	100.0

Notes:

- Others refer to the tailor-made products sold to corporate customers.
- Other revenue mainly includes sale of properties, rental income and income generated from material processing services.

Revenue by Different Online Sales Channel

The table below sets forth the breakdown of our revenue by (i) self-operated online stores and (ii) sales to online platforms during the Track Record Period:

	Year ended 31 December					
	2023		2024		2025	
	RMB'000	%	RMB'000	%	RMB'000	%
Jewellery						
Self-operated online stores	756,315	74.0	707,936	75.2	722,801	74.8
Sales to online platforms	266,076	26.0	233,810	24.8	243,474	25.2
Total	1,022,391	100.00	941,746	100.00	966,275	100.00
Handbags						
Self-operated online stores	139,941	82.5	91,098	77.7	60,076	64.3
Sales to online platforms	29,596	17.5	26,137	22.3	33,344	35.7
Total	169,537	100.00	117,235	100.00	93,420	100.00

Given that, (i) for each year during the Track Record Period, the single largest online platform (where we operate self-operated online stores to sell products directly to consumers) in terms of revenue contribution had contributed only 7.8%, 6.6% and 4.9% of our Group's total revenue and (ii) total revenue from online sales channels represented not more than 25% of our Group's total revenue, our Directors consider that there is no concentration of revenue from any single online platform.

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Revenue by geographical regions

The table below sets forth the breakdown of our revenue by geographical regions during the Track Record Period:

	Year ended 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Chinese Mainland	5,817,283	6,426,039	9,069,563
Hong Kong	7,966	7,031	142,780
Other countries/regions	11,209	19,371	25,522
Total revenue	<u>5,836,458</u>	<u>6,452,441</u>	<u>9,237,865</u>

Notes:

- The revenue information above is based on the locations of the subsidiaries. Accordingly, in relation to overseas operation, other countries/regions included Singapore and Malaysia only as we had not established subsidiaries in Thailand and Cambodia (although we had franchised jewellery stores in Thailand and Cambodia during the Track Record Period). Since franchisees of the franchise stores in Thailand and Cambodia made their purchase with our subsidiary in Hong Kong, such revenue has been included in revenue generated from Hong Kong.

Key Operating Data

The table below set out certain key operating data of our Group:

	Year ended 31 December		
	2023	2024	2025
Jewellery			
Total number of franchisees as at end of the year	737	814	943
Direct franchisees	529	594	708
Sub-franchisees	195	205	220
Regional franchisees	13	15	15
Total number of franchise stores as at end of the year	1,125	1,272	1,486
operated by direct franchisees	840	968	1,177
operated by sub-franchisees	217	236	247
operated by regional franchisees	68	68	62
Total number of self-operated stores as at end of the year	274	239	184
Number of online sales platforms as at the end of the year	15	16	14
Optimal production capacity (kg) for the year	3,420	3,744	4,140
Utilisation rate for the year	113.9%	110.9%	140.6%
Handbag			
Total number of franchisees	31	28	32
Total number of self operated and franchise stores .	314	251	195
Number of online sales platforms as at the end of the year	12	11	12

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	Year ended 31 December			
	2023	2024	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000
Jewellery				
Average same-store sales in terms of GMV of				
franchise stores	6,882	7,852	8,114	10,941
self-operated stores	9,340	9,479	11,426	14,946
Hangbag				
Average same-store sales in terms of GMV	1,296	1,014	1,141	985

Offline Sales of Jewellery

As at 31 December 2025, we had a total of 1,659 offline jewellery stores covering over 200 cities in China comprising 183 self-operated stores and 1,476 franchise stores. In addition, as at 31 December 2025, we had 11 overseas stores comprising one self-operated store in Malaysia, one franchise store in Singapore, two franchise stores in Malaysia, four franchise stores in Thailand and three franchise stores in Cambodia. We employ a dual approach of self-operation and franchising to establish our points of sale. We believe this hybrid model allows us to leverage the advantages of both operational strategies, by combining the control and consistency of self-operated outlets with the scalability of franchised locations.

Our Site Selection Strategy

We have strategically built a widespread retail presence across China, with a multi-tier city presence that enhances our brand visibility and drives business growth. The table below sets forth the number of our jewellery stores according to their geographical locations during the Track Record Period:

	As at 31 December					
	2023		2024		2025	
		%		%		%
China						
Tier-1 cities	133	9.5	180	11.9	217	13.0
Emerging Tier-1 cities	419	29.9	442	29.3	500	29.9
Tier-2 cities	301	21.5	325	21.5	343	20.5
Tier-3 cities	317	22.7	314	20.8	335	20.1
Tier-4 and lower cities	229	16.4	248	16.4	264	15.8
Overseas	—	—	2	0.1	11	0.7
Total	1,399	100.0	1,511	100.0	1,670	100.0

To minimise cannibalisation, we adhere to our systematic approach in site selection to minimise unhealthy competition among our existing and new stores, especially in the districts where we have a more concentrated presence. We will analyse market demand of the relevant region, taking into account the density of existing franchise stores and/or self-operated stores. Moreover, opening of new stores must align with our overall planning and brand positioning. Our market expansion department and regional managers will conduct on-site evaluations and assessments. Our on-site evaluation covers various aspects such as whether the proposed location is a central business district, the position of the relevant shopping malls, consumer traffic, brands and shops assortment in the same mall, as well as the positioning, size, and commercial terms of the new store.

In addition, according to the terms in our standard franchise agreement, franchisees are required to sell our products at our nation-wide standardised prices, unless otherwise authorised by us in writing, to avoid potential price competition between franchisees and our self-operated stores. Furthermore, it is a standard term of our franchise agreement that franchisees can only engage in sales in the designated region. Non-compliance of such term will entitle us to terminate the franchise agreement with the relevant franchisee, which in turn allows us control unhealthy competition among our franchisees.

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Although (i) we have devised an effective approach in site selection with multiple measures to prevent cannibalisation and (ii) same-store sales of both self-operated and franchise stores were on an increasing trend during the Track Record Period, we cannot assure that new stores will not cannibalise the business of our existing stores, see “Risk Factors — Risks Relating to Our Business and Industry — We may not be able to effectively manage any potential competition among our self-operated stores and franchise stores”.

Self-operated Stores of Jewellery

We adopt a balanced approach to expand our sales network that aims to maximise coverage leveraging the franchise model while maintaining a strategic growth of self-operated stores.

Arrangements with shopping malls

We established our self-operated stores in diversified locations in the PRC. We have maintained stable relationships with the shopping malls given our outstanding sales performance, which benefits us in lease renewal and securing prime locations for our stores. Depending on the preferences of the relevant landlords/developers, we establish our self-operated stores under (i) concession agreements which sales proceeds of our products are collected by the shopping malls on our behalf and (ii) lease agreements which we operate the stores directly and collect the sales proceeds from consumers. As at 31 December 2023, 2024 and 2025, we had 200, 160 and 120 self-operated stores under concession agreements, respectively. Since securing suitable locations is our priority, we will enter concession or lease agreement with the relevant landlords/ developers as they preferred, so long as the commercial terms are acceptable. The following sets forth a summary of the typical salient terms of our lease agreements and concession of the shopping malls:

	Lease Agreement	Concession Agreement
Term	Typically, one year to five years, renewable upon mutual agreement	Typically, one year
Rent/Concession Fee	Concession fee is the higher of (i) a minimum monthly rent/concession rate and (ii) a fixed percentage of the monthly sales of the store, with a different percentage applied for different categories of jewellery sold.	
Minimum Sales Target	No minimum sales target	
Other Fees	A fixed amount of management fees and cleaning fees are paid to the shopping malls. A fixed deposit, generally of not more than RMB500,000, which is refundable upon the expiration of the concession agreement is paid to the shopping malls. Utilities are paid according to the usage.	
Collection of Sales Proceeds	Sales proceeds are typically collected by us.	Sales proceeds are collected by the shopping malls.
Payment and Settlement	We invoice end customers for the sales of our products. On a monthly/quarterly basis, we pay the shopping malls rent and other fees.	Shopping malls pay us sales proceeds after deducting the concession fee and other fee on monthly basis.
Termination	Terminable by both parties upon mutual consent or by either party upon material breach of agreement of the counter party.	

During the Track Record Period and as at the Latest Practicable Date, no lease or concession agreement had been terminated by shopping malls for our breach.

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Number of our self-operated stores

The table below sets forth the changes in the number of the self-operated jewellery stores during the Track Record Period:

	<u>FY2023</u>	<u>FY2024</u>	<u>FY2025</u>
Beginning of the financial year	324	274	239
Additions	15	19	8
Closures	(24)	(28)	(28)
Conversions ^{Note}	(41)	(26)	(35)
Net increase/(decrease)	<u>(50)</u>	<u>(35)</u>	<u>(55)</u>
 End of the financial year	 <u>274</u>	 <u>239</u>	 <u>184</u>

Note: Conversions refer to self-operated stores being converted to franchise stores. As at 31 December 2025, we had one overseas self-operated jewellery store.

During the Track Record Period, there was general net decrease in the number of our self-operated stores. One of the major reasons for the net decrease was the conversion from self-operated stores into franchise stores. We assessed whether the conversion to a franchised model would enhance business development in the respective region by assessing whether the revenue generated through franchising was likely to exceed that of self-operation due to the deeper knowledge of the local market of the relevant franchisees (who takeover the self-operated store) and such conversion allows us to streamline our operation and transfer business risks to our franchisees. Where we estimate that our profit from the converted store will exceed our profit should the relevant store remain to be self-operated, we will accept the conversion according to our internal policy. Closure of self-operated stores was due to the closure of the shopping malls which the stores were located or because the performance of shopping malls fell below expectation or the stores were not profit-making.

Same-store sales of our self-operated stores

The table below sets forth the details of our average same-store sales in terms of GMV of our self-operated stores during the Track Record Period:

	<u>Year ended 31 December</u>			
	<u>2023</u>	<u>2024</u>	<u>2024</u>	<u>2025</u>
Number of same self-operated stores ^{Note}	219		169	
Average same store sales in terms of				
GMV of our self-operated stores (RMB'000)	9,340	9,479	11,426	14,946
Year-to-year growth rate (%)	1.5		30.8	

Note: Referring to stores that were opened for more than 300 days in both of the two years under comparison.

For FY2023 and FY2024, due to the moderation of consumer spending after the sharp rebound in FY2023, average same-store sales growth slowed down. For FY2023 and FY2024, average same-store sales grew by 1.5% from RMB9.3 million to RMB9.5 million. For FY2024 and FY2025, we had 169 same stores and average same-store sales increased significantly by 30.8% due to the successful launch of new products in our signature series including *Animation IPs collection*, *Filigree Collection* and *Supreme Gold Collection* well-received by customers and strengthened sales training for our staff.

Initial Breakeven Period and Investment Payback Period

The initial breakeven period represents the period from the opening of a self-operated store to the time when it records monthly net profit for the first time. We measure the initial breakeven period of our self-operated stores by their respective revenue, costs and expenses, which primarily include the costs of the jewellery products sold, rental expenses, renovation expenses, and staff costs. Our initial breakeven period of our self-operated stores was within one month.

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The investment payback period for a self-operated store represents the time it takes for the accumulated net profit attributable to us from the relevant self-operated store to recover the initial investment. We measure the initial investment of our self-operated stores by cash used for renovation, but excluding cash used for preparing gold inventories and lease deposits. Our investment payback period was approximately nine months.

Loss-making self-operated stores

	<u>FY2023</u>	<u>FY2024</u>	<u>FY2025</u>
Number of Loss-making Stores	25	45	8
Amount of Losses by Stores (RMB'000)	(5,003)	(7,275)	(765)
Total Revenue of self-operated stores (RMB'000)	<u>1,880,659</u>	<u>1,798,619</u>	<u>1,943,096</u>

Franchise stores of jewellery

We believe our business model which integrates franchise stores and self-operated stores allows us to expand rapidly in targeted markets by leveraging sales capabilities, local commercial resources and understanding of local markets and consumer preferences of our franchisees. We adopt a two-tier franchise model to expand our franchise network effectively that in addition to franchisees who are directly procured and supervised by us (“**direct franchisees**”), we also have regional franchisees (“**regional franchisees**”) who, in addition to operate franchise stores, are also responsible for the key objective of procuring sub-franchisees (“**sub-franchisees**”) in designated provinces leveraging their local connections and cultural affinity. While regional franchisees also participate in the supervision of sub-franchisees, we retain direct control and supervision by entering franchise agreements directly with sub-franchisees procured by regional franchisees and sub-franchisees procure products directly from the Group.

For our jewellery business, generally, sales to our franchisees (including direct franchisees, regional franchisees and sub-franchisees) are buyout sales, which means that we recognise revenue for sale of products is recognized at the point in time when control of the asset is transferred to the franchisees (instead of the end consumers), generally on delivery of the jewellery and handbags to the franchisees. From time to time, to foster sales of our products and support franchisees’ marketing activities, we may lend and deliver our products for franchisees to display; and franchisees may purchase such products and settle with us after they re-sell such products to their customers.

The table below sets forth the breakdown of revenue by types of franchisees during the Track Record Period:

	For the year ended 31 December					
	2023		2024		2025	
	RMB'000	%	RMB'000	%	RMB'000	%
Direct franchisees	1,928,411	80.4	2,572,908	79.8	4,535,822	78.3
Regional franchisees	121,595	5.1	164,745	5.1	336,396	5.8
Sub-franchisees	347,555	14.5	486,526	15.1	923,994	15.9
Total	<u>2,397,561</u>	<u>100.0</u>	<u>3,224,179</u>	<u>100.0</u>	<u>5,796,212</u>	<u>100.0</u>

As at 31 December 2025, we had 708 direct franchisees, 15 regional franchisees and 220 sub-franchisees. According to Frost & Sullivan, our two-tier franchise model is a common market practice in the gold jewellery industry in the PRC. We believe that by partnering with regional franchisees, who will co-supervise their sub-franchisees with us will allow us to expand our sales network efficiently as we can utilise the managerial resources and knowledge of our regional franchisees.

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As at 31 December 2025, we had contracted 943 franchisees. Our franchisees include sole proprietorship and corporate entities. The table below sets forth the changes in the number of our franchisees (including regional franchisees) during the Track Record Period:

	For the year ended 31 December		
	2023	2024	2025
Beginning of the year	547	737	814
Additions	302	312	341
Cessations	(112)	(235)	(212)
Net increase	190	77	129
End of the year ^{Note}	737	814	943

Note: The number of franchisees includes regional franchisees engaged by us during the relevant year as indicated.

While certain franchisees are under common control of individuals, on a consolidated basis, no single actual controller contributed to more than 3.0% of the revenue for each year during the Track Record Period. The following table sets forth the details of our top 10 franchisees in each year during the Track Record Period:

FY2023

Rank	Franchisees	Revenue contribution (RMB'000)	Revenue contribution %	No. of franchise stores as at the end of the same year
1	Franchisee A	117,580	2.0	30
2	Franchisee B	35,410	0.6	12
3	Franchisee C	32,570	0.6	15
4	Franchisee D	29,030	0.5	7
5	Franchisee E	27,944	0.5	7
6	Franchisee F	27,010	0.5	10
7	Franchisee G	25,095	0.4	8
8	Franchisee H	21,605	0.4	3
9	Franchisee I	21,224	0.4	7
10	Franchisee J	19,388	0.3	10

FY2024

Rank	Franchisees	Revenue contribution (RMB'000)	Revenue contribution %	No. of franchise stores as at the end of the same year
1	Franchisee A	135,882	2.1	25
2	Franchisee K	50,102	0.8	14
3	Franchisee G	40,916	0.6	15
4	Franchisee L	36,337	0.6	6
5	Franchisee C	36,144	0.6	14
6	Franchisee I	32,660	0.5	10
7	Franchisee B	27,737	0.4	11
8	Franchisee M	26,914	0.4	6
9	Franchisee F	26,767	0.4	11
10	Franchisee H	24,864	0.4	5

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FY2025

Rank	Franchisees	Revenue contribution (RMB'000)	Revenue contribution %	No. of franchise stores as at the end of the same year
1.	Franchisee A	188,200	2.0	23
2.	Franchisee N	101,588	1.1	17
3.	Franchisee B	64,933	0.7	12
4.	Franchisee O	63,275	0.7	6
5.	Franchisee P	62,383	0.7	8
6.	Franchisee Q	57,143	0.6	5
7.	Franchisee R	56,686	0.6	7
8.	Franchisee C	55,319	0.6	12
9.	Franchisee S	51,261	0.6	8
10.	Franchisee M	48,061	0.5	6

Given that (i) none of the largest franchisees, which included for each year during the Track Record contributed more than 2.1% of our Group’s total revenue, (ii) on a consolidated basis, no single actual controller contributed to more than 3.0% of the revenue for each year during the Track Record Period and (iii) we are not prohibited to procure direct franchisees in regions covered by regional franchisees, we consider that we do not rely on any single regional franchisee.

Number of franchise jewellery stores

Set forth below is the changes in the number of our franchise jewellery stores during the Track Record Period:

	For the year ended 31 December		
	2023	2024	2025
Beginning of the year	834	1,125	1,272
Additions	367	308	294
Cessations	(76)	(159)	(115)
Conversions ^{Note}	—	(2)	35
Net increase	<u>291</u>	<u>147</u>	<u>214</u>
End of the year	<u>1,125</u>	<u>1,272</u>	<u>1,486</u>

Note: Conversions refer to franchise stores being converted to self-operated stores. As at 31 December 2025, we had 10 overseas franchise jewellery stores.

During the Track Record Period, there was an overall net increase in the number of our franchise stores. In particular, due to the recovery of market sentiment which led to an increase in demand for jewellery, there was a sharp net increase of 291 franchise stores in FY2023. Although such growth slowed down in FY2024 coinciding with the widespread closures of jewellery stores in the PRC in FY2024 which discouraged franchisees to open new stores, we maintained growth and recorded a net increase of 147 stores in FY2024. As we continue to augment our brand awareness with new products that gained popularity and optimise our operation, the number of our franchise stores continued to grow and reached 1,486 as at 31 December 2025.

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Same-store sales of our franchise jewellery stores

The table below sets forth the details of our average same-store sales in terms of GMV of our franchise stores during the Track Record Period:

	Year ended 31 December			
	2023	2024	2024	2025
Number of same franchise stores ^{Note}	701		943	
Average same-store sales in terms of GMV of our franchise stores (RMB'000)	6,882	7,852	8,114	10,941
Year-to-year growth rate (%)	14.1		34.8	

Note: Referring to stores that were open for more than 300 days in both of the two years under comparison.

During the Track Record Period, same-store sales in terms of GMV of our franchise stores was on an overall increasing trend. For FY2023 and FY2024, same-store sales in terms of GMV of our franchise stores grew by 14.1% from RMB6.9 million to RMB7.9 million. For FY2024 and FY2025, same-store sales growth surged to 34.8% from RMB8.1 million to RMB10.9 million as a result of the successful launch of new products in our signature series, including *Animation IPs collection*, *Filigree Collection* and *Supreme Gold Collection*, well-received by customers and strengthened sales training for our staff.

Selection of franchisees

Selecting suitable franchisees is crucial to our business growth. We conduct a thorough and systematic process to evaluate potential franchisees. Our key assessment criteria include financial strength of potential franchisees, experience in retail sales and management, understanding of our brands, network and other commercial resources and reasons of joining us. We will also assess the suitability of the new store location proposed by the franchisee. Key criteria for such assessment include position of shopping mall, average daily traffic, whether there are any other jewellery brands in the same mall, proposed size of our franchise store, buying power of the neighbourhood. It is our policy that each application by potential franchisees will need to go through approvals from different departments and management, including our regional managers, franchise management department as well as our general manager.

Management of franchisees

Our franchisees shall not use our business know-how trademarks, or logos outside the designated ambit and shall not open or operate any stores or accounts on the internet bearing our trademarks or logos. Franchisees are also prohibited from registering company names or trademarks bearing our trademarks or business names or any similar names that may mislead any association with our brand. Also, franchisees are not allowed to open or operate any storefront or account that carry our trademarks and logos and they are not allowed to sell products from third-party brands.

(i) Selling price

We adopt uniform selling prices across all of our offline stores, including all franchise stores and self-operated stores. Franchisees are not authorised to determine the selling prices of products. All products must be sold at the prices set by us and franchisees must not alter product prices or engage in discount sales without our consent. Also, franchisees must seek our approval before they initiate promotional activities including sale with discount. To maintain consistent retail prices across self-operated stores and franchise stores, all products supplied by suppliers must undergo quality inspection, tagging of price tags and admission into our centralised IT system before delivering to franchise stores. Accordingly, coupling with store check-ins and evaluations during which stock take and inspection of products would be carried out, we are able to ensure pricing across different stores are consistent.

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(ii) Store design and image

We require our franchisees to maintain a unified image of our brand. Our franchisees are required to decorate the franchisee store following our internal protocols. Our guidance is comprehensive covering aspects such as store decoration, product packaging materials, light box panels and promotional materials (such as billboards, point of sale displays, and banners).

(iii) Store check-ins and evaluation

We have established a systematic and comprehensive store check-in and evaluation mechanism to guide and supervise our store operations. We have a team of regional general managers, functional division managers and regional managers, who are trained and tasked to conduct site visits on a regular basis and to provide guidance to facilitate franchisees’ store operations and check in the stores assigned to them. To keep proper evaluation trail and record which is essential for performance analysis and forming specific and actionable feedback for our stores, our integrated management platform, CHJ Data Assistant System, has integrated functions that allow us to monitor and manage critical points of store operations, ranging from inventory management, sales to customer relationships.

Regional managers and store supervisors conduct onsite spot checks for randomly selected stores. Our store check-in covers various aspects, including:

- *People* — service and store management are critical for maintaining our brand image and customer satisfaction. Our evaluation therefore include appearance and demeanour of store staff, familiarity with our standardised operation procedures and products, store staff’s proficiency in presenting our products as well as understanding of our brand culture.
- *Inventory* — together with franchise store manager, we assess and analyse store sales performance in order to identify popular and unpopular items to optimise product assortment. We also assess and provide recommendations on product assortment and counter displays, with a focus on ensuring product display and labelling comply with standards and prevent occurrence of unauthorised mixing of product from third-party brands. Stocktake and inspection of product details, such as whether product tags are correctly tagged and whether products in store match inventory record on our centralised system, will be carried out during store check-ins.
- *Store and its surroundings* — we do not only assess in-store environment but also closely monitor external changes in surroundings such as openings of new jewellery shops and changes in layout and traffic of the shopping mall where our franchise store is located.

During the Track Record Period and up to the Latest Practicable Date, there were no material breaches of franchisee agreements or instances of misconducts by franchisees that had a material impact on our Group.

Franchise Agreements

To control and supervise our franchisees directly and effectively, we do not only enter into franchise agreements with direct franchisees and regional franchisees but also with sub-franchisees procured by regional franchisees. Since the key terms of the franchise agreements we entered into with our sub-franchisees are generally the same as those we entered into with our direct franchisees, the franchise agreements entered into between our sub-franchisees and us have already allowed us sufficient control over every necessary aspects in the operation of the relevant franchise stores (opened by the sub-franchisees) in the same manner as the way we control our direct franchisees and we enjoy the same degree of protection and control. Similarly, breaches or violations by terms and conditions by sub-franchisees would entitle us to terminate the franchise agreement. Therefore, while our franchise agreements with regional franchisees and sub-franchisees do not prohibit regional franchisees and sub-franchisees to enter into separate agreement between them, we consider that the absence of such prohibition would not affect our control over our sub-franchisees.

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Agreements with direct franchisees and sub-franchisees

Direct franchisees and sub-franchisees have the same tasks and roles, that is to sell our products; and unlike regional franchisees, they are not bound to procure more franchisees to join our sales network. Accordingly, direct franchisees and sub-franchisees follow the same terms and conditions in general.

Set forth below is a summary of the salient terms of our franchise agreements with our direct franchisees and sub-franchisees:

Duration We enter into franchise agreements with a general term of one to three years which is renewable upon expiry.

Fees and deposit We charge the following fees and deposit under the franchise agreement:

- *Franchise fee* — We charge a non-refundable one-off franchise fees to licence and authorise the franchisees to leverage our brand, business model and support to conduct their business, depending on the location of the franchise stores.
- *Fixed deposit* — We charge one-off fixed deposit per store at the signing of the franchise agreement to ensure their full compliance with the franchise agreement. Such deposit will be refunded to our franchisees six month after the expiration (absent renewal) of the franchise agreement if there has not been any breach of the agreement.
- *Management fee* — We generally charge a monthly management fee per store.
- *IP authorisation fee* — We charge an annual fee for the authorised sale of each collaborative IP collection per store for one collection.

Admittance of products from third-party Authorized Suppliers Our franchisees may sell products produced by our Authorized Suppliers. For any purchase of products from Authorized Suppliers, we will charge royalty fee calculated based on number of pieces different categories of products. For franchise agreements entered or extended in August 2025 or after, the annual amount of pure gold products purchased from Authorized Suppliers shall not exceed 40% of the total annual purchase amount (being the aggregate of purchase from our Group and from Authorized Suppliers) of the franchisees.

Products from Authorized Suppliers are generally categorised into gold products sold by weight, gold products by piece, 18k gold products and gem-set products.

Minimum purchase amount We set an annual minimum purchase amount for our franchise stores. Purchase from third-party Authorized Suppliers is not counted towards the minimum purchase amount.

A grace period for re-complying the requirement will be given to franchisees who cannot achieve minimum purchase target. We are entitled to forfeit deposits in full or in part where such non-compliance persists.

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Minimum inventory level and balance	To ensure there is sufficient stock available in store to meet demand of end customers, generally, we set a minimum inventory balance that franchisees are required to maintain throughout the term of franchise agreement. Since this requirement focuses on satisfying end consumers’ demand (but not on generating new revenue for our Group), unlike the minimum purchase amount requirement as aforementioned, purchase from third-party Authorized Suppliers is counted towards the minimum inventory level and balance. Similar to minimum sales target, a grace period for re-complying the requirement will be given to franchisees who cannot meet this requirement; and we are entitled to forfeit deposits in full or in part where such non-compliance persists. We monitor inventory level through our integrated management platform, CHJ Data Assistant System, which is a centralised system that records inventory data of all stores, including franchise stores and regular store check-ins during which stocktake will be conducted.
Store location	Our franchisees are required to operate the franchise store only in our approved premises, and not on online platforms, in order to minimise malicious competition among franchisees.
Settlement terms and credit period	Franchisees are usually required to pay a deposit of 30% at the time of placing order and balance should be paid seven days before delivery of products. In other words, franchisees are required to make payment in full except when credit period is granted. To maintain our relationships with franchisees, we regularly assess our franchisees credibility and performance and may grant credit period to franchisees who meet our credit assessment. In general, franchisees will be granted a credit period of 14 days. For long term franchisees with sound creditworthiness, we may approve a revolving balance with a credit period of 90 days, which will be reviewed annually.
Retail price and discount	We set a nation-wide standardised retail price for our products, which franchisees must follow unless authorised otherwise. Our franchisees shall seek prior consent from us before participating or holding any promotional activities.
Product return and exchange	While franchisees are not allowed to return products absent quality issue, they may exchange certain categories of unsold stock for new stock. To support new store opening, we allow franchisees to exchange unsold stocks with a worth of certain percentage of their first purchase order. Subsequent to opening, in general, franchisees may exchange unsold stock for new stock with a worth up to a specified percentage of the purchase (at retail prices) made by such franchisee in the immediately preceding year. We will also charge a handling fee for such exchange. According to Frost & Sullivan, our product return and exchange policy is in line with industry practice.

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Agreements with regional franchisees

With their local knowledge and network, regional franchisees allow us to expand into new territories more effectively and therefore, under their agreements with us, regional franchisees are not only tasked to sell our products in franchise store operated by themselves, but also to expand our sales network by identifying, procuring and supervising sub-franchisees. From the perspective of the sub-franchisees, a regional franchisee can provide a more efficient pathway to successfully running their jewellery business by providing localised support than working directly with us, who is distant and may not understand their needs as much as regional franchisees.

Set forth below is a summary of the salient terms of our franchise agreements with our regional franchisees:

Duration We enter into franchise agreements with a general term of two or three years which is renewable upon expiry

In relation to franchise stores operated by regional franchisees

Fees and deposit To motivate our multi-tasked regional franchisees who are not only responsible for selling our products but also procuring and co-supervising sub-franchisees and thereby expanding our sales network which is of strategic importance in a long run, we charge fees and deposit similar to direct franchisees but at a lower amount:

- *Franchise fee* — a specified franchise fee per store
- *Fixed deposit* — Regional franchisees are required to pay deposits for franchise stores opened and operated by them
- *Management fee* — We generally charge a monthly management fee per store
- *IP authorisation fee* — We charge an annual fee for the authorised sale of each collaborative IP collection.

For the other major terms in relation to franchise stores operated by regional franchisees, they are generally the same as those of direct franchisees and sub-franchisees.

In relation to franchise stores operated by sub-franchisees procured by regional franchisees

Minimum number of franchise stores to be opened. To diversify our franchisees base, for regional franchisees, we set a target number of stores to be opened by regional franchisees through sub-franchisees they procured within the task period specified in the agreement, which usually last for one year.

Minimum purchase to be made by regional franchisee and its sub-franchisees. Depending on the minimum number of franchise stores to be opened by sub-franchisees, we set minimum purchase to be made by regional franchisee and its sub-franchisees (excluding gold products sold by weight and products from Authorized Suppliers) within the specified task period, which usually last for one year.

At the end of the task period, if regional franchisee is unable to meet 80% of its target number of stores, such regional franchisee will be subject to a penalty for each store in short.

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Income sharing We set an income sharing threshold that is linked to our jewellery sales to the regional franchisees and sub-franchisees procured by them. Upon passing such threshold, regional franchisee will be entitled for a sharing of a specified percentage of our sales (to such regional franchisee and sub-franchisees) as well as joining fee we received from sub-franchisees (procured by the relevant regional franchisees) during the same task period.

Payment of the shared income will be paid within 10 days after the end of the task period.

The table set forth the amount of different types of franchise fees of our jewellery segment collected during the Track Record Period:

	Year ended 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Franchise fee	26,189	23,476	26,474
Royalty fee for admittance of products from Authorized Suppliers.	67,317	98,988	110,254
Management fee	32,492	42,346	49,627
IP authorization fee and others	87,695	98,196	105,202
Total	213,694	263,006	291,557

Admittance of products from third-party authorised suppliers

We allow franchisees to procure jewellery products from us or our Authorized Suppliers in franchise stores under our brand. We maintain a list of Authorized Suppliers who have undergone our evaluation. Leveraging our expertise in exquisite designs and craftsmanship, we supply jewellery which are more intricately crafted and design-centric, whereas our Authorized Suppliers supply jewellery with different yet simpler and plainer designs. By allowing franchisees to procure from us and our Authorized Suppliers, franchisees can diversify optimize product assortment in their stores operated under our brand which can promote sales of both franchisees and us in the local market and to enlarge our market share.

As part of our brand management, we set annual minimum purchase amount and minimum inventory level balance in terms of products procured from us under our franchise agreements. Franchisees may determine their product assortment in their franchise stores and procure from us or our Authorized Suppliers at their discretion so long as such requirements are complied. For purchase of products from Authorized Suppliers to be sold in franchise stores under our brand, we will charge royalty fee calculated based on number of products in piece and the total purchase amount. For FY2023, FY2024 and FY2025, royalty fee we charged from our franchisees amounted RMB67.3 million, RMB99.0 million and RMB110.3 million, respectively.

To avoid franchisees bypassing us and directly engaging business with the Authorised Suppliers, our franchisees are subject to their contractual obligations under the franchisees' agreement, pursuant to which, they are not allowed, to directly procure from the Authorised Suppliers, violation of which may lead to penalty or termination of franchise agreements. As part of our store management, through monitoring inventory level on our system and conducting physical stock take during on-site visits, we cross-check amount of goods from Authorised Suppliers as recorded in our system and piled in store to detect violation.

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To ensure quality of products supplied by Authorized Suppliers to be sold in our stores, every product procured by franchisees from Authorized Suppliers must undergo quality inspection, tagging and admission into our product system before being sold under our brand. We have also implemented internal policies in relation to management of Authorized Suppliers which encompasses regular supplier qualification assessment and quality inspection on their sites.

Employee Franchisees

During the Track Record Period, we had franchise stores that were controlled by former/present employees (certain of whom are also connected persons) (together, “**Employee Franchisees**”). As at 31 December 2023, 2024 and 2025, these Employee Franchisees owned 27, 28 and 29 franchise stores during the respective years.

Some of our employees developed interests in engaging in retailing business of jewellery when working with us and subsequently resigned and joined our franchise for their personal business pursuits. For those who have remained as our employee (who are connected persons), their family members have become our franchisees. We believe that the Employee Franchisees possess better understanding of our corporate culture and our products and are suitable franchisees to promote our brand and products effectively; and therefore such arrangements in the interest of our Group as a whole. As confirmed by Frost & Sullivan, such practice is not uncommon in the jewellery industry.

We follow the same policy and procedures as other franchisees when evaluating suitability and conducting performance review of Employee Franchisees. The terms and conditions of the franchise arrangements we entered into with these Employee Franchisees are the same as that we offered to other third-party franchisees.

For each of FY2023, FY2024 and FY2025 the revenue generated from the Employee Franchisees represented not more than 1.6% of our total revenue of the same year.

Save as disclosed above, to the best knowledge of our Directors, our franchisees of our both jewellery and handbags segments, including direct franchisees, regional franchisees and sub-franchisees during the Track Record Period, are Independent Third Parties.

Given some of the Employee Franchisees are also our connected persons, and the relevant arrangements are expected to continue upon [REDACTED], the transactions contemplated thereunder constitute fully-exempt continuing connected transactions under Chapter 14A of the Listing Rules. For further details, please see the section headed “Continuing Connected Transactions”.

Tailor-made Products for Corporate Customers

Leveraging on our design capability, we also provide tailor-made products to our corporate customers according to their requirements. Customers generally provide us the specific customisation requirements, such as product type, raw materials used and size and we will create design sketch, craft samples, produce and deliver the tailor-made products. The price of the tailor-made products are determined based on the raw material costs, complexity of craftsmanship and the required design and production costs. For FY2023, FY2024 and FY2025, the revenue we received from customers for tailor-made products was RMB134.6 million, RMB190.1 million and RMB265.7 million, respectively, accounting for 2.4%, 2.9% and 3.0% of our total revenue for respective periods.

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Salient Terms of the agreements entered with corporate customers for tailor-made products

Duration	No specific term specified
Product specifications, quality & returns	The agreement will set out product type (e.g. badges, bracelets) We are required to tailor-make products in accordance with specifications (e.g. materials, quality standards) and designs specified in the agreements.
Delivery	Delivery destination, date and transportation mode are specified the agreement.
Prices, payment and credit terms	Prices per piece and total sum are set out in the agreement. In general, we require a deposit of not less than 50% of total sum. We usually grant a credit term of 30 days upon issuance of invoice.

Offline Sales of Handbags under FION

During the Track Record Period, we sell handbags and accessories under the brand of FION. As at 31 December 2025, we had a total of 195 FION stores, comprising 86 self-operated stores and 109 franchise stores. Among our 195 FION stores, there are 21 stores located in Hong Kong, Macao and Singapore and the remaining are located in China.

Unlike our jewellery business, the franchise model of FION is single-tiered that there is only direct franchisee and consignment franchisees procured and supervised directly by us and there is no regional franchisee. Similar to the franchising model of our jewellery, except where credit period is granted, direct franchisees of FION are required to make full payment before delivery of goods. Ownership of goods transfers when they confirm receipt of goods; then direct franchisees sell such goods which are owned by them.

On the other hand, consignment franchisees are not required to make payment for goods before such goods are sold as we are the owner of the goods stocked and sold in their franchise store. Settlement and payment of products sold will be made by the consignment franchisees in the following month. As at 31 December 2025, we had 27 direct franchisees and five consignment franchisees. According to Frost & Sullivan, our hybrid franchise model is a common market practice in the retail industry in the PRC.

Geographical Locations and Site Selection Strategy of FION

Site selection strategy of FION is similar to that of our jewellery business. The table below sets forth the number of our FION stores according to their geographical locations during the Track Record Period:

	Year ended 31 December					
	2023		2024		2025	
	%		%		%	
China						
Tier-1 cities	9	2.9	4	1.6	2	1.0
Emerging Tier-1 cities	127	40.4	101	40.2	80	41.0
Tier-2 cities	52	16.6	41	16.3	25	12.8
Tier-3 cities	47	15.0	42	16.7	33	16.9
Tier-4 and lower cities	58	18.5	43	17.1	34	17.4
Overseas	21	6.1	20	8.1	21	10.9
Total	314	100.0	251	100.0	195	100.0

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Franchise management and franchisee selection of FION

We adopt a similar approach of franchise management and franchisee selection for FION as our jewellery business. As at 31 December 2025, we had contracted with 32 franchisees. The table below sets forth the changes in the number of our franchisees of FION during the Track Record Period:

	Year ended 31 December		
	2023	2024	2025
Beginning of the year	38	31	28
Additions	2	5	12
Cessations	(9)	(8)	(8)
Net increase	(7)	(5)	(4)
End of the year	<u>31</u>	<u>28</u>	<u>32</u>

Number of FION franchisees remained relatively stable during the Track Record Period.

Number of FION stores

Set forth below is the changes in the number of our FION stores during the Track Record Period:

	Year ended 31 December		
	2023	2024	2025
Beginning of the year	319	314	251
Additions	33	21	10
Cessations	(38)	(84)	(66)
Net increase (decrease)	(5)	(63)	(56)
End of the year	<u>314</u>	<u>251</u>	<u>195</u>

During the Track Record Period, there was an overall decreasing trend for the number of FION stores. Change in number of our stores is affected by our sales performance. We continuously monitor our store performance and assess our sales network structure. Where performance of shopping malls fell below expectation or stores were not profit-making, we would consider closing such stores. In 2024, due to the moderation of consumer spending after the sharp rebound in FY2023, there was a decrease in sales. In 2024 and 2025, in light of the decrease of sales, we adjusted our strategies to focus on stores with better performance and closed down stores which did not meet our expectation, which resulted in the cessation of a larger number of stores.

Store Performance of FION

The table below sets forth the details of our same-store sales of our FION stores in terms of GMV during the Track Record Period:

	Year ended 31 December			
	2023	2024	2024	2025
Number of same self-operated stores ^{Note}	225		167	
Average same store sales of FION stores (RMB'000)	1,296	1,014	1,141	985
Year-to-year growth rate (%)	(21.8)		(13.7)	

Note: Referring to stores that were open for more than 300 days in both of the two years under comparison.

During the Track Record Period, there was an overall decreasing trend for average same store sales for FION. This is primarily because a significant portion of our FION stores were located in department stores, whereas, as confirmed by Frost & Sullivan, traffic in department stores had been on decreasing trend due to a shift in consumer behaviour in recent years. In FY2024, due to the moderation of

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consumer spending after the sharp rebound of economy in FY2023, average same store sales recorded a decrease by 21.8%. In FY2025, due to an upward price adjustment of FION’s products for an upgrade of brand positioning as part of FION’s long-term strategy, average same-store sales decreased by 13.7%. To improve sales performance of FION, we will adopt a multi-pronged approach to strengthen the FION brand, including enhancing brand power, improving product designs and optimising sales channels. To give FION a clearer brand position, we plan to launch new designs with styles and price ranges that target a clearly identified group of target customers, namely, office ladies aged 25 to 45 such as teachers, healthcare professionals, civil servants. To build a clearer, more defined and pronounced brand image, we plan to set up offline and Tmall official flagship stores. We also plan to streamline pricing across different channels and optimize offline sales management in order to enhance in-store operational efficiency and boost both single-store performance and ranking among peers.

Third-party payment

Background

During the Track Record Period, certain of our franchisees (the “**Relevant Franchisee(s)**”) settled their payments (“**Third-Party Payments**”) with us through accounts of third-party payors designated by these Relevant Franchisees (such third-party payors, “**Third-Party Payors**” and such arrangements, the “**Third-Party Payment Arrangements**”). In FY2023, FY2024 and FY2025, excluding Third-Party Payments we returned to certain relevant Third-Party Payors upon receiving the payment from the Relevant Franchisees (reasons to be explained below), 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. During the Track Record Period, no individual Relevant Franchisee made a material contribution to our revenue.

On average, we had a relationship of around two years with the 67 Relevant Franchisees as at the Latest Practicable Date.

During the Track Record Period, third-party payors designated by the Relevant Franchisees included (i) the business operators (i.e. the actual controllers) of Relevant Franchisees that were in the form of sole proprietorships and (ii) legal representatives, actual controllers or employees of corporate Relevant Franchisees.

Our Directors have confirmed that, after due enquiry and to their best knowledge, other than two Relevant Franchisees (namely, Shang Liying (商麗穎) and Wang Guoji (王國際)) who were the Company’s connected persons and had ceased third-party payment arrangement as at the Latest Practicable Date, all other Relevant Franchisees and their respective third party payors who settled payments under the Third-Party Payment Arrangement during the Track Record Period were Independent Third Parties.

Our Directors confirm that, during the Track Record Period and up to the Latest Practicable Date, (i) we did not proactively initiate any Third-Party Payment Arrangements; (ii) we did not provide any discount, commission, rebate or other benefits to any of the Relevant Franchisees to facilitate or encourage the Third-Party Payment Arrangements; and (iii) the pricing and payment terms of the agreements we entered into with the Relevant Franchisees were in line with other franchisees who did not use the Third-party Payments.

Reasons of Third-party Payment Arrangement

Our Relevant Franchisees may be small-sized private business in the form of sole proprietorship or small and medium-sized enterprises and they may not have a well-established settlement system, such as accounts with sufficient transfer limit. To facilitate earlier settlement of purchase orders, Relevant Franchisees then entered into Third-Party Payment Arrangements to make payment earlier in order for earlier store openings and to avoid delay in operations. We returned the payments received to some of the Third-Party Payors upon receiving the payment from the Relevant Franchisees. As confirmed by Frost & Sullivan, it is not uncommon for franchisees to settle their corporate transactions through third-

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party payors, including but not limited to their employees and family members, to their suppliers as many franchisees operate their stores as small-sized private businesses and it's more convenient and flexible for them to settle payments through third-party payors.

For Third-Party Payments made during the Track Record Period, we had requested written authorisations from Relevant Franchisees pursuant to which the Relevant Franchisee authorised the Third-Party Payor to settle the payment payable to us.

Enhanced internal control

To safeguard our Group's interest against risks associated with Third-Party Payment Arrangement, the following internal control measures have been adopted by our Group:

- (i) we have issued an internal notice to our subsidiaries to prohibit them from accepting third-party payment going onward, and we will not accept any third-party payment in the future. Our staff must not proactively suggest or facilitate arrangements for third-party payments;
- (ii) for customers who were unable to directly settle payments with us immediately at the relevant time, letter of authorisation which specifies the amount, duration and reason for Third-Party Payment Arrangement signed by franchisee and third-party payor shall be obtained. Such letter includes confirmation as to, among others, (i) that the third-party payment arrangement does not involve illegal activities, (ii) legality of source of fund and (iii) the third-party payor nor the relevant franchisee will not request us for the refund of the third party payment;
- (iii) for any exception requiring a third-party payment, such third-party payment must go through verification and approval procedures. Relevant supporting documents (such as proof of the customer's restricted bank account and the source of funds) must be provided. Approval from the manager of the relevant Finance & Accounting department is required before execution. During settlement, the third-party payor must include appropriate reference information to facilitate verification of transaction details (including, but not limited to, the third-party payor's identity, their relationship with both the company and the customer, and payment responsibilities). It is strictly prohibited to accept payments from third-party accounts that have no identifiable relationship with the customer (e.g., no familial or corporate ties);
- (iv) our Finance & Accounting department must verify the credit record of the third-party entity or the identity of the third-party payor. If the account is a corporate one, its relationship with the customer must be verified. If it is an individual, the third-party payor must be required to provide identification documents (e.g., ID card, household register);
- (v) relevant responsible personnel are designated to be responsible for communicating with franchisees to make sure all franchisees are clear about our policies regarding third-party payments, anti-corruption, and anti-money laundering to both the customer and the third-party payor; and
- (vi) Any payment from a third-party payor that does not meet the above requirements must be reported to the department head and our chief financial officer.

We were in the process of ceasing Third-Party Payment Arrangements which do not comply with our enhanced internal control requirements, and we expect to complete such rectification and cease all Third-Party Payment Arrangements prior to the [REDACTED]. Our Directors are of the view that such cessation of Third-party Payment Arrangement would not have any material adverse impact on our business operation, considering that (i) the aggregate amount of payment from the designated third-party payors of the Relevant Franchisees did not account for a material portion of our revenue during the Track Record Period; (ii) no individual Relevant Franchisee contributed materially to our revenue during the Track Record Period; and (iii) since we started to implement our internal control measures in this regard, none of the Relevant Franchisees had indicated any intention to terminate its business relationship with us due to our rectification of the issue, and there has been no change in relationship or terms with the Relevant Franchisees following the cessation of the Third-Party Settlement Arrangement. With respect to the amount due from Relevant Franchisees as at 31 December 2025 that have been

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settled as at the Latest Practicable Date, all such payments have been made by such Relevant Franchisees directly. 51 out of 67 Relevant Franchisees as at 31 December 2025 remained as franchisees of our Group as at the Latest Practicable Date.

Implications Relating to Third-party Payment Arrangement

Possible claims from the Third-party Payors for return of funds

As advised by our PRC Legal Advisers, (i) the Third-Party Payment Arrangements do not violate any mandatory provisions of applicable laws and regulations currently in force in China; (ii) taking into account (a) all transactions settled through Third-Party Payment Arrangements were supported by genuine business dealings; (b) during the Track Record Period and up to the Latest Practicable Date, we were not requested to refund funds by Third-Party Payors; (c) the written confirmations obtained which authorized or confirmed the payment payable settled through Third-Party Payment Arrangement to us; and (d) to the best of our knowledge, there was no actual or pending dispute or disagreement involving any Third-Party Payment Arrangement, therefore, the risk that the we may be obligated to return the amount of fund as provided in the written confirmations to those Third-Party Payors who issued the same to us under the Third-Party Payment Arrangement is low.

Money laundering risks

Considering we have obtained confirmations from certain Third-Party Payors on the legality of the source of funds and that there are no money laundering risks, and also taking into account that: (i) all transactions settled through Third-Party Payment Arrangements were supported by genuine business dealings, and we maintain records regarding the origin and nature of the funds received through these arrangements, with no intention to cover up or conceal any details; (ii) to the best knowledge of our Directors, during the Track Record Period and up to the Latest Practicable Date, none of Relevant Franchisees and Third-Party Payors were sentenced to constitute any of the crime as provided in Article 191 of the Criminal Law of PRC, therefore, there were no prerequisites for constituting the crime of money laundering by us; (iii) in compliance with the Anti-Money laundering Law of the PRC, financial institutions facilitating third-party payment arrangements and fund settlements implement stringent anti-money laundering prevention and monitoring measures across their customer base, thereby substantially mitigating associated risks; (iv) we have established and implemented internal control measures to mitigate money laundering risks; and (v) during the Track Record Period and up to the Latest Practicable Date, we have not been subject to any criminal liabilities or administrative penalties pertaining to the Third-Party Payment Arrangements, nor have we received any inquiries or warnings regarding money laundering from any commercial banks where we held accounts, nor have we been subject to any investigation by relevant PBOC branches in connection with such arrangements, our Directors are of the view that the risk that the Third-Party Payment Arrangements being recognized as acts of covering up or concealing the proceeds of any offence, as well as the source and nature of such incomes generated from therefrom under Article 191 of the Criminal Law of PRC and being categorized as conducts constituting the Crime of Money Laundering, subsequently facing associated criminal penalties is relatively low.

Despite our effort, we are unable to obtain confirmations from all Third-Party Payors primarily because we failed to contact them. The corresponding amount of confirmations that we are unable to obtain represented 0.01%, nil and nil of our total revenue in FY2023, FY2024 and FY2025, respectively.

Our Online Sales Channels

Jewellery

We are committed to delivering an integrated omni-channel shopping experience to our customers. As at 31 December 2025, our jewellery were available on 14 leading online platforms such as JD.com, Tmall and Vip.com, which are independent third-parties. Targeting the different consumption pattern for online customers, we emphasise the promotion of collections with price ranged between RMB1,000 and RMB3,000 such as Sanrio IP collection and golden charm bracelets to capture the purchasing power of

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online customers. In general, except for special promotions held by online platforms as part of their own marketing and promotional activities, unit prices of products sold through online channels are consistent with those sold through offline channels.

Our revenue generated from jewellery sales through online sales channels was RMB1,022.4 million, RMB941.7 million and RMB966.3 million for FY2023, FY2024 and FY2025, respectively. We adopt two types of online sales model, namely, self-operated online stores and sales to online platforms which then resell our products in their online stores.

For our self-operated online stores, we enter into collaboration agreements with online platforms and establish our online storefront. Consumers place orders through our online stores on the online platforms. We sell directly to consumers and customers pay via the platform’s payment gateway. Payments are automatically credited to our account once the order is confirmed. We then deliver the goods to consumers, and provide aftersales services and issue invoices to them as required.

For our sales to online platforms, we enter into sales agreement with online platforms and we sell our products directly to the online platforms. The platforms are responsible for product promotion, order management and delivery to the end customers. Consumers place orders and pay directly to the online platforms and the online platforms arrange delivery. Where after-sales services is requested by customers, we provide after-sales services in accordance with the terms and conditions under the sales agreement entered into between the platforms and us. The online platforms settle with us on a regular basis following the agreed billing period. We obtain the right to settle with the online platforms after we receive the corresponding account statements. During the Track Record Period, our gross profit margins for products sold to online platforms under this model was 9.1%, 11.1% and 13.5%, respectively.

During the Track Record Period, our revenue generated from jewellery sales via our self-operated online stores was RMB756.3 million, RMB707.9 million and RMB722.8 million, representing 74.0%, 75.2% and 74.8% of our revenue from jewellery sales through online sales channels of the corresponding period, respectively.

We have launched a CHJ Cloud store, a WeChat Mini Programme, to facilitate deeper engagement with consumers and online sales. Our cloud store mirrors our offline stores’ layout and provides product information and availability to customers. We adopt consistent pricing across different online sales models and across different online platforms.

Salient Terms of Sales Agreements and Collaboration Agreements with Online Platforms

Set forth below are the salient terms of the sales agreements entered with online platforms:

Duration: The duration of the agreements is typically one year.

Minimum purchase
agreement: We generally do not set minimum purchase requirements.

Fees/Price policy: We generally sell our products to online platforms at gross profit margins that have been mutually agreed by us and the online platforms, or at price levels adopted by our franchisees considering our recommended retail price.

Return arrangement: . . . We typically do not allow product return except for limited reasons, including product quality issues or products with low turnover rate.

Credit and payment
terms: Online platforms generally settle with us within 30 days and make payment within 10 days after settlement.

Termination: Either party generally has the right to terminate the contract with the other party if the other party breaches the sales agreement and fails to rectify such breach within a reasonable period of time.

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Set forth below are the salient terms of the collaboration agreements entered with online platforms where we establish our self-operated online stores:

Duration:	The duration of the agreements is typically one year.
Allocation of risks and liabilities:	We shall be responsible for sales conducted via our self-operated online stores and any disputes in connection of such sales as the seller of goods and the online platform shall not be held responsible.
Settlement and Payment:	Fees payable to online platforms for our use of their platforms comprise fixed annual fees and variable service fees. Fixed annual fees are generally settled on an annual basis, and variable service fees, which is calculated based on transaction amount of goods, are generally settled on a daily basis or real-time basis.
Termination:	Either party generally has the right to terminate the contract with the other party by giving a thirty-day prior written notice.

For FY2023, FY2024 and FY2025, fixed annual fees and variable service fees charged by online platforms where we established self-operated online stores amounted to RMB26.5 million, RMB25.0 million and RMB30.8 million, respectively.

Handbags

Similar to the jewellery segment, online sales of handbags are conducted under two models (i.e. self-operated online stores and sales to online platforms. As at 31 December 2025, our handbags were available on 12 online platforms on JD.com (京東), Tmall (天貓) and Vip.com. We also sell our jewellery products on most of these online platforms where we sell our handbags products. Our sales of handbags through online channels was RMB169.5 million, RMB117.2 million and RMB93.4 million for FY2023, FY2024 and FY2025, respectively.

Pricing

In general, we carefully consider several key factors to determine prices of our products including material and production costs, level of craftsmanship and techniques, and market positioning of a particular collection. For classic gold jewellery, we adopt cost-plus approach (i.e. our selling gold price on the day of sale which is determined with reference to gold price quoted on Shanghai Gold Exchange) plus a variable craftsmanship fee). On the other hand, for fashion jewellery, considering the artistic value of designs in addition to the value of raw materials, we set fixed price for these products upon their launch and such price generally will not be adjusted along with minor fluctuations in price of materials. While the procurement of raw materials and complexity of craftsmanship also forms the basis of pricing of gem-set and design-centric products, pricing of fashion jewellery also reflects the market positioning of our brand and the purchasing power of our target end consumers embodied in the designs. In general, we incur higher craftsmanship fee when higher level of craftsmanship and techniques is involved.

For our handbags, our pricing strategy is formulated through a comprehensive framework that integrates three core considerations: (i) customer demand dynamics, (ii) benchmarking against comparable competitor products (with particular attention to size, craftsmanship and design similarity), and (iii) our gross margin targets. In determining gross margin targets, we take into account raw material, other production cost and the target customers of a particular designs. We also take into account the overall market positioning and strategy at the relevant time to price our products flexibly and dynamically.

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Our Sales Team

Our sales team plays a pivotal role in developing and managing the relationship between our brand and our customers. To ensure they are well-equipped to represent our brand effectively, we provide regular training sessions. These sessions keep the team updated on the latest product knowledge, as well as the marketing programmes and initiatives currently in place. This ongoing training enables our sales team to deliver exceptional customer service and maintain strong, lasting connections with our clientele.

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. Consequently, comparing operating results across different quarters within the same fiscal year may not provide meaningful insights into our underlying business performance, as these comparisons are inherently skewed by seasonal factors. Investors should be aware that these demand fluctuations are characteristic of our industry and are expected to persist in our future operational results.

MARKETING AND PROMOTION

Marketing Strategy

Our marketing approach combines traditional media dominance with innovative retail experiences to strengthen brand positioning. We maintain a strong presence in premium shopping malls and department stores, particularly in urban core commercial districts, utilising strategic touchpoints including outdoor lightbox advertisements and in-store branding to communicate our brand value. Recognising the importance of physical retail, we refresh our store imagery regularly to ensure our visual identity remains contemporary and appealing to our target demographics. To enhance customer engagement, we deploy tactical pop-up installations (such as our successful Sanrio-themed activation) that create immersive product experiences.

Online Marketing

To drive consumer engagement and stimulate purchasing desire, we have implemented a comprehensive online broadcasting and social media strategy, leveraging KOLs and KOCs to recommend and promote our products. Additionally, we have partnered with popular Gen Z-focused traffic channels, including TikTok and Xiaohongshu, to effectively capture target user traffic. Through collaborations with influential KOLs and live-streaming initiatives, we aim to enhance brand visibility, foster user interaction, and create a compelling call-to-action for consumers to purchase or “check-in” with our collections.

Driven by our mission to be a trend-setting brand, we strive to transmit our brand culture through innovative marketing strategies that speak to our consumers. In addition to our award-winning cross-sector collaborations, we partnered with Xiaohongshu (小紅書), one of China’s most popular social media platform, to drive marketing campaigns with the support of traffic data such as number of views. The success and impact of our marketing strategy is testified. For example, our seeding campaign on Xiaohongshu had outperformed other content creators in terms of different metrics (return on investment, click-through rate and average order value etc.) that we have earned 2024 Innovation Breakthrough Award by Xiaohongshu (小紅書2024年度創新突破獎) and became an official “Long-term Influencer Marketing Benchmark Case” (小紅書十周年營銷種草案例) on the platform. We believe our marketing strategies is highly complementary to our products and brand and amplify our market awareness and mind share.

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To ensure that KOLs and KOCs engaged by our Group comply with the applicable laws and regulations, generally, the contract between such KOLs and KOCs and our Group has provided that the KOLs and KOCs shall ensure any contents published will not violate any laws and regulations, government policies or rules of the relevant online platforms, and that the KOLs and KOCs shall cooperate in order to facilitate our Group’s supervision.

CHJ Customer Loyalty Programme

For deeper engagement with our customers, we have launched the CHJ Customer Loyalty Programme. Consumer who registered with us become a member of CHJ Customer Loyalty Programme (“**Loyalty Member**”), where we provide our Loyalty Members with lifetime cleaning and basic maintenance services for free. We offer a 5% to 15% discount for our four classes of Loyalty Members depending on their accumulative spending ranging from nil to RMB200,000. We do not set any minimum purchase threshold for our Loyalty Members. As at 31 December 2023, 2024 and 2025, the number of our Loyalty Members reached 15.2 million, 17.2 million and 19.2 million, respectively.

PROCUREMENT

We adhere to stringent quality control measures in our procurement processes to ensure the high standards of product quality. During the supplier selection process, our procurement department evaluates suppliers based on their qualifications, including the quality of raw materials and supply capacity. We conduct annual assessments of both existing and newly shortlisted suppliers, considering factors such as supply quality, pricing, delivery performance, and after-sales service. During the Track Record Period, we did not suffer from shortages in the supply of raw materials from our suppliers and we do not anticipate any supply chain constraints that will materially and adversely affect our results of operations.

The table sets forth the breakdown of the purchase amount of raw material by product type during the Track Record Period:

	FY2023		FY2024		FY2025	
	RMB'000	%	RMB'000	%	RMB'000	%
Jewellery	3,342,739	97.8	4,101,833	99.0	7,435,648	99.5
Handbags	75,298	2.2	42,947	1.0	33,918	0.5
Total	<u>3,418,037</u>	<u>100.0</u>	<u>4,144,780</u>	<u>100.0</u>	<u>7,469,566</u>	<u>100.0</u>

Jewellery

Our major raw materials comprised gold, platinum and diamond. We mainly source the gold through two means, namely direct procurement and gold loans. According to Frost & Sullivan, these are the common channels of sourcing in the PRC jewellery industry.

The table sets forth the breakdown of the purchase amount and volume of raw materials of jewellery by type during the Track Record Period:

	FY2023			FY2024			FY2025		
	Purchase Volume	RMB'000	%	Purchase Volume	RMB'000	%	Purchase Volume	RMB'000	%
Gold (g)	8,120,805	3,229,317	96.6	8,273,457	4,030,714	98.3	9,856,137	7,101,959	95.5
Platinum (g)	13,000	2,636	0.1	19,973	4,065	0.1	74,532	21,435	0.3
Diamond (carat)	24,878	98,605	2.9	18,195	57,383	1.4	91,643	277,041	3.7
Others (unit)	—	12,181	0.4	—	9,671	0.2	—	35,213	0.5
Total	<u>—</u>	<u>3,342,739</u>	<u>100.0</u>	<u>—</u>	<u>4,101,833</u>	<u>100.0</u>	<u>—</u>	<u>7,435,648</u>	<u>100.0</u>

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The table sets forth the breakdown of purchase of gold by procurement method during the Track record Period:

	FY2023		FY2024		FY2025	
	RMB'000	%	RMB'000	%	RMB'000	%
Direct Purchase.	2,485,729	77.0	2,962,256	73.5	4,380,933	61.7
Gold loans.	743,588	23.0	1,068,458	26.5	2,721,026	38.3
Total	<u>3,229,317</u>	<u>100.0</u>	<u>4,030,714</u>	<u>100.0</u>	<u>7,101,959</u>	<u>100.0</u>

Procurement Through Fellow Member of the Shanghai Gold Exchange

During the Track Record Period, we purchased gold on the Shanghai Gold Exchange through its fellow member (“**Company Y**”) as Shanghai Gold Exchange operates under a membership system that only members can trade with its system according to the rules of Shanghai Gold Exchange. According to the website of Shanghai Gold Exchange, as at the Latest Practicable Date, it had 302 members. Company Y is a wholesaler of gold jewellery and is a comprehensive member of the Shanghai Gold Exchange.

The salient terms of our agency agreement entered into with Company Y are set out as follows:

Procurement arrangement:	We authorise Company Y to procure gold on our behalf at the Shanghai Gold Exchange based on our instructions. Company Y establishes a sub-account under its membership at the Shanghai Gold Exchange. We place procurement order directly through the sub-account. A bank account designated by the Shanghai Gold Exchange will hold the cash deposited by the Company for gold procurement, and a warehouse designated by the Shanghai Gold Exchange will store the Company’s gold inventory.
Term:	The agency agreement is terminated upon the deregistration of our sub-account in Shanghai Gold Exchange.
Gold procurement price and brokerage fees:	Procurement price of gold is based on the prevailing market prices of Au9999 traded on the Shanghai Gold Exchange. For each procurement transaction, we pay Company Y a brokerage fee on top of procurement price. Such brokerage fee represented a pre-determined percentage of the gold procurement price, which was not more than 0.07% during the Track Record Period.

According to Frost & Sullivan, our procurement arrangement with Company Y who is a fellow member of the Shanghai Gold Exchange is common and in line with the industry norm. Our Directors are of the view that given (i) the Group’s procurements from member of the Shanghai Gold Exchange are permitted by the Shanghai Gold Exchange and are thus legal and valid transactions; (ii) the quality of the gold received and the time required for procurement are comparable to direct procurement from the Shanghai Gold Exchange; and (iii) the handling fee is payable on demand and is considered reasonable as it closely aligns with standard fees payable by member of the Shanghai Gold Exchange to the Shanghai Gold Exchange and it is in line with market rates charged by other members of the Shanghai Gold Exchange, our Directors consider our procurement arrangement is beneficial for our Group. Taking into account (i) our long term relationship with Company Y that commenced in 2012; (ii) there had not been any material disputes between Company Y since 2012; (iii) there had been no suspension or termination of the agency agreement between Company Y and us since its commencement; and (iv) according to Frost & Sullivan, there are approximately 110 entities in the market which are eligible to engage in comparable business to Company Y, as they also hold the Comprehensive Member qualification of the Shanghai Gold Exchange, we consider that the relationship between Company Y and our Group is unlikely to have material adverse change or terminate in the near future. In view of (a) the review of the relevant due diligence documents, including the contracts with Company Y, public search records and confirmation from Company Y; (b) the Company’s confirmation

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as stated above, and (c) the other independent due diligence conducted by the Sole Sponsor, nothing material has come to the attention of the Sole Sponsor that would cause it to disagree with the Company’s view above.

Reliance on Member of Shanghai Gold Exchange for gold procurement

During the Track Record Period, our cost paid to Shanghai Gold Exchange through Company Y amounted to RMB2,412.1 million, RMB2,969.1 million and RMB4,406.5 million for FY2023, FY2024 and FY2025, respectively, representing 61.6%, 65.3% and 55.4% of our total purchase in the corresponding period. All our purchases from the Shanghai Gold Exchange during the Track Record Period were procurement of gold and platinum.

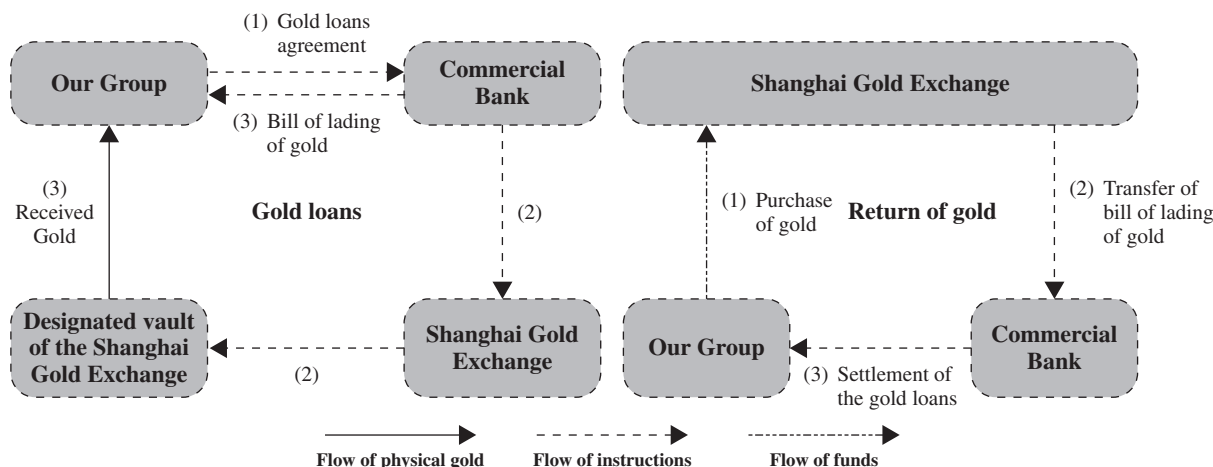
In the event of a disruption in our procurement of gold from the member of Shanghai Gold Exchange, given that gold is a commonly traded commodity, our Directors are of the view that we can shift to other procurement sources. During the Track Record Period, we do not only procure from the member of Shanghai Gold Exchange, but also obtained gold through gold loans.

Gold loans

We also procure gold by way of gold loans. Gold loans refer to financial transactions in which we (as lessee) borrow gold from commercial bank (the lessor) for a specified period of time. During the process, we receive physical gold through the membership service system of the Shanghai Gold Exchange (上海黃金交易所的會員服務系統) and we pay the commercial banks an interest on the leased gold. At the end of the loan period, we return the borrowed gold to the commercial banks by delivering contracts of fully paid gold that we purchase from the Shanghai Gold Exchange.

While we use gold loans as a procurement method, given the time gap between the borrowing date and return date during which fluctuations in gold prices may occur, gold loans allow us to manage its exposure to fluctuations in gold prices and therefore serve as our hedging instrument. We entered into gold loans to reduce the impact of the fluctuations in gold prices on gold inventories in particular, when we expect there will be decrease in gold price in the coming short term so potential gain or loss from the gold loan could be offset by the gain or loss from the fluctuations of selling price of our products which are determined with reference to market price of gold. For example, if the gold price decreases after we enter into a gold (i.e. our cost of repayment of gold would be lower), we would earn a profit resulting from the price difference between the borrowing and repaying date, offsetting the loss we suffer from lower selling price of our products which are determined with reference to the market price of gold.

The diagram below sets forth our gold loans procedure:



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The table below set out the volume of gold involved in our gold loans transactions during and as at the end of each of the years during the Track Record Period:

	As at 31 December		
	2023	2024	2025
	kg	kg	kg
Carrying amount at beginning of year	1,260	1,358	1,525
Newly borrowed	2,491	2,773	4,598
Repayment of gold loans	(2,393)	(2,606)	(4,525)
Carrying amount at end of year	1,358	1,525	1,598

In our accounting treatment in accordance with HKFRS, hedging accounting may be applicable in certain circumstances. In accordance with HKFRSs, the hedging relationship consists only of eligible hedging instruments and eligible hedged items.

The eligible hedging instruments can be:

- (1) a derivative measured at fair value through profit or loss, except for some written options; or
- (2) A non-derivative financial asset or a non-derivative financial liability measured at fair value through profit or loss may be designated as a hedging instrument unless it is a financial liability designated as at fair value through profit or loss for which the amount of its change in fair value that is attributable to changes in the credit risk of that liability is presented in other comprehensive income.

Gold loans representing the obligation to deliver gold are classified as financial liabilities at fair value through profit or loss as the gold loans indexed to gold price (Au9999). Therefore, gold loans are eligible hedging instruments.

We engage in the production, processing, and sale of gold jewellery and face gold price fluctuation risks associated with the gold products we hold. Historical correlation studies suggest that gold loans adequately correlates to certain gold related inventories, therefore all the gold loans were designated as hedging instruments by the Group to hedge exposure to variability in fair value changes attributable to price fluctuation risk associated with certain inventories. This approach helps stabilize the gross profit margin of our product sales. During the Track Record Period, the fair value changes of the gold loans were RMB89.1 million, RMB223.3 million and RMB567.9 million, which has been offset against fair value changes of hedged inventories.

Our Directors confirm that the fair value hedge was assessed to be highly effective during the Track Record Period. The risk of fluctuation in gold prices of hedged inventories is largely hedged. As at the Latest Practicable Date, we had not utilised other hedging instruments other than gold loans.

Without applying hedge accounting, the hedged inventories would have been stated at the lower of cost and net realisable value. In contrast, the selling price of our Group’s classic gold jewellery fluctuated in line with market gold prices during the Track Record Period. After implementing hedge accounting, the gross profit margins for the classic gold jewellery were 7.6%, 8.1%, and 11.7%, respectively. Without hedge accounting, the gross profit margins would have been 10.4%, 11.5%, and 21.6%. The use of hedge accounting contributed to the relatively stable gross profit margins for the Group’s classic gold jewellery.

For internal control, we have established “Gold Loan Management Policy” (《黃金租賃管理規定》) and implemented the following major internal control procedures for gold loan transactions:

- we prepare a feasibility study report for the gold loan business and submits to the board for approval. A maximum gold loan limit is also pre-approved by the Board. The board has also delegated the authority of entering the gold loan contracts to the chairman of the Board.
- a gold loan plan is prepared and submitted to financial controller for review at the beginning of each month. Gold loan contract is approved before signing with the banks.
- we periodically assess the effectiveness of the fair value hedge for gold loan transactions.

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Diamond and other gemstone

During the Track Record Period, we also procured gemstone including diamond and other gemstone such as agate and jade. We set a monthly benchmark price for procurement and adjust our purchases based on market conditions. We have specific procurement standards for diamonds, including cutting techniques and table proportions.

Handbags

Our major raw materials consist of leather, PVC, fabrics and metal accessories. The procurement process of FION begins with purchase demand identification, by assessing the sales order and manufacturing need and prioritising the use of inventory. To prevent unnecessary purchases, these procurement needs are validated by relevant teams, such as cost tracking and production control. Once approved, purchase orders or contracts are placed or entered into, specifying key terms including quantity, material and quality requirements such as fabric and leather colour.

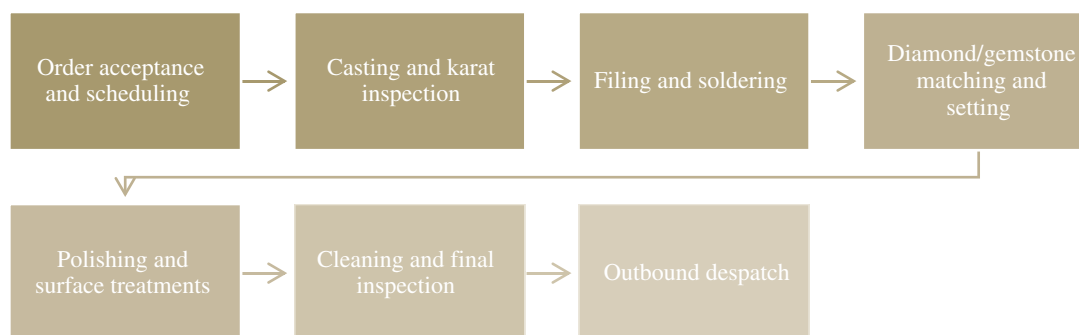
PRODUCTION

To maintain our product quality and ensure a stable jewellery supply, we are committed to establishing an integrated in-house production base while outsourcing some production. We place emphasis on both the traditional craftsmanship and digitalised production processes. For jewellery-making processes that do not require extensive manual craftsmanship, we have invested in automated and digitalised production facilities to guarantee efficiency and precision.

Jewellery

Production Process

Production processes vary among different products. The following sets forth a general overview of the key steps involved in our production process, which ensures adherence to our quality standards and design specifications.



Production Base

For jewellery, we established the Pujiang Production Base with an aggregate site area of approximately 14,439.7 sq.m. in 2011. As at 31 December 2023, 2024 and 2025, 70% of our labour for jewellery production are experienced craftsmen. Our retention policy for craftsmen combines market-competitive compensation, comprehensive employee benefits and structured career development to foster long-term engagement and loyalty. Our advanced capabilities enable us to seamlessly accommodate both bespoke, tailor-made designs and large-scale production.

Apart from crafting, we have also invested in advanced production facilities such as CNC precision engraving equipment which achieves high level accuracy, electro-gold tanks and other hard gold processing systems which integrates precise positioning with micro-welding technology. We also utilise

BUSINESS

a digitalised production management system, which enables real-time monitoring of each production stage. This system allows us to promptly identify and resolve issues, ensuring efficiency and maintaining the highest standards of quality throughout our manufacturing process.

Production Capacity and Utilisation

The table below sets forth the optimal production capacity and the actual production volume of our jewellery in the Pujiang Production Base during Track Record Period:

	FY2023	FY2024	FY2025
Actual production volume of jewellery (kg)	3,897	4,152	5,819
Optimal production capacity (kg) ^(Note 1)	3,420	3,744	4,140
Utilisation rate (%) ^(Note 2)	113.9%	110.9%	140.6%

Notes:

- (1) Our optimal production capacity is estimated by our management based on the optimal hourly production rate of machines and workforce available operating eight hours a day for 300 working days a year (not including time spent on production line upgrade or adjustment).
- (2) The utilisation rate is calculated by dividing the actual production volume of jewellery by the optimal production capacity for the same year.

Our optimal production capacity experienced an upward trend during the Track Record Period, primarily because we recruited more craftsmen. At the same time, the sales of our products increased at a high rate and to meet such demand, we arranged our craftsmen to work overtime to the extent permitted by the applicable PRC laws and regulations. Therefore, our utilization rate exceeded 100.0% in FY2023, FY2024 and FY2025. However, we did not experience any material delays in the production and delivery of our products to our customers, as we may engage external manufacturers when needed. We will also consider to continue recruiting craftsmen to meet the increasing demand.

To manage the risk of losing personnels in heritage craftsmanship, since 2009, we have operated “CHJ filigree inlay workshop” (潮宏基花絲鑲嵌工作坊) with a mission to promote heritage craftsmanship and thereby to attract the younger generation to join us. In addition, we have put in place trainings and succession policies to ensure our workforce is sustainable. We carry out apprenticeship programme that facilitates systemic nurturing and cultivation of skilled craftsmen that cover different heritage craftsmanship techniques. Also, to retain existing staff, we value physical and mental well-being of every employee. Each year, we organise comprehensive health check-ups for employees and various activities and we have entertainment facilities in our production base to promote job satisfaction of our employees.

Handbags

For handbags, we have established a production base in Guangdong province with an aggregate site area of 12,567 sq.m. Such platform enables quick identification and resolution of production issues such as equipment failure and material shortage via mobile application and real time monitoring of production progress. Our production system also employs a automated workflow model that eliminates intermediate material handling, delivering significant efficiency advantages.

Outsourced Production

We engage external manufacturers to carry out certain production processes, including casting, polishing and gem-setting. According to Frost & Sullivan, it is common for jewellery manufacturers and retails to subcontract to external manufacturers to assist jewellery production. During the Track Record Period, our subcontracting cost accounted for 5.7%, 4.5% and 3.4% of our total cost of sales, respectively. Our Directors confirm that, during the Track Record Period and up to the Latest Practicable Date, all the external manufacturers engaged by us during the Track Record Period were Independent Third Parties.

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We typically enter into yearly subcontracting agreements with our external manufacturers, which are renewable upon mutual agreement by both parties. We supply major raw materials such as gold and/or diamonds to the external manufacturers and pay them processing fees for their services. We engage external manufacturers taking into account, among others, our production capacity at the relevant time, capabilities of the external manufacturers and product requirements. Outsourcing fee is calculated based on, among others, complexity of product designs, level of craftsmanship and order volume. Typically, we settle our payment receiving invoice from the external manufacturer under a credit term of 30 days.

We have developed comprehensive evaluation criteria in selecting external manufacturers. When choosing external manufacturers, we consider their production scale, delivery schedule, level of craftsmanship, product quality and capabilities. We will review the qualifications and outsourcing fee of the external manufacturers annually. We conduct inspection on the products provided by the external manufacturers. In cases of any quality problem, the external manufacturers are responsible for product repairment or exchange.

Quality Control and Assurance

We place significant emphasis on quality control on both our raw materials and our products. For our pieces, we adhere to our internal policy which stipulated benchmarks that strictly adhere to national and industry standards. Moreover, we adopt a multi-tier quality control practice. Quality is not only monitored throughout the production process, we also inspect finished products and conduct final check upon arrival at our headquarters before warehousing. We have partnered with The National Gemstone Testing Center (NGTC) (珠寶國檢) to set up testing laboratory at our headquarters with professional personnel stationing at our headquarters. Based on NGTC's professional guidance, we have formulated and implemented various internal standards and benchmarks to standardise operations and ensure precise and effective quality assurance. We also utilise advanced testing equipment such as infrared spectrometers and energy dispersive X-ray fluorescence spectrometers for inspection, authentication, and grading of precious metals, diamonds, or gemstones to ensure our product quality.

For handbags, we maintain a rigorous quality control system that combines scientific testing with expert craftsmanship evaluation. All materials undergo comprehensive laboratory tests, including salt spray resistance, tensile strength, and colour fastness assessments, conducted in our dedicated in-house testing facility. Only materials passing these stringent tests are approved for warehouse storage and production use. Recognising the artisanal nature of leather goods manufacturing, we complement standardised testing with expert quality judgments, particularly for leather materials. For any disputed materials, we require pre-production prototypes to verify quality and aesthetic performance before authorising full-scale manufacturing.

OUR CUSTOMERS AND SUPPLIERS

Our customers

Our customers are our franchisees at different levels, the online platforms, end consumers and corporate customers who place orders for tailor-made products. For franchisees, they normally settle payment with us by bank transfer. Online platforms are considered as our customers when we make buyout sales to these platforms. Consumers are also considered as our customers if they purchase directly from our self-operated stores or self-operated online platforms.

Revenue derived from our five largest customers in each year during the Track Record Period accounted for 8.4%, 7.7% and 6.6% of our total revenue in the respective years. Save for one of the five largest customers which is one of the largest e-commerce platforms in the PRC, none of our five largest customers in each year during the Track Record Period was also our suppliers in each year during the Track Record Period. For further details, please see “Overlapping Customer/ Supplier” in this section.

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We cooperate with certain shopping malls under concession arrangements, where shopping malls will collect sales proceeds for us from our customers and settle with us later. For further details, please see “— Sales Network — Offline Sales of Jewellery — Arrangements with Shopping Malls” in this section. Though we receive payments from shopping malls under such arrangements, they are not regarded as our customers according to the relevant accounting policies.

FY2023

Customer	Business activities, scale of operation and location	Year of establishing business relationship	Credit terms	Payment method	Sales amount (RMB'000)	% of our revenue
Customer A. . . .	Retailing and distributing goods through its e-commerce platform; established in the PRC and a subsidiary of a company listed on the New York Stock Exchange	2012	Payment within 5 business days upon receipt of invoice	Bank transfer	157,422	2.7
Customer B. . . .	Retailing and distributing goods through its e-commerce platform; established in the PRC and a subsidiary of a company listed on the Nasdaq Stock Market	2016	Payment within 7 business days upon confirmation of settlement amount	Bank transfer	130,232	2.2
Customer C. . . .	Retailing and distributing jewellery and accessories; established in the PRC with a registered capital of RMB31.7 million	2014	Credit period of three months	Bank transfer	117,580	2.0
Customer D. . . .	Operating hot pot chain restaurants; based in Singapore and a subsidiary of a company listed on the Stock Exchange	2003	Payment within 10 business days upon receipt of invoice	Bank transfer	49,103	0.8
Customer E. . . .	Retailing and distributing jewellery and accessories; established in the PRC with a registered capital of RMB5.0 million	2021	Credit period of three months	Bank transfer	35,410	0.6
Total					<u>489,747</u>	<u>8.4</u>

FY2024

Customer	Business activities, scale of operation and location	Year of establishing business relationship	Credit terms	Payment method	Sales amount (RMB'000)	% of our revenue
Customer A. . . .	Retailing and distributing goods through its e-commerce platform; established in the PRC and a subsidiary of a company listed on the New York Stock Exchange	2012	Payment within 5 business days upon receipt of invoice	Bank transfer	142,657	2.2
Customer C. . . .	Retailing and distributing jewellery and accessories; established in the PRC with a registered capital of RMB31.7 million	2014	Credit period of three months	Bank transfer	135,882	2.1
Customer B. . . .	Retailing and distributing goods through its e-commerce platform; established in the PRC and a subsidiary of a company listed on the Nasdaq Stock Market	2016	Payment within 7 business days upon confirmation of settlement amount	Bank transfer	108,416	1.7
Customer D. . . .	Operating hot pot chain restaurants; based in Singapore and a subsidiary of a company listed on the Stock Exchange	2003	Payment within 10 business days upon receipt of invoice	Bank transfer	61,037	1.0
Customer F. . . .	Retailing and distributing jewellery and accessories; established in the PRC with a registered capital of RMB2.0 million	2014	Credit period of three months	Bank transfer	50,102	0.8
Total					<u>498,094</u>	<u>7.7</u>

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FY2025

Customer	Business activities, scale of operation and location	Year of establishing business relationship	Credit terms	Payment method	Sales amount (RMB'000)	% of our revenue
Customer C. . . .	Retailing and distributing jewellery and accessories; established in the PRC with a registered capital of RMB31.7 million	2014	Credit period of three months	Bank transfer	188,200	2.0
Customer A. . . .	Retailing and distributing goods through its e-commerce platform; established in the PRC and a subsidiary of a company listed on the New York Stock Exchange	2012	Payment within 5 business days upon receipt of invoice	Bank transfer	142,439	1.5
Customer B. . . .	Retailing and distributing goods through its e-commerce platform; established in the PRC and a subsidiary of a company listed on the Nasdaq Stock Market	2016	Payment within 7 business days upon confirmation of settlement amount	Bank transfer	118,334	1.3
Customer G. . . .	Retailing and distributing jewellery and accessories; established in the PRC with a registered capital of RMB5.0 million	2024	Credit terms of 15 days	Bank transfer	101,588	1.1
Customer E. . . .	Retailing and distributing jewellery and accessories; established in the PRC with a registered capital of RMB5.0 million	2021	Credit period of three months	Bank transfer	64,933	0.7
Total					<u>615,494</u>	<u>6.6</u>

To the best knowledge and belief of our Directors, our five largest customers in each year during the Track Record Period were Independent Third Parties. None of our Directors or their close associates or any of our Shareholders (who, to the best knowledge of our Directors, beneficially own more than 5% of our share capital) had any interest in any five largest customers in each year during the Track Record Period.

Our Suppliers

During the Track Record Period, our major suppliers were all gold suppliers and commercial banks who provided gold loans to us. We also procure finished goods and processing services from other suppliers during the Track Record Period. Our five largest suppliers in each year during the Track Record Period accounted for approximately 77.9%, 83.0% and 75.8% of our total purchase in the respective years; and our largest supplier in each year during the Track Record Period accounted for approximately 61.6%, 65.3% and 55.4% of our total purchase in the respective year.

BUSINESS

FY2023

Supplier	Business activities, scale of operation and location	Products purchased	Year of establishing business relationship	Credit terms	Payment method	Purchase amount (RMB'000)	% of our purchase amount
Supplier A ^(Note 1)	Trading, clearing, delivery and vaulting services, provider of gold, silver and platinum; established in the PRC with a registered capital of RMB112 million	Gold	2004	Prepayment	Bank transfer	2,412,128	61.6
Supplier B	Commercial bank; established in the PRC and headquartered in Beijing ^(Note 2)	Gold	2012	Repayment of loan according to agreed contract period	Settlement in gold	208,504	5.3
Supplier C	Commercial bank; established in the PRC and headquartered in Shanghai ^(Note 2)	Gold	2015	Repayment of loan according to agreed contract period	Settlement in gold	185,537	4.7
Supplier D	Commercial bank; established in the PRC and headquartered in Beijing ^(Note 2)	Gold	2013	Repayment of loan according to agreed contract period	Settlement in gold	150,165	3.8
Supplier E	Commercial bank; established in the PRC and headquartered in Beijing ^(Note 2)	Gold	2018	Repayment of loan according to agreed contract period	Settlement in gold	96,829	2.5
Total						3,053,163	77.9

FY2024

Supplier	Business activities, scale of operation and location	Products purchased	Year of establishing business relationship	Credit terms	Payment method	Purchase amount (RMB'000)	% of our purchase amount
Supplier A ^(Note 1)	Trading, clearing, delivery and vaulting services, provider of gold, silver and platinum; established in the PRC with a registered capital of RMB112 million	Gold	2004	Prepayment	Bank transfer	2,969,070	65.3
Supplier C	Commercial bank; established in the PRC and headquartered in Shanghai ^(Note 2)	Gold	2015	Repayment of loan according to agreed contract period	Settlement in gold	245,372	5.4
Supplier B	Commercial bank; established in the PRC and headquartered in Beijing ^(Note 2)	Gold	2012	Repayment of loan according to agreed contract period	Settlement in gold	234,075	5.1
Supplier D	Commercial bank; established in the PRC and headquartered in Beijing ^(Note 2)	Gold	2013	Repayment of loan according to agreed contract period	Settlement in gold	220,593	4.9
Supplier E	Commercial bank; established in the PRC and headquartered in Beijing ^(Note 2)	Gold	2018	Repayment of loan according to agreed contract period	Settlement in gold	105,103	2.3
Total						3,774,213	83.0

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FY2025

Supplier	Business activities, scale of operation and location	Products purchased	Year of establishing business relationship	Credit terms	Payment method	Purchase amount (RMB'000)	% of our purchase amount
Supplier A ^(Note 1)	Trading, clearing, delivery and vaulting services, provider of gold, silver and platinum; established in the PRC with a registered capital of RMB112 million	Gold	2004	Prepayment	Bank transfer	4,406,546	55.4
Supplier D	Commercial bank; established in the PRC and headquartered in Beijing ^(Note 2)	Gold	2013	Repayment of loan according to agreed contract period	Settlement in gold	617,335	7.8
Supplier C	Commercial bank; established in the PRC and headquartered in Shanghai ^(Note 2)	Gold	2015	Repayment of loan according to agreed contract period	Settlement in gold	433,126	5.4
Supplier F	Commercial bank; established in the PRC and headquartered in Beijing ^(Note 2)	Gold	2024	Repayment of loan according to agreed contract period	Settlement in gold	328,825	4.1
Supplier B	Commercial bank; established in the PRC and headquartered in Beijing ^(Note 2)	Gold	2016	Repayment of loan according to agreed contract period	Settlement in gold	244,601	3.1
Total						6,030,433	75.8

Notes:

1. The purchase amount under Supplier A represented our purchase of gold from Supplier A through a member of Supplier A (“Company Y”). According to the house rules of Supplier A, only its members are allowed to trade gold with Supplier A. For details of our procurement arrangement with Company Y, please see “Business — Procurement — Procurement Through Fellow Member of the Shanghai Gold Exchange”.
2. Commercial banks are considered as our suppliers because (i) we obtain the right to take delivery of gold from commercial banks although we receive physical gold from the Shanghai Gold Exchange; and (ii) since we gain control of the gold and the manufactured gold jewellery products can be sold to generate economic benefits, with the associated costs reliably measured, we classify such gold as inventory. Purchases made for the return of gold loans are not double-counted as direct purchases from the Shanghai Gold Exchange. For further details, please see “Business — Procurement — Jewellery — Gold loans”.

Our five largest suppliers in each year during the Track Record Period were Independent Third Parties. To the best knowledge and belief of our Directors, none of the Directors; their close associates; or any Shareholder (which to the knowledge of the directors owns more than 5% of the number of issued Shares of the issuer) had any interest in the aforementioned five largest suppliers in each year during the Track Record Period. During the Track Record Period, we did not experience any shortage or delay in the supply of raw materials which would have a material impact on our business, financial condition or results of operations.

During the Track Record Period and up to the Latest Practicable Date, we did not have any dispute with our major suppliers or major breach of the framework agreements we entered into with our suppliers which would have a material impact on our business, financial condition or results of operations.

BUSINESS

Overlapping Customer/Supplier

Customer B

During the Track Record Period, we entered into sales agreement with Customer B, which was one of our five largest customers for each year during the Track Record Period. During the Track Record Period, we sold our jewellery and handbags to Customer B and we also procured marketing and promotion services as well as usage of their platform for our self-operated online stores. The table below set out details of transactions with Customer B during the Track Record Period:

	Revenue	% out of total revenue	Purchase	% out of total purchase
	RMB'000	%	RMB'000	%
FY2023	130,232	2.2	7,271	0.2
FY2024	108,416	1.7	8,438	0.2
FY2025	118,334	1.3	7,550	0.1

The Directors confirm that the sales and purchases to/from Customer B are arm's length transaction in the ordinary course of business.

CONSUMER SERVICES

After-Sales Services

Our comprehensive complaint management system operates through a structured five-stage process to ensure consistent and effective resolution of customer concerns. The system begins with receiving feedback through multiple channels including physical stores, hotline and online platforms. Each complaint undergoes thorough verification where all details are recorded with supporting evidence such as screenshots and call recordings to confirm accuracy. Complaints are then categorised according to their nature and potential impact to determine the appropriate response level. Based on this assessment, customised solutions are developed in coordination with relevant regional and store teams to address each specific situation. The process concludes with follow-up contact to verify customer satisfaction, ensuring all concerns are fully resolved to the customer's satisfaction. During the Track Record Period and up to the Latest Practicable Date, we had not received any complaint from customers that may materially affect our reputation or business operations.

Sales Return and Exchange

We typically adopt a no-sales-return policy unless otherwise required by local laws and regulations. However, we do permit product returns or exchanges in special cases if the reason for the return or exchange relates to quality issues, though we have rarely experienced such circumstances. During the Track Record Period and up to the Latest Practicable Date, we had not experienced any material product return that may materially affect our business and operations. For each year during the Track Record Period, return of jewellery products in self-operated stores represented less than 0.3% of our total revenue in the corresponding year.

JEWELLERY TRADE-IN PROGRAMME

We offer product trade-in programme (以舊換新) (the “**Trade-in Programme**”) to (i) our end consumers to promote sales and enhance customer loyalty and (ii) our franchisees of jewellery business to motivate them to purchase our new stock by alleviate their cashflow burden for the purchase of new stock and thereby promote our sales and market presence. Customers, whether end consumers or franchisees, cannot trade in their jewellery directly for cash without making any purchases from us. Under our Trade-in Programme, for pure gold jewellery, we accept trade in from both end consumers and franchisees, whereas, for non-pure gold jewellery, we accept trade in from end consumers only and we do not accept trade-in of non-pure gold jewellery from franchisees. However, franchisees may exchange unsold non-pure gold jewellery up to a specified worth in accordance with our product return and exchange policy. For details of our product return and exchange policy for franchisees, see “Sale Network — Franchise Agreements — Agreements with direct franchisees and sub-franchisees”.

BUSINESS

According to Frost & Sullivan, trade-in of jewellery by consumers for new products is a common market practice and some of our industry peers, including the largest players, have also adopted similar product trade-in model with franchisees and consumers that are comparable to ours. As confirmed by Frost & Sullivan, the trade-in of jewellery by franchisees for new products is also a common market practice and in line with industry norm.

As advised by our PRC Legal Advisers, the PRC laws and regulations currently in force do not explicitly prohibit or restrict us, as a member of the retail industry, from carrying out jewellery trade-in activities with our customers or franchisees.

Under HKFRS 15, revenue can only be recognized if the contract has commercial substance. Under HKAS 38.46 and 16.25, when an entity determines whether an exchange transaction has commercial substance, the extent to which its future cash flows are expected to change as a result of the transaction should be considered. An exchange transaction has commercial substance if:

- (a) the configuration (ie risk, timing and amount) of the cash flows of the asset received differs from the configuration of the cash flows of the asset transferred; or
- (b) the entity-specific value of the portion of the entity’s operations affected by the transaction changes as a result of the exchange; and
- (c) the difference in (a) or (b) is significant relative to the fair value of the assets exchanged.

Although the inventory standards do not explicitly address the commercial substance of non-monetary exchanges, the same provision should be extended to inventories.

Accordingly, regarding the Trade-in Programme conducted by our Group, whether it meets the criteria of a contract with a customer under HKFRS 15 under which revenue may be recognised hinges on whether the transaction of the used jewellery contains commercial substance.

Different Scenarios under our Trade-in Program

In summary, under all scenarios, customers (i.e. end consumers or franchisees) may trade-in specific types of used jewellery (“**Used Jewellery**”) at a trade-in price (“**Trade-in Price**”), which is determined with reference to (i) types of customers (i.e. franchisees or end consumers) and (ii) type of Used Jewellery being traded in. Customers must also purchase new jewellery (“**New Jewellery**”) at a price (“**New Jewellery Price**”) which must be higher than the Trade-in Price. Customers are required to pay the price difference (“**Top-up Price**”) between the Trade-in Price and New Jewellery Price.

Scenario 1: Trade-in Programme for Franchisees

Since 2024, the Group has introduced a trade-in programme through which franchisees can trade in their (i) our classic gold jewellery and (ii) jewellery made of pure gold. Under Trade-in Programme for Franchisees, Used Jewellery can only be traded in for the purchase of New Jewellery of which the selling price is at least 30% higher than the trade-in price.

- | | |
|--------------------------|--|
| Product involved: | <ul style="list-style-type: none"> — Used Jewellery: (i) classic gold jewellery or (ii) pure gold jewellery from any brands — New Jewellery: (i) classic gold jewellery or (ii) fashion jewellery made of pure gold (“pure gold fashion jewellery”) of our brand |
| Basis of prices: | <ul style="list-style-type: none"> • Trade-in Price of Used Jewellery: = weight of Used Jewellery (in gram) * (Shanghai Gold Exchange gold price — processing and purification fee) • New Jewellery Price: must at least 130% or above of Trade-in Price • Top-up Price: New Jewellery Price — Trade-in Price |

BUSINESS

Analysis: In Scenario 1, Used Jewellery we received and New Jewellery we sold are of the same material, both being pure gold. When we process pure gold (extracted from Used Jewellery) into new products, physical composition of Used Jewellery does not change and remains pure gold, with minimal loss throughout the production process. Additionally, according to our pricing policy, the price of New Jewellery (which may be classic gold jewellery or pure gold fashion jewellery) and the Trade-in Price (in gram) of Used Jewellery are both closely linked to the gold price quoted on Shanghai Gold Exchange. Therefore, for the pure gold traded-in and exchanged, we do not bear the risk of fluctuations in gold market prices, and the risk characteristics of this portion remain unchanged. This portion of pure gold is processed by us into jewellery products for sale, and the future economic benefits it brings to us are identical. We believe that we primarily play the role of a processor rather than a mere seller in this process.

For the portion of pure gold traded-in and exchanged, although our physical gold inventory does not change before and after the transaction, the trade-in leads to a new sale transaction of New Jewellery. Moreover, jewellery trade-in is a common in the jewellery industry and it helps us to compete evenly against our competitors. The economic benefits we derive from our Trade-in Program, namely the Top-up Price payable by the customers for the purchase of New Jewellery, essentially consist of the value of the pure gold used for production (in addition to portion of pure gold we received and extracted from the Used Jewellery), craftsmanship fee, and brand value.

Accounting treatment: For the portion of pure gold in equal weight traded in and exchanged, the configurations (i.e., risk, timing and amount) of the cash flows of the pure gold received is the same as those of the cash flows of the pure gold transferred. The future economic benefits brought by this portion of pure gold are identical. Accordingly, we believe that this portion of the pure gold exchange business lacks commercial substance and should not be recognized as revenue. It follows that the value of Used Jewellery received is recognized as inventory at its fair value.

For (i) the portion of gold of the New Jewellery that exceeds the weight of the Used Jewellery, (ii) the craftsmanship fee and (iii) the brand value as reflected in Top-up Price, they generate new cash flows for our Group. Their configurations (i.e., risk, timing and amount) of the cash flows differ from the aforementioned pure gold exchanged in equal weight and possess commercial substance. Therefore, they are recognized as sales revenue.

Illustration: A franchisee traded in its used pure gold jewellery weighing 197.25g. The Shanghai Gold Exchange price on the same day was RMB613.08/g. The franchisee purchases New Jewellery valued at RMB185,724.76 weighing 225.45g. Cost of sales (excluding tax) of the New Jewellery is RMB154,412.45.

Trade-in Price: $\text{RMB}120,574.98 = (\text{RMB}613.08 \text{ (Shanghai Gold Exchange price)} - \text{RMB}1.8 \text{ (processing and purification fee)}) \times 197.25 \text{ (weight)}$

New Jewellery Price: RMB185,724.76

Top-up Price: $\text{RMB}65,149.78 = \text{RMB}185,724.76 \text{ (New Jewellery Price)} - \text{RMB}120,574.98 \text{ (Trade-in Price)}$

Accounting entries (based on VAT rate: 13%):

Step 1 — Recognize revenue for the New Jewellery sold:

Dr: Trade receivables	185,724.76 (i.e. New Jewellery Price)
Cr: Revenue	164,358.19 (=185,724.76/(1+13%))
Cr: Other payables and accruals (VAT)	21,366.57 (=185,724.76/(1+13%)*13%)

BUSINESS

Step 2 — Recognize cost of sales for the New Jewellery sold:

Dr: Cost of sales	154,412.45
Cr: Inventories	154,412.45

Step 3 — Revenue reduction based on the Trade-in Price of the Used Jewellery:

Dr: Revenue	106,703.52 (=120,574.98/(1+13%))
Dr: Other payables and accruals (VAT)	13,871.46 (=120,574.98/(1+13%)*13%)
Cr: Trade receivables	120,574.98 (i.e. Trade-in Price)

Step 4 — Record the Used Jewellery as inventory at its Trade-in Price:

Dr: Inventories	106,703.52 = ((613.08 (Shanghai Gold Exchange gold price)-1.8 (processing and purification fee))* 197.25 (weight of Used Jewellery))/(1+13%))
Cr: Cost of sales	106,703.52

Step 5 — Payment from the franchisee:

Dr: Cash and bank balances	65,149.78 (i.e. Top-up Price)
Cr: Trade receivables	65,149.78

We started the trade-in programme for franchisees since 2024. When determining the Top-up Price to be paid by franchisees, we do not consider the previous selling price of the Used Jewellery. Instead, the calculation is based solely on the weight of the Used Jewellery and the Shanghai Gold Exchange price on the date of the trade-in. This means that under the Trade-in Programme for Franchisees, we do not trace the revenue previously generated from sales of the Used Jewellery to franchisees.

Under Trade-in Programme for Franchisees, in FY2024 and FY2025, the value of new jewellery acquired by franchisees was RMB275.3 million and RMB1,781.1 million, respectively, the value of used jewellery recognized as inventories was RMB210.8 million and RMB1,383.3 million, respectively, the corresponding revenue recognized by our Group was RMB64.5 million, and RMB397.8 million, respectively.

Scenario 2 — Trade-in of Classic Gold Jewellery with End Consumers

In a Trade-in transaction of Used Jewellery (i) our classic gold jewellery and (ii) jewellery made of pure gold between end consumers and us, similar to Scenario 1, Used Jewellery we received and New Jewellery we sold are of the same material, both made of pure gold. Policy for trade-in of classic gold jewellery by end consumers in self-operated stores is the same as trade-in in franchise stores.

Product involved:	—	Used Jewellery: (i) classic gold jewellery or (ii) pure gold jewellery from any brands
	—	New Jewellery : (i) classic gold jewellery or (ii) fashion jewellery made of pure gold of our brand

BUSINESS

- Basis of prices:**
- Trade-in Price of Used Jewellery: = weight of Used Jewellery (in gram) * the per-gram gold trade-in price (“**Per-Gram Gold Trade-In Price**”) announced by our Group on the day

Per-Gram Gold Trade-In Price is determined by our Group based on the gold price quoted on the Shanghai Gold Exchange on the relevant day.

- New Jewellery Price: must be at least 130% or above of Trade-in Price
- Top-up Price: New Jewellery Price — Trade-in Price

Analysis: Same as Scenario 1

Accounting treatment: Since consumers cannot trade in their Used Jewellery directly for cash without making any purchases of New Jewellery from us, the Trade-in Price of Used Jewellery will be used for offsetting the price of New Jewellery. In other words, consumers will need to pay a Top-up Price, which represents the difference between the Trade-in Price and New Jewellery Price.

For the portion of pure gold in equal weight traded in and exchanged, similar to the Trade-in Programme for franchisees, it has no commercial substance and therefore no revenue is recognized and value of Used Jewellery we received is recognized as inventory at its fair value.

Illustration: An end consumer traded in his used classic gold jewellery that actually weighed 3.15g. Our Per-Gram Gold Trade-In Price on the relevant day was RMB529/g while Shanghai Gold Exchange price on the same day was RMB467.75/g. To be eligible for trade-in, the consumer purchased a piece of New Jewellery (which is classic gold jewellery) weighed 5.89g. Selling price of classic gold jewellery is based on (i) weight of jewellery, (ii) our selling gold price on the relevant day and (iii) craftsmanship fee. Our selling gold price on that day was RMB599/g. Cost of sales(excluding tax) of New Jewellery was RMB2,433.32.

Trade-in Price: RMB1,666.35 = RMB529 (Per-Gram Gold Trade-In Price)*3.15 (weight)

New Jewellery Price: RMB3,618.11 = RMB599 (selling gold price)*5.89 (weight) + RMB90 (craftsmanship fee)

Top-Up Price: RMB1,951.76 = RMB3,618.11 (New Jewellery Price) — RMB1,666.35 (Trade-in Price)

Accounting entries (based on VAT rate: 13%): Step 1 — Recognize revenue based on cash received from the end consumer:

Dr: Cash and bank balances	1,951.76 (i.e. Top-up Price)
Cr: Revenue	1,727.22 (= 1,951.76/(1+13%))
Cr: Other payables and accruals (VAT)	224.54 (=1,951.76/(1+13%)*13%)

Step 2 — Recognize cost of sales for the New Jewellery:

Dr: Cost of sales	2,433.32
Cr: Inventories	2,433.32

Step 3 — Record the Used Jewellery as inventory at its measured value:

Dr: Inventories	1,303.90 (= (467.75 (Shanghai Gold Exchange gold price) * 3.15 (weight of Used Jewellery))/(1+13%))
Cr: Cost of sales	1,303.90

BUSINESS

Since we do not consider previous selling price of Used Jewellery when determining Top-up Price to be paid by end consumers and it is the weight of Used Jewellery and the Per-Gram Gold Trade-In Price on the trade-in date that form the basis of calculation of Trade-in Price, we do not trace the revenue previously generated from sales of the Used Jewellery.

Scenario 3 — Trade-in of pure gold fashion jewellery with End Consumers

Our fashion jewellery are fixed price and include jewellery made of pure gold (“**pure gold fashion jewellery**”), which also means fixed priced pure gold jewellery, as distinguished from pure gold jewellery under the classic gold jewellery category which are at floating prices). End consumers may trade-in their Used (pure gold fashion) Jewellery for other pure gold jewellery (whether under classic gold jewellery category or fashion jewellery category). In this scenario, trade-in price is calculated with reference to the original selling price (“**Original Selling Price**”) of the Used Jewellery with a discount. Policy for trade-in of pure gold fashion jewellery by end consumers in self-operated stores is the same as trade-in in franchise stores.

Product involved:	— Used Jewellery: Used (pure gold fashion) Jewellery of our brand
	— New Jewellery: (i) classic gold jewellery or (ii) fashion jewellery made of pure gold of our brand
Basis of prices:	• Trade-in Price of Used Jewellery = Original Selling Price * 70% • New Jewellery Price: must be at least 130% or above of Original Selling Price • Top-up Price: New Jewellery Price — Trade-in Price
Analysis:	Same as Scenario 1 and Scenario 2
Accounting treatment:	Except for the pricing policy, the business model of Scenario 3 is similar to that of Scenario 2. Accordingly, we make the same accounting treatment in Scenario 3 as that of Scenario 2 and recognize Top-up Price as our revenue only and account Used Jewellery we received as inventory.

For Scenario 2 and 3 under Trade-in Programme for end consumers, in FY2023, FY2024, and FY2025, the value of new pure gold jewellery acquired by consumers was RMB152.3 million, RMB312.9 million, and RMB805.7 million, respectively; the value of Used Jewellery recognized as inventories was RMB76.8 million, RMB178.6 million and RMB468.8 million, respectively; and the corresponding revenue recognized by our Group was RMB59.3 million, RMB98.3 million, and RMB196.6 million, respectively.

Scenario 4: Trade-in of non-pure gold jewellery with End Consumers

Our Group’s trade-in policy also allows end consumers to trade-in non-pure gold jewellery from our brand for other jewellery (including classic gold jewellery and fashion jewellery) from our brand. In this scenario, the Trade-in Price of the Used Jewellery is calculated by applying a discount to the Original Selling Price of Used Jewellery. Policy for trade-in of non-pure gold fashion jewellery by end consumers in self-operated stores is the same as trade-in in franchise stores.

Product involved:	— Used Jewellery: non-pure gold fashion jewellery from our brand
	— New Jewellery: (i) classic gold jewellery or (ii) fashion jewellery from our brand

BUSINESS

Basis of prices: *For Used 18K Jewellery*

- Trade-in Price: Original Selling Price of Used Jewellery * a discount of not more than 20%
- New Jewellery Price: must be at least 150% of Original Selling Price
- Top-up Price: New Jewellery Price — Trade-in Price

For Used diamond Jewellery

- Trade-in Price: Original Selling Price of Used Jewellery * a discount of not more than 10%
- New Jewellery Price: must be at least 150% of Original Selling Price
- Top-up Price: New Jewellery Price — Trade-in Price

Analysis:

In Scenario 4, unlike other scenarios, the materials of Used Jewellery we received and the materials of New Jewellery we sell may be different. For example, we may accept trade-in of 18K gold Jewellery for diamond jewellery. Due to this difference, the configurations (ie risk, timing and amount) of the cash flows of the asset received (i.e. the Used Jewellery we collected) differs from the configurations of the cash flows of the asset transferred (i.e. the New Jewellery we sold). It follows that such trade-in transaction has commercial substance.

Accounting Treatment:

Our Group is able to accurately trace the items to their original sales orders and the Trade-in Prices are calculated with reference to the original selling prices and a discount. Accordingly, we treat this transaction as sales returns. Our Group reverses the previously recognized revenue based on the amount of Trade-in Price and recognizes revenue for the sale of New Jewellery based on the actual selling price. In Scenario 4, the trade-in transaction has commercial substance.

In this scenario, Used Jewellery can only be traded-in for New Jewellery with selling price at least 50% higher. Therefore, our Group has no obligation to make cash payments to the consumers, and accordingly, no specific provision for trade-in liabilities is recognized. For the Used Jewellery we collected under this scenario, since there may be wearing and tearing due to its use by the customers, we will need to disassemble the Used Jewellery for cleaning and polishing before it can be processed into a new piece of product.

Illustration:

A consumer would like to trade-in a piece of Used fashion Jewellery, which is a 18-K jewellery. The original Selling Price of the Used fashion Jewellery was RMB1,880. Cost of the Used fashion Jewellery (excluding tax) was RMB579.07. The consumer traded in the Used fashion Jewellery for a New Jewellery, which is a diamond jewellery.

Trade-in Price: RMB1,504 = RMB1,880 (Original Selling Price) *80% (i.e. a discount of 20%)

New Jewellery Price: RMB5,831.6

Top-up price: RMB4,327.6 = RMB5,831.6 (New Jewellery Price) — RMB1,504 (Trade-in Price)

Accounting entries (based on VAT rate: 13%):

Step 1 — Recognize revenue based on cash received from the consumer: (i.e. revenue recognition on the actual selling price of the new jewellery with the reversal of the previously recognized revenue based on the amount of Trade-in Price of used jewellery)

Dr: Cash and bank balances	4,327.60 (i.e. Top-up Price)
Dr: Revenue	1,330.97 (= 1,504/(1+13%))
Cr: Revenue	5,160.71 (= 5,831.6/(1+13%))

BUSINESS

Cr: Other payables and accruals (VAT) 497.86 (= 4,327.6/(1+13%)*13%)

Step 2 — Recognize cost of sales for the New Jewellery:

Dr: Cost of sales 1,265.26
Cr: Inventories 1,265.26

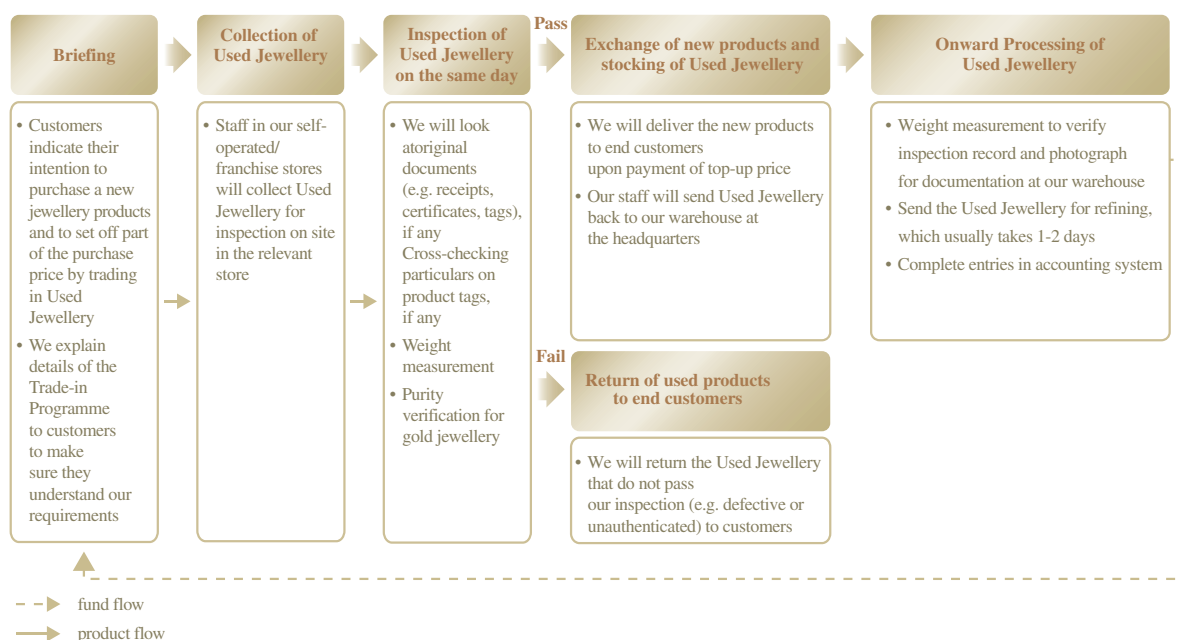
Step 3 — Record the Used Jewellery as inventory at its original cost:

Dr: Inventories 579.07
Cr: Cost of sales 579.07

For Scenario 4 under Trade-in Programme for end consumers, in FY2023, FY2024, and FY2025, revenue recognized from consumer purchases of New Jewellery was RMB81.6 million, RMB36.5 million, and RMB17.3 million, respectively; revenue reversed due to trade-in Used Jewellery was RMB47.9 million, RMB20.3 million and RMB10.0 million, respectively; the value of Used Jewellery recognized as inventories was RMB20.7 million, RMB8.9 million, and RMB3.8 million, respectively.

Process of Trade-in of Used Jewellery by End Consumers

In order to ensure we are not receiving jewellery with quality issues, we have established a thorough guide and policy which stipulates the operation flow of the Trade-in Programme. Trade-in at our stores and that at our franchise stores by end consumers follow the same procedures. The diagram below sets out the steps of operation, inventory and fund flow of trade-in process for end consumers:

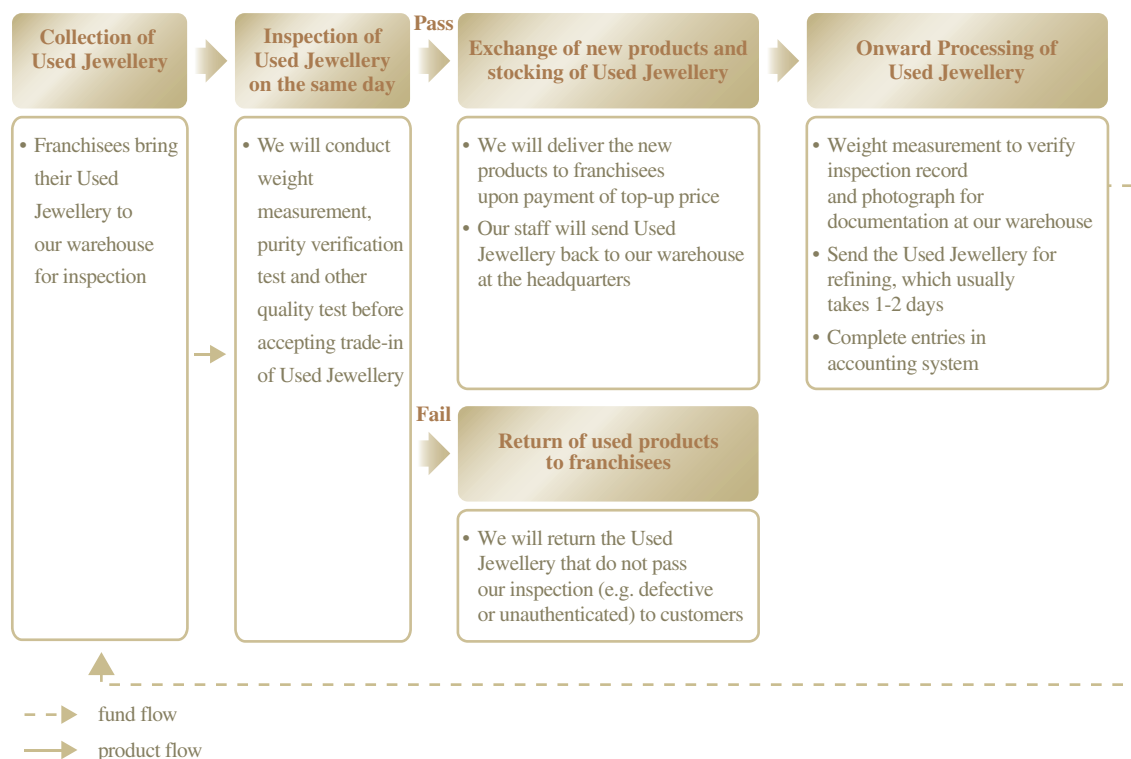


End customers may trade-in their Used Jewellery in self-operated stores and franchisee stores. To ensure reputation of our brand and the quality of products and services provided in franchise stores, policy for trade-in by end consumers in franchise stores is the same as trade-in in self-operated stores. After receiving Used Jewellery, our franchisees may trade-in pure good Used Jewellery with us in accordance with our policy as set out in Scenario 1 as aforementioned. To our best knowledge, given the fungibility of gold and financial value of gems with an open market as precious metals which do not degrade in quality, for Used Jewellery received by our franchisees but not traded-in with us, they may treat them as raw materials and trade-in with other dealers for purification and recycling. However, we are not involved in any such trade-in transactions between the franchisees and other dealers.

BUSINESS

Process of Trade-in of Used Jewellery by Franchisees

The diagram below sets out the steps of operation, inventory and fund flow of trade-in process by franchisees:



RESEARCH AND DEVELOPMENT

For FY2023, FY2024 and FY2025, we incurred R&D costs of approximately RMB62.7 million, RMB68.1 million and RMB93.8 million, respectively. Our R&D costs represent amounts incurred for the development of new products, production processes and management system.

Jewellery

For our jewellery products, our innovation in precious metal surface treatment technology introduces a velvet-like visual effect, designed to elevate the visual saturation and colour vibrancy of our products. This advanced treatment not only imparts a soft, luxurious lustre but also significantly enhances the durability of the pieces.

For our diamond jewellery, we have successfully developed and implemented advanced 3D modeling micro-setting technique. By apply this technique, the prongs designed for stone setting boast a smooth, translucent, and mirror-like finish, enhancing the overall brilliance and aesthetic appeal of our jewellery pieces. These technological advancement sets a new trajectory for the development of future products, reinforcing our commitment to excellence and innovation in the industry.

Handbags

For our handbags, we have completed our research on enhancing the dyeing performance of PVC artificial leather. To address the longstanding issues of poor thermal stability and light resistance in PVC artificial leather, we have pioneered the use of surface modification technology and ultrasonic treatment for PVC artificial leather. These innovations significantly improve its dyeing performance and prevent colour migration. As a result, our PVC artificial leather exhibits colour fastness and an extended lifespan, offering durable and vibrant handbags to our customers.

BUSINESS

Integrated digitalised management system

We established and have continued to refine our integrated digitalised management system, which comprises the back end, the middle platform and the front end.

In the back-end, supported by the SAP-ERP system, we streamline and manage our business processes across various departments, including finance, marketing and supply chain. The back-end of our management system provides source of the Company’s data and allow different departments to access and share information in real-time. The back-end of the management system ensures data synchronisation between back-end supply chain and integrated financial operations.

The middle platform processes data from franchisees and customers and manage their orders. It maintains comprehensive product documentation, detailing product types, cost structures, and other key attributes. This supports data-driven decision-making in areas such as order management and inventory planning.

In the front-end, we establish various applications, including CHJ Data Assistant System. The mobile application is accessible by our internal departments, regional managers, store supervisors, and franchisees. Operational data, such as sales, inventory data, customer profiles are fetched in real-time from our stores, which will then be processed into analytics allowing us to closely monitor our stores and gain insights on different dimensions, from sales performance to inventory management and changes in customers behaviour.

DATA PRIVACY

We are committed to the protection of data privacy and data security and have implemented a comprehensive set of internal policies on network security, data security, data backup and recovery, data protection, security emergency plan, and information security incident management.

In order to effectively provide our services, we may collect and use basic user data from our consumers, franchisees and their employees as: (i) when consumers register for our membership programme or place orders for products through our mini programmes operated by Wechat (微信小程序), we may collect their user codes, phone numbers, transaction information and delivery addresses and (ii) during the franchisee onboarding process, we collect franchisees’ basic information, such as their names and phone numbers. For both of consumers and franchisees, we only collect the personal information and data necessary for the use of our operation with their consents. We desensitise data with encryption, masking, or replacement techniques.

To ensure that we, our franchisees and third-party service providers comply with our data protection policy and the relevant PRC laws and regulations, our franchisees and we only collect and use personal data for the stated purpose in both privacy policies of our mini programme as authorised by users, including our consumers, franchisees and their employees, or with other legal bases as provided by laws and regulations. We have also in place internal policies to provide our employees with the guidelines for data sharing, transmission, and processing. Furthermore, we implement an access control mechanism. Besides, we have confidentiality and data protection arrangements with our franchisees and third-party service providers, including that (i) the rights and obligations of both the third-party service providers and us regarding personal information involved, protection measures (such as processing personal information only to the minimum extent necessary) and processing purposes have been specified in our cooperation agreements; (ii) we have confidentiality provisions with our franchisees and third-party service providers, and they are subject to liability in case of the breach of confidentiality; and (iii) our franchisees only have access to the personal data of their respective consumers to process relevant orders. We do not share with, transfer, or disclose personal data to any third parties except under certain limited circumstances, including when it is expressly authorised by users, necessary to fulfil our main services to users, or in compliance with the applicable laws and regulations. With respect to using the data collected, we adopt encrypted storage and backup measures to store and protect consumers’ personal data. In addition, we comprehensively classify the data in our systems by the level of confidentiality. During the Track Record Period and up to the Latest Practicable Date, all consumers’ personal data collected during our daily business operations within the PRC had been stored within the PRC, and our operations do not involve in any cross-border transmission of users’ data.

BUSINESS

During the Track Record Period and up to the Latest Practicable Date, we had not received any third-party claim against us on the ground of infringement of the party’s right to data protection as provided by any applicable laws and regulations. In addition, during the Track Record Period and up to the Latest Practicable Date, our Directors, as advised by our PRC Legal Advisers, confirm that we had complied with the applicable laws and regulations regarding personal information privacy and data security in all material aspects.

INVENTORY MANAGEMENT

Our inventory primarily comprises (i) raw materials, mainly including gold, platinum and diamond, (ii) work-in-progress jewellery products and (iii) finished jewellery products. Our inventories turnover days were 186 days, 177 days and 173 days in for FY2023, FY2024 and FY2025, respectively. For further details, please see “Financial Information — Description of Certain Items of Consolidated Statements of Financial Position — Inventories”.

We utilise smart storage cabinets for gold inventory management, overseen by dedicated security guard. Our custodians conduct daily inventory checks along with monthly cross-checks of physical stock. To further ensure accuracy and security, we perform random spot inspections periodically. All daily operations, including the receipt and dispatch of goods, are carried out under video surveillance, maintaining the high standards of inventory control.

To mitigate our channel stuffing risk, we implement the following internal control measures:

- we and our franchisees are buyer-seller relationship and we allow product return only in limited circumstances. Accordingly, under our franchise model, we believe that our franchisees have little incentive to maintain an unreasonably high level of inventory because cost of maintaining unreasonably high level of inventory is high as franchisees typically make advance payment before products are delivered to them or they only granted a relatively short credit period of 14 days;
- since we adopt a two-tier franchise model, to minimise channel stuffing in the intermediate level (i.e. inventory stuffed at the level of regional franchisees), sub-franchisees (i.e. franchisees procured by regional franchisees) are required to make product procurement directly with us. We believe that, by minimizing intermediate distributors in the sales channel which also means eliminating channel stuffing risk at one more level, we could stay closer with the actual demand of end consumers. Moreover, as we enter into franchise agreement with sub-franchisees directly, we are able to exert control and monitor inventory level more closely which further minimise our channel stuffing risks;
- the opening of each franchised store is subject to our approval after comprehensive market research and analysis involving, among others, the competitive landscape in the neighborhood and spending power and habit of local consumers. We believe such pre-opening market analysis helps ensure that the sales correspond to the demand of the local consumers;
- monitoring of sales performance and inventory level of our franchisees and the amount of unsold inventory held by franchisees via our integrated management platform, CHJ Data Assistant System; and
- our store operations advisers and/or regional managers to conduct onsite visits on a monthly basis and it is one of the checklist items for our store operations advisers/regional managers to conduct stock take during their visits. Detailed records of stock take will be saved on our systems for follow-up reviews. Where we notice unusual slowdown of inventory turnover or piling up of stock which may indicate channel stuffing risk, we will communicate with our franchisees to formulate marketing and promotional activities to accelerate sales and give advice on their inventory management. During the Track Record Period and up to the Latest Practicable Date, no materials issues in relation to inventory level of our franchisees had been identified.

Our Directors believe that the above internal control measures are sufficient to effectively mitigate the risk of channel stuffing. In view of (a) the review of the relevant due diligence documents; (b) the discussions with the Company and its participation in due diligence, and (c) the other independent due diligence conducted by the Sole Sponsor, nothing material has come to the attention of the Sole Sponsor that would cause it to disagree with the Company’s view above.

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AWARDS AND RECOGNITIONS

As a testimony to our achievements and the quality of our products, we have received various awards and recognitions. The following table sets forth our major awards and recognitions of our Group or our designs we received:

Year	Award/Recognition	Accreditation Organisation
2005–2025 . .	China’s 500 Most Valuable Brands (中國500最具價值品牌)	World Brand Laboratory
2023–2025 . .	The Asia’s 500 Most Influential Brands	World Brand Laboratory
2025	Filigree Ruyi Bracelet (花絲如意手鐲) IAI Excellence Award — Industry Design	Asia Pacific Designers Federation
2024	DFA Design for Asia Awards (DFA亞洲最具影響力設計獎)	Hong Kong Design Centre
2024	Filigree Ruyi — MUSE Design Gold Awards (花絲如意·MUSE設計獎金獎)	MUSE DESIGN AWARDS
2024	15th Tiger Roar Awards — Gold Winner in Apparel, Footwear and Accessories Category (“One City, One Intangible Cultural Heritage”) 第十五屆虎嘯獎服飾鞋履配飾類金獎(一城一非遺)	Tiger Roar Awards Committee
2024	2024 Innovation Breakthrough Award (2024年度創新突破獎)	Xiaohongshu (小紅書)
2023	Guochao Innovative Brand (國潮創新品牌)	Forbes China
2023	Winner of 2023 Asia Design Prize	Asia Design Prize 2023
2023	WAVES Filigree Bracelet: MUSE Design Awards Winner (USA) (WAVES花絲手鐲: 美國MUSE設計獎)	MUSE Design Awards
2023	WAVES Filigree Bracelet: Winner of French FDA Design Award (WAVES花絲手鐲: 法國FDA設計獎)	French Design Award
2022	Tencent 2021 Annual Pioneer Award (2021年度飛躍標杆)	Tencent Smart Retail
2022	2021 Global Powers of Luxury Goods (Rank 74) (2021年全球奢侈品力量排行榜(74))	Deloitte
2022	Jewellery World Awards — Outstanding Enterprise of the Year	Jewellery World Awards

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EMPLOYEES

The strength and talent of our workforce are critical to the success of our business. The table below sets out the breakdown of our employees by function as at 31 December 2025:

Department	Number of employees
Sales and marketing	2,067
R&D	213
Finance	88
Administration	194
Production	889
Total.	3,451

Training and recruitment

We believe that our ability to recruit and retain experienced and skilled labour is crucial to our growth and development.

We generally recruit our employees by placing advertisements in the open market, or through personal referrals and recruitment agencies. Based on our business needs, we select candidates having regard their credentials, experience, qualifications and expertise. Remuneration packages of our employees generally include basic salaries, bonuses and other employee benefits such as medical insurance. We conduct annual appraisal on employee to review their salary and consider promotion where their performances meet our expectation.

We have adopted a training policy and we provide orientation training and employees handbook to our new employees to familiarise them with our working environment and work culture. We also provide on-the-job training to our employees, to enhance their technical and safety knowledge. Trainings are given by our senior employees or third-party consultants. We also provide fire safety training to our production staff regularly. We believe our human resource management policy can encourage our employees to progress and develop continuously and contribute to our success.

To build and maintain bond with our employees, we have established a labour union in the PRC to represent the interests of our employees and to facilitate effective communication between our employees and our management. The union organises various activities for our employees. We consider that we have maintained a positive relationship with our employees. During the Track Record Period and up to the Latest Practicable Date, we had not experienced any strike, labour dispute or other labour disturbances which would have had a material impact on our business, financial condition or results of operations.

Inadequate Contribution to the Social Insurance Plan and Housing Provident Fund

During the Track Record Period, we had not paid social insurance and housing provident fund in full for certain employees in accordance with PRC laws. As at the Latest Practicable Date, we were not been subject to any administrative penalty imposed by the relevant regulatory authorities with respect to our social insurance and housing provident fund contributions.

Pursuant to relevant PRC laws and regulations, if there is a failure to pay the full amount of social insurance contributions as required, the relevant social insurance authority may require payment of the outstanding amount within a prescribed period. As a result, we may be subject to a late charge at the daily rate of 0.05% on the outstanding amounts from the date on which such amounts are payable. If such payment is not made within the prescribed period, the competent authority may further impose a fine of one to three times of the overdue amount. Pursuant to relevant PRC laws and regulations, if there is a failure to pay the full amount of housing provident fund as required, the housing provident fund

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management center may require payment of the outstanding amount within a prescribed period. If the payment is not made within such time limit, an application may be made to the PRC courts for compulsory enforcement.

As advised by our PRC Legal Advisers, considering that (i) pursuant to the Urgent Notice on Enforcing the Requirement of the General Meeting of the State Council and Stabilizing the Levy of Social Insurance Payment (《關於貫徹落實國務院常務會議精神切實做好穩定社保費徵收工作的緊急通知》) (the “**Urgent Notice**”) promulgated on 21 September 2018 by the Ministry of Human Resources & Social Security, administrative enforcement authorities are prohibited from organizing and conducting centralized collection of enterprises’ historical social insurance arrears; (ii) based on the interview or consultation with the relevant authorities, in absence of employees’ complaints, the relevant authorities will follow the Urgent Notice and/or they will not centralized and proactively request us to pay the shortfall nor fine, and based on the confirmations from the relevant authorities regarding the status of our payment of social insurance and housing provident fund; (iii) we were not subject to any administrative penalty imposed by the relevant authorities with respect to our social insurance and housing provident fund contributions during the Track Record Period and up to the Latest Practicable Date; (iv) as of the Latest Practicable Date, we had not received any notification from the relevant authorities requiring us to pay material shortfalls, nor had any unresolved material labor disputes with our employees with respect to social insurance and housing provident fund; and (v) we undertake that we will rectify and repay the relevant shortfall with the prescribed timeline if we receive complaints from employees or orders from the relevant authorities, therefore, in the absence of employees’ complaints, the likelihood that relevant government authorities centralized and proactively order us to pay historical shortfalls or fine us due to our failure to provide full social insurance and housing provident fund contributions for our employees is relatively low. For each year during the Track Record Period, the shortfall of social insurance fund and housing provident funds was less than 1.3% of our Group’s total revenue of the corresponding year. As advised by our PRC Legal Advisers, in the unlikely event, in accordance with the existing applicable PRC laws and regulations, as long as such shortfall is paid within the prescribed period when we are ordered to repay such shortfall, the likelihood that we would be subject to further fine is relatively low.

Based on the foregoing, our Directors are of the view that our historical non-compliance in relation to inadequate contribution to the social insurance plan and housing provident fund would not have any material adverse impact on our financial condition or results of operations as a whole.

We have established internal policies and procedures to ensure that we make contributions in relation to social insurance and housing provident funds for all of our employees, including:

- we have enhanced our human resources management procedures, which explicitly require social insurance and housing provident fund contributions to be made in accordance with applicable local requirements;
- we have designated our human resources department to review and monitor the reporting and contributions of social insurance and housing provident fund on regular basis;
- we will keep abreast of latest developments in PRC laws and regulations in relation to social insurance and housing provident funds;
- we will strengthen legal compliance training to our employees to increase their awareness of the relevant PRC laws and regulations and encourage their cooperation in making payments for social insurance and housing provident funds; and
- we will consult our PRC legal counsel on a regular basis for advice on relevant PRC laws and regulations to keep us abreast of relevant regulatory developments.

Having considered (i) the facts and circumstances leading to the non-compliance and (ii) details and relevance of our Group’s internal control measures to avoid recurrence of the non-compliance incidents, our Directors are of the view that the above measures are effective and adequate in preventing non-compliance with respect to social insurance and housing provident funds.

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INSURANCE

We maintain various insurance policies including property insurance covering risks of physical loss or damage to the inventory of our products and fixed assets, general liability insurance (including product liability), worker compensation insurance, employer liability insurance and transportation and logistics insurance covering the products delivered by third party logistic companies. We believe that our insurance coverage is in line with industry practice. During the Track Record Period and up to the Latest Practicable Date, we had not made or been the subject of any material insurance claims.

PROPERTIES

Owned properties

As at 31 December 2025, we owned land use rights with an aggregate site area of approximately 33,927.4 sq.m. and properties with an aggregate building floor area of approximately 130,651.8 sq. m. in the PRC mainly used as our office, dormitory, Zhen Museum and production base. All of these land use rights and properties have been granted land use right certificates and ownership certificates. Save for the properties as set out in the Property Valuation Report in Appendix III to this document, all the above properties are used for non-property activities as defined under Rule 5.01(2) of the Listing Rules. Our Directors confirm that no single property interest that formed part of our Group’s non-property activities had a carrying amount of 15% or more of our consolidated total assets as at 31 December 2025.

For FY2023, FY2024 and FY2025, our rental income included in other income amounted to RMB3.2 million, RMB5.9 million and RMB7.7 million, respectively. As of 31 December 2025, we leased out 11 self-owned properties and the lessees are Independent Third Parties.

For further details, please see “Appendix III — Property Valuation Report”.

Leased properties

As at 31 December 2025, we were the lessees of 105 leases, mainly for our self-operated stores and warehouses in the PRC. According to applicable PRC laws and regulations, the lessor and the lessee to a lease agreement are required to register the lease agreement with relevant government authorities within a prescribed time period. As at the Latest Practicable Date, we had not registered the lease agreements for 93 leased properties for which we are the lessees because the relevant lessors could not provide the documents necessary for lease registration. As advised by our PRC Legal Advisers, the absence of registrations will not affect the validity of the lease agreements. Therefore we have the right to use such properties in accordance with the lease agreements, and the absence of registrations would not result in us being required to vacate the leased properties nor materially and adversely affect our operations. However, the relevant PRC authorities may require us to complete the registration within the prescribed period, and we may be subject to a fine ranging from RMB1,000 to RMB10,000 for each unregistered lease as a result of delay in doing so. Having considered (i) the amount of potential penalty and (ii) no penalty had been imposed on us for our failure to register and file the relevant lease agreements during the Track Record Period and up to the Latest Practicable Date, our Directors believe that the non-registrations of leases described above will not materially affect our business and results of operation.

As 31 December 2025, lessors of 38 of our leased properties which are mainly used as our stores and storage had not provided us the relevant title certificates (“**Defective Leased Properties**”). If any of these leases is terminated as a result of challenges by third parties, we may not be able to continue to use these properties. During the Track Record Period and up to the Latest Practicable Date, we have not encountered any disputes or challenges by any third parties with respect to the Defective Leased Properties. To manage potential risks of relocation of our self-operated stores in the future, we have designated our store management department to closely communicate with the relevant landlords for an early detection of potential disputes which may challenge the validity of the relevant leases and may lead to relocation. Given that a majority of the relevant self-operated stores are relatively small, with our experience and our network with landowners, and we regularly conduct searches on sites for potential set up of new stores, we believe that there will be no material obstacle for us to find alternative sites that meet our store selection criteria when relocation becomes necessary. Please see “Risk Factors —

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Risks Relating to our Industry and Business — 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” in this document.

Shantou CHJ Real Estate was engaged in property development and sales during the Track Record Period, generating revenue from sales of property of RMB17.0 million, RMB8.9 million and RMB13.0 million for FY2023, FY2024 and FY2025 respectively. As at the Latest Practicable Date, Shantou CHJ Real Estate had ceased to engage in property development and sales.

INTELLECTUAL PROPERTIES

As at the Latest Practicable Date, we were the registered owner of 48 trademarks, 35 patents and 19 domain names in China and overseas which we considered material. For further details of our material intellectual property rights, please see “Appendix VI Statutory and General Information — B. Further Information about our Business — 2. Material intellectual property rights of our Group”. During the Track Record Period and up to the Latest Practicable Date, we did not experience any material infringement of our intellectual property rights nor had we been subject to any material intellectual property rights claims by third parties.

LICENCES, PERMITS AND APPROVALS

We are required to maintain various licenses, permits and approvals to conduct our business operations. During the Track Record Period and up to the Latest Practicable Date, we have obtained all licences, permits and approvals that are material and necessary for our core business in the PRC and such licences, permits and approvals are valid and subsisting. We deem the Business License (營業執照) as our major licenses for our business, the majority of which were valid for the long term. Details of other major license, permits and approvals of our core business are set out below:

License/Permit	Licence Holder	Issuing authority	Valid period
Registration Certificate of Customs Declaration Unit of the People’s Republic of China (中華人民共和國海關報關單位註冊登記證書)	The Company	Custom of Shantou of the People’s Republic of China	Long term (with no maturity date, remain valid unless revoked)
Import and Export Permit for Gold and Gold Products (黃金及黃金製品進出口准許證)	The Company	People’s Bank of China, Guangdong Province Branch	2026/2/3-2026/8/2

LEGAL PROCEEDINGS AND COMPLIANCE

Legal proceedings

During the Track Record Period, we were involved in two intellectual property infringement-related litigation claims (the “**Infringement Litigations**”) initiated by Bulgari S.P.A. (the “**Bulgari Case**”) and Richemont International SA (the “**Richemont Case**”), respectively. In total, nine products are involved in the Infringement Litigations (“**Involved Products**”). We have ceased the production of the Involved Products at the time when we were notified of the Infringement Litigations and sales of the Involved Products have been discontinued gradually in early 2025.

The Bulgari Case

In March 2024, Bulgari S.P.A. (“**Bulgari**”) initiated a claim against the Group alleging the infringement of Bulgari’s intellectual properties, in particular, Bulgari’s “little dress (小裙子)” trademark (a fan-shaped motif, the “**Little Dress Mark**”) of its “Diva’s Dream” collection. It was alleged that certain of the Group’s products carry design elements which are highly similar to the Little

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Dress Mark that cause infringement of Bulgari’s intellectual properties and cause consumers’ confusion. Accordingly, Bulgari initiated a claim against the Group, seeking multiple remedies including, among others, (i) an order on the Group to stop producing, marketing and selling products that apply the Little Dress Mark, (ii) a damages of RMB5 million and (iii) a public declaration by the Group to clarify and mitigate adverse impact on Bulgari.

On 30 December 2025, the court had determined that we are liable for a damages of RMB1.1 million and had ordered us to publish a public declaration to clarify and mitigate adverse impact on Bulgari; and as at the Latest Practicable Date, we had filed an appeal.

The Richemont Case

In September 2024, Cartier International AG (“**Cartier**”) (which subsequently merged and was acquired by Richemont International SA (“**Richemont**”) during the trial stage and therefore Richemont substituted Cartier as the plaintiff of the Richemont Case), initiated a claim against the Group alleging (i) infringement of Cartier’s intellectual properties by the Group, in particular, Cartier’s “Screw-lock” trademark of its “Love” collection (the “**Screw-lock mark**”) and (ii) unfair competition based on the same facts. It was alleged that certain of the Group’s products carry design elements which are highly similar to the Screw-lock mark that cause infringement of Cartier’s intellectual properties and cause consumers’ confusion. Accordingly, Cartier initiated a claim against the Group, seeking multiple remedies including, among others, (i) an order on the Group to stop producing, marketing and selling products that apply the Screw-lock mark, (ii) a damages of RMB5 million with a declaration on one of the Group’s subsidiaries, Guangdong Chaohui, to be jointly and severally liable for RMB3 million^(Note) of such damages, (iii) damages of RMB0.5 million to compensate Cartier’s litigation cost and (iv) public declaration by the Group to clarify and mitigate adverse impact on Cartier.

Subsequently, the Richemont Case had been separated into two proceedings for (i) the infringement of trademarks and (ii) unfair competition. For the unfair competition allegation, on July 2025, Suzhou Intermediate People’s Court (江蘇省蘇州市中級人民法院) held our Group liable and ordered a damages of RMB1 million with a declaration on one of our Group’s subsidiaries to be jointly and severally liable for RMB0.4 million of such damages.

As at the Latest Practicable Date, we were making an appeal for the judgement by the court in July 2025 as aforementioned and we were waiting for the judgement of first instance in relation to the alleged infringement of trademarks.

Financial and operational impact of the Infringement Litigations

We had made provisions in FY2024 and FY2025 of RMB3.0 million for the Infringement Litigations. Such provision was the high end of the estimated range of potential maximum damages payable by us taking into account recent precedents.

Given that (i) damages involved in Infringement Litigations (i.e. RMB10.5 million) was immaterial, representing less than 0.1% of the Group’s total asset as at 31 December 2025 and (ii) the growth of the Group’s revenue from the jewellery segment is solid and sustained even after the commencement Infringement Litigations and the cessation of sales of the relevant products, our Directors are of the view that the financial and operational impact of the Infringement Litigations was immaterial. On the basis of (a) reviewing the relevant documents and information in relation to the foregoing Infringement Litigations; (b) the discussions with the Company and its participation in due diligence; (c) the discussion with the PRC Legal Advisers about the Infringement Litigations, and (d) the Directors’ submission and view as stated above, the Sole Sponsor considers that nothing material has come to the Sole Sponsor’s attention that contradicts the Company’s conclusion above.

Note: The declaration that Guangdong Chaohui shall be jointly and severally liable for RMB3 million among the total claim amount of RMB5 million means that the RMB3 million was not a standalone claim amount, and only if our Company and CHJ Jewellery fail to pay the damages, Guangdong Chaohui shall be liable for no more than RMB3 million of the damages.

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Our Directors confirmed that they were not aware of any other potential claims arising from the Infringement Litigations or products of the Company as at the Latest Practicable Date. For details of the enhanced internal control measures relating to the Infringement Litigations, please see “— Risk Management and Internal Control — Internal Control on Intellectual Property Rights”.

Directors’ suitability under Rules 3.08 and 3.09

Our Directors are of the view that the Infringement Litigations would not adversely affect their suitability under Rules 3.08 and 3.09 for the following reasons.

- (i) the Infringement Litigations did not involve any dishonesty or fraudulence on the part of the Directors and was merely a commercial dispute arising from the ordinary course of business of the Company but not a criminal proceeding;
- (ii) as at the Latest Practicable Date, there were no facts and/or circumstances which suggest that any of the Directors is not qualified to act as a director of a listed company pursuant to applicable PRC laws and regulations. As at the Latest Practicable Date, in accordance with PRC Company Law and Rules Governing the Listing of Stock on Shenzhen Stock Exchange (深圳證券交易所股票上市規則), the Directors would not be disqualified to serve as a Director of the Company due to the Infringement Litigations;
- (iii) none of the Directors is involved in any outstanding litigation, disciplinary actions, investigation or proceedings based on background search and litigation search; and
- (iv) the Group has implemented internal control measures as recommended by the internal control consultant to prevent reoccurrence of similar events in the future and the internal control consultant had reviewed such measures and had no further comment.

Having considered (a) the nature, liability amount and status of the Infringement Litigations; (b) the relevant documents and information in relation to the Infringement Litigations, including but not limited to the underlying litigation documents; (c) the discussion with the PRC Legal Advisers understanding that each of the Directors will not be disqualified to serve as a Director of the Company under PRC Company Law and Rules Governing the Listing of Stock on Shenzhen Stock Exchange (深圳證券交易所股票上市規則) as a result of the Infringement Litigations; (d) the enhanced measures adopted by the Company in preventing the future intellectual property infringement, which had been reviewed by the internal control consultant, and the discussion with the internal control consultant on its work performed regarding the internal control measures in preventing intellectual property infringement, and (e) the other independent due diligence conducted by the Sole Sponsor, nothing has come to the Sole Sponsor’s attention that would cause it to disagree with the Directors’ view that the Infringement Litigations would not adversely affect the Directors’ suitability under Rules 3.08 and 3.09.

During the Track Record Period and up to the Latest Practicable Date, we were not involved in any legal proceedings which would have a material impact on our business, financial condition or results of operations.

Non-compliance

During the Track Record Period and up to the Latest Practicable Date, we did not have any non-compliance incidents which our Directors believe would, individually or in the aggregate, have a material operational or financial impact on our business as a whole. As confirmed by our PRC Legal Advisers, Hong Kong Legal Advisers, Singapore Legal Advisers and Malaysia Legal Advisers, except as disclosed in this Document, we have complied with all applicable laws and regulations to our core business of the PRC, Hong Kong, Singapore and Malaysia in all material respects during the Track Record Period and up to the Latest Practicable Date.

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ENVIRONMENTAL, SOCIAL AND GOVERNANCE (“ESG”) MATTERS

ESG Governance

Led by the Board, we are committed to integrating ESG considerations into our business operations. The Board has the overall responsibility for the oversight of ESG strategy, management approach, policies, practices, including ESG-related risk and opportunity management (particularly climate-related matters), and review of progress against metrics and targets to ensure alignment with our long-term development.

The Board consists of members with a diverse range of expertise and knowledge in the management of ESG-related matters. The table below outlines the brief descriptions of the ESG-related expertise and qualifications of Board members who are members of the Strategy and ESG Committee:

Name	Position	Qualifications and Education	Expertise, Competencies and Experience
Mr. Liao Chuangbin (廖創賓)**	Chairman, executive Director and general manager	Executive master’s degree in Business Administration from Sun Yat-sen University (中山大學) in the PRC	Extensive experience in the gems and jewellery industry, specializing in: - Overall business strategy and operations oversight - Corporate governance and comprehensive management
Mr. Lin Junping (林軍平)*	Vice chairman, executive Director and deputy general manager	- Executive master’s degree in Business Administration from Sun Yat-sen University (中山大學) in the PRC - Qualification of quality system internal assessor issued by Shantou Inspection International Certification Consulting Co., Ltd. (汕頭商檢國際認證諮詢有限公司)	Extensive experience in the gems and jewellery industry, specializing in: - Supply chain management and strategic operations oversight - New product development and daily operational improvements oversight - Product quality control and assurance - R&D oversight and leadership - Marketing and labelling practices oversight
Mr. Liao Muzhi (廖木枝)*	Non-executive Director	High School Diploma from Simapu High School (司馬浦中學)	Extensive experience in the gems and jewellery industry, specializing in: - Corporate strategy planning and business development - Corporate governance
Mr. Guo Jian (郭劍)*	Independent non-executive Director	- Bachelor’s Degree in Basic Theory of Traditional Chinese Medicine, Beijing University of Chinese Medicine (北京中醫藥大學) in the PRC - Master’s degree in Business Administration from Tsinghua University (清華大學) in the PRC	Over 10 years of experience in consulting and biotechnology sectors, specializing in: - Strategic planning and organizational development - Talent management, and training and development - Climate change and environmental compliance

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Name	Position	Qualifications and Education	Expertise, Competencies and Experience
Ms. Tam Hon Shan Celia (譚漢珊)*	Independent non-executive Director	- Bachelor's degree in business accounting from University of Lincolnshire and Humberside (currently known as University of Lincoln), United Kingdom - Master's degree in educational counselling from The Education University of Hong Kong - Member of The Hong Kong Institute of Certified Public Accountants - Fellow of The Association of Chartered Certified Accountants	Over 25 years of experience in financial management, specializing in: - Corporate financial management - Audit and internal control - Compliance monitoring and risk oversight

** Chairperson of the Strategy and ESG Committee

* Member of the Strategy and ESG Committee

The Strategy and ESG Committee drives the planning and implementation of the Group's ESG-related matters. The chairperson of the Strategy and ESG Committee reports material and relevant ESG matters to the Board at least once a year. In accordance with its terms of reference, the Strategy and ESG Committee is responsible for ESG-related matters including but are not limited to (i) assessing the effectiveness of the ESG management framework and structure of the Group and advising on any necessary changes; (ii) monitoring the Group's performance against its goals and targets; (iii) monitoring stakeholder's feedback (including the review and approval of material issues and materiality matrix); (iv) identifying and advising the Board on significant ESG and climate-related risks and opportunities and corresponding action plans; (v) supervising the ESG strategy implementation working group to advance the Group's sustainability agenda; and (vi) reviewing and approving the annual ESG report of the Group.

The ESG strategy implementation working group, comprising senior executives and heads of major business units or functional departments, supports the planning, development and implementation of the focus areas of our ESG strategy, and reports to the Strategy and ESG Committee at least twice a year.

Materiality Assessment

The materiality assessment plays an important role in advancing our ESG strategy and forming the foundation for ESG disclosure. After the [REDACTED], we will adopt a three-step approach to identify, prioritize and validate ESG issues material to our business and stakeholders, allowing us to gain insights of stakeholders' expectations and emerging sustainability trends. This in turn enables us to incorporate our sustainability priorities into our strategy development and reporting processes:

Step 1 — Identification

- Review and summarise potential material ESG issues identified through regular stakeholder engagement
- Conduct peer benchmarking and make reference to international ESG disclosure standards and the materiality maps proposed by reputable ESG ratings agencies, including the Sustainability Accounting Standards Board (“SASB”) Standards, IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information (“IFRS S1”), IFRS S2 Climate-related Disclosures (“IFRS S2”), and MSCI's ESG Industry Materiality Map
- Conduct an online stakeholder engagement survey with key external and internal stakeholders including customers, employees, suppliers, investors and management

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Step 2 — Prioritisation

- Assess material ESG issues from two perspectives: (i) stakeholder materiality (importance to stakeholders) and (ii) financial materiality (importance to business performance continuity and development)
- Develop a materiality matrix based on the findings from the online stakeholder engagement survey

Step 3 — Review and validation

- Present the list of identified material issues and the materiality matrix to ESG working group for review and approval

Identification and Management of ESG-related Risks and Opportunities

The ESG strategy implementation working group is responsible for identifying, assessing, prioritising and managing material ESG-related risks and opportunities. Corresponding measures have been formulated and implemented to mitigate material ESG-related risks and capture potential ESG-related opportunities. The ESG strategy implementation working group submits an ESG risk and opportunity assessment report to the Strategy and ESG Committee. Supported by the Strategy and ESG Committee, the Board regularly reviews the effectiveness of the ESG risk management process and provides guidance when necessary and retains ultimate responsibility for oversight of the Group’s risk management activities.

The ESG risk and opportunity assessment report identifies material ESG risks and opportunities relevant to the Group, as either negative or positive, actual or potential, based on our business nature, industry research, as well as with reference to local and international reporting frameworks, and the materiality maps proposed by reputable ESG ratings agencies, including the SASB Standards, IFRS S1, IFRS S2, and MSCI’s ESG Industry Materiality Map. The identified material ESG risks are evaluated by their likelihood and significance in terms of business, strategic, and financial impacts, and are given inherent risk rating scores. Residual risk rating scores are then produced by considering how our ESG-related risk control measures may impact the significance and likelihood of the risks. The ESG risks are then ranked and prioritised according to their residual risk rating scores. A similar methodology is devised to evaluate the significance and likelihood of material ESG opportunities.

Set forth below is a summary of identified material ESG-related risks and opportunities and the corresponding measures that have been formulated.

ESG-related risks	Timeframe	Actual/Potential impacts	Mitigating actions (adopted/to be adopted)	Quantifiable risk indicators
Climate-related physical risks				
Acute risks: The increased severity and frequency of extreme weather events due to climate change (e.g., typhoons, rainstorms, floods)	Short, medium and long term	• Damage to property and assets in our operating locations, which may increase the maintenance costs and insurance costs • Disruption to business operation and supply chain and logistics arrangement • Temporary retail store closures and minor delivery delays in affected areas during extreme weather	• We have closely monitored the local weather forecast and reminded our staff to familiarise themselves with contingency measures as well as implementing emergency protective measures • We have established our online sales platforms to ensure continuity of sales activities in the event of retail stores closures due to extreme weather events, such as flooding • We will consider prioritizing the selection of local and nearby suppliers	For our greenhouse gas (“GHG”) emissions, please refer to the “Environmental Metrics and Targets”

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ESG-related risks	Timeframe	Actual/Potential impacts	Mitigating actions (adopted/to be adopted)	Quantifiable risk indicators
Climate-related transition risks				
Policy and legal risks: Evolving climate-related laws and regulations in transition to a low-carbon economy, including China's 2060 carbon neutral goal . .	Medium to long term	• Increase in compliance and operating costs	• We regularly and closely monitor the latest regulatory changes in laws, policies and regulations, as well as have established effective communication channels to promptly communicate any climate policy updates to our employees to ensure timely compliance • We will assess the feasibility of implementing new climate-related disclosure requirements and, where applicable, develop transition plans in line with more ambitious policies and regulations	For our GHG emissions, please refer to the “Environmental Metrics and Targets”
Other ESG-related risks				
Supply chain risks: Energy consumed and GHG emissions released along the supply chain	Short, medium and long term	• Increase in reputational and operational risks • Increase in administrative cost and resource allocation in data collection from key suppliers for scope 3 GHG emissions reporting	• We encourage our suppliers to explore opportunities to reduce environmental impact in their daily operations and manufacturing process • We have established policies which require suppliers to comply with environmental laws and regulations, as well as minimise energy consumption where possible • We will closely monitor regulatory developments and, where applicable, work with key suppliers to enhance energy efficiency and GHG emissions performance	Upon the [REDACTED], we will enhance our scope 3 data collection system to strengthen carbon emissions tracking and management across key suppliers
Climate-related opportunities				
Markets: Growing environmental awareness is driving demand for sustainable gold and diamond jewellery.	Medium to long term	• Increased revenue due to growing demand for jewellery products made from renewable or responsibly sourced materials	• We have a gold exchange programme to encourage customers to bring unwanted gold in for new products. Such programme in turn facilitates gold recycling that promotes resource circularity and the use of lower-carbon materials • We have founded the lab-grown diamond brand “Cèvol” to explore the emerging trend of lab-grown diamond, which have lower carbon emissions and focus on ethical sourcing • We will continue to advance the design and development of lab-grown diamond products, when feasible, to further reduce our environmental impact and offer sustainable jewellery alternatives	N/A

ESG Policy

We are committed to incorporating ESG factors into our business decision-making process. As such, we have established a group-level ESG policy complemented by a set of measures and initiatives to guide our actions and measures to strengthen our sustainability efforts.

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Environment

Our environmental policy outlines our green practices and measures (as far as practicable), with a focus on emission reduction, waste reduction, resource conservation, protection of environmental and natural resources, as well as addressing climate change. In addition, we have obtained the ISO 14001:2015 Environmental Management System certification for the design and production of jewellery to ensure our environmental management practices meet international standards and continuous improvement on aspects including but not limited to energy conservation, green space planning and environmental management.

In line with our sustainability efforts, we strive to integrate innovative production techniques with environmental considerations. For instance, at our production base, we have installed advanced manufacturing equipment and implemented energy-efficient lighting systems to reduce electricity consumption. Additionally, we have developed a wastewater treatment system to minimise industrial wastewater discharge generated during the production process.

Energy, Air, and Greenhouse Gas Emissions Management

The major sources of our air emissions, energy consumption and GHG emissions (scopes 1 and 2) include the use of purchased electricity as well as fuel consumption in our operations. To manage our energy consumption and reduce air and GHG emissions, we have implemented relevant policies and adopted a series of energy saving measures. These include the adoption of energy efficient equipment and energy-saving lighting system, the use of natural light, requiring employees to turn off lights and electrical equipment before leaving, and conducting monthly electricity consumption monitoring etc. In addition, we have installed solar photovoltaic system at our production base. We will consider the possibility of replacing our current vehicles with electric vehicles in the future. We also ensure that air emissions from our production processes are discharged in compliance with local standards by implementing measures and policies, including but not limited to regularly engaging licensed third-parties for air emission monitoring, as well as conducting regular maintenance on facilities and equipment.

Water Consumption Management

Our water consumption mainly comes from municipal water usage in our operations. We have implemented water saving measures, including timely repairing dripping taps, adopting water equipment that meets water efficiency label requirements, conducting monthly water consumption monitoring, and internal communications to encourage employees to reduce water usage.

Waste Management and Use of Resources

Non-hazardous waste mainly comes from domestic waste while hazardous waste primarily includes used activated charcoal. We have established relevant policies and control measures for the management of waste and wastewater. For example, a designated area has been set up for the proper collection and temporary storage of hazardous waste. In parallel, we have developed an on-site wastewater treatment system to reduce the discharge of industrial wastewater generated during production, and conducted regular third-party testing of treated wastewater. We ensure proper handling and disposal of all waste and industrial wastewater, and engage licensed third-parties for collection and treatment when necessary. To minimise non-hazardous waste, we promote recycling, waste sorting and double-sided printing.

Environmental Metrics and Targets

With reference to our historical environmental performance, our expected business operation scale and the expected measures to be implemented in the future, we have set targets to support the national “30·60” carbon peak and neutrality targets, as well as international standards such as the Paris Agreement, with the time frame of our targets established with reference to such national and international standards. To advance our commitment to environmental protection, we have established the following reduction targets by 2030, using 2022 as the baseline, with the assumption of constant related emission factors and considering future business operations, including production facility upgrades.

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- Reduce GHG emissions (scopes 1 and 2) intensity (tCO₂e/revenue in RMB million) by 5%;
- Reduce electricity consumption intensity (MWh/revenue in RMB million) by 5%; and
- Reduce water consumption intensity (m³/revenue in RMB million) by 5%.

Upon benchmarking against industry peers, the selection of our target year of 2030 and GHG emissions reduction, electricity reduction and water reduction target metrics, as well as our policies, align with prevailing practices among peers and international standards. Upon the [REDACTED], we will continue to review our environmental targets and explore the feasibility of setting more ambitious targets to enhance climate resilience.

To achieve these targets, we will implement measures including but not limited to, using energy-efficient equipment, the adoption of natural lighting where feasible, as well as the installation of solar photovoltaic system at our production base.

In addition, to achieve our water consumption reduction target, we will conduct regular maintenance and inspections of water pipes and faucets to eliminate leaks, as well as promoting water conservation through ongoing employee awareness initiatives, including reminders and practical tips.

The table below sets forth key environmental metrics of our business operations^{1,2}:

		For the year ended December 31,		
		2023	2024	2025
		Unit		
Emissions				
GHG emissions³				
Total (Scopes 1, 2)	tCO ₂ e	3,806.21	4,180.15	4,030.56
Total (Scopes 1, 2, 3)	tCO ₂ e	7,041.22	7,429.22	7,197.22
(i) Direct emissions (Scope 1)	tCO ₂ e	114.73	85.86	23.37
(ii) Energy indirect emissions (Scope 2)	tCO ₂ e	3,694.34	4,096.48	4,009.37
(iii) Other indirect emissions (Scope 3) ⁴	tCO ₂ e	3,235.01	3,249.07	3,166.65
Emissions removal from tree planting (Scope 1)	tCO ₂ e	2.85	2.19	2.19
Total (Scopes 1, 2) intensity	tCO ₂ e/revenue in RMB million	0.65	0.65	0.45
Total (Scopes 1, 2, 3) intensity	tCO ₂ e/revenue in RMB million	1.21	1.16	0.80
Use of Resources				
Energy				
Total	MWh	6,320.66	6,880.56	7,492.88
(i) Non-renewable electricity purchased	MWh	6,055.30	6,714.44	7,030.29
(ii) On-site renewable electricity generated	MWh	N/A	7.45	381.70
(iii) Unleaded petrol	MWh	171.75	143.98	72.86
(iv) Diesel oil	MWh	93.61	14.70	8.03
Intensity	MWh/revenue in RMB million	1.08	1.07	0.83
Water				
Total	m ³	90,548.21	96,645.11	82,240.78
Intensity	m ³ /revenue in RMB million	15.52	15.04	9.10

¹ The data covers the Group’s major business operations.

² Totals may not be the exact sum of numbers stated here due to rounding.

³ The calculation of GHG emissions made reference to the GHG Protocol published by the World Business Council for Sustainable Development (WBCSD) and the World Resources Institute (WRI). Scope 1 (Direct) emissions cover GHG emissions directly produced by business owned or controlled by the Group, Scope 2 (Energy indirect) emissions cover GHG emissions of indirect energy resulted from purchased electricity consumed by our operations, while Scope 3 (Other Indirect) emissions that occur in the Group’s value chain.

⁴ The Scope 3 emissions include available data arising from Category 6: business travel, Category 7: employee commuting, Category 8: upstream leased assets.

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Social

We are committed to fostering a caring workplace culture that upholds diversity, equal opportunities, health and safety and employee well-being. Our social policy has outlined socially responsible practices and measures.

Employment and Labour Practice

We aim to build an inclusive and diverse workforce. We uphold principles of equal opportunity, diversity, and inclusiveness in all aspects of employment, including compensation, recruitment, promotion, benefit, and welfare. We respect labour rights, and we strictly prohibit the recruitment and use of child labour. For employees (including craftsmen) who work overtime, we compensate them based on their base salary and overtime hours. Specifically for our craftsmen, an additional overtime allowance is provided for night-time overtime work. We also provide compensatory rest arrangements for craftsmen who are required to undertake consecutive or extended shifts under special operational circumstances. In addition, we require all our department supervisors to reasonably allocate manpower in a way that can maximize work efficiency and avoid unnecessary overtime work.

We actively invest in our workforce by providing internal and external training programs to enhance professional skills and competencies. We also strive to strengthen employee engagement by regularly arranging leisure activities and maintaining two-way communications to increase their overall job satisfaction.

Occupational Health and Safety

We strive to safeguard employees’ health and safety across all levels of business operations by establishing and implementing health and safety policies and measures. These include regular health examinations, providing personal protective equipment, safety training, establishing a comprehensive emergency response system supported by the emergency management working group, as well as conducting regular workplace inspections.

Additionally, we have developed a system of recording and handling accidents, which specifies that employees should notify emergency management working group leader and that accidents should be handled according to the procedures specified by the applicable laws and regulations. During the Track Record Period and up to the Latest Practicable Date, we did not record material accidents in the Group with regards to occupational health and safety.

Supply Chain Management

We have established a supply chain ESG risk management policy and a supplier code of conduct, which lay out our sustainability expectations including but not limited to employment practices, health and safety, business ethics, data privacy as well as environmental protection. ESG considerations are incorporated into our new supplier selection and regular supplier evaluation process. On-site inspections are conducted when necessary to ensure our sustainability expectations are met.

To advance our efforts on providing environmentally preferable products and services, we have established relevant green procurement policies and implemented measures including but not limited to prioritising products with higher energy efficiency, as well as encouraging our suppliers to adopt environmentally friendly products and services.

Product Responsibility

We are committed to delivering high-quality and safe products and services for our customers. Furthermore, we have established policies and measures to ensure the quality of our products and services. These measures include but not limited to specifying our quality-related requirements in supplier agreements, establishing quality control procedures, as well as product and raw material quality inspection guidelines.

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To ensure customer satisfaction, we have put in place procedures for handling customer complaints. During the Track Record Period and up to the Latest Practicable Date, we did not receive any material customer complaints. To safeguard customer privacy, we have also established preventive and protection measures, including user access restrictions to customer information. We have established relevant policies as a guide for our employees to ensure the authenticity and reliability of our promotional materials and product labelling, which undergo thorough review before publication to ensure compliance and prevent false or misleading information.

Business Ethics

We uphold high standards of business ethics, and strictly prohibit bribery, extortion, fraud, money laundering and other unethical practices. We have established preventive measures, including anti-corruption training for the Board and our employees, and whistle-blowing channels for reporting potential misconduct. The Board is responsible for the oversight of these preventive measures and whistle-blowing procedures.

Community Investment

We strive to contribute to the community and shoulder corporate responsibility. During the Track Record Period, we supported initiatives focused on the preservation and promotion of Chinese cultural heritage. Our Zhen Museum exhibits more than 2,000 artifacts and collectibles, showcasing the exquisite craftsmanship of different ethnic culture in the application of jewellery. Moving forward, we will explore opportunities to establish additional focus areas for community investment, as well as partnerships with social impact organisations where appropriate.

Social Metrics and Targets

To strengthen our commitment to safeguarding employee health and safety, we have established the following targets for our employees at our production base.

- Maintain zero major safety incidents; and
- Maintain zero work-related fatalities.

Upon benchmarking against industry peers, our occupational health and safety target metrics, as well as our policies, are aligned with prevailing practices among peers. Upon the [REDACTED], we will progressively review our social targets and continue to explore the feasibility of setting more ambitious targets to further advance our workplace health and safety efforts.

To achieve these targets, we will implement measures including but not limited to, conducting regular safety inspections and promptly addressing identified hazards, as well as providing necessary safety protective equipment. For further details, please see “Occupational Health and Safety” above.

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The table below sets forth key social metrics of the entire Group, all of which were for full-time staff.

		For the year ended December 31,		
		2023	2024	2025
Unit				
By gender				
Male	Number	707	672	677
Female	Number	3,391	3,057	2,774
By age group				
At or below 30	Number	1,099	934	899
Between 31–50	Number	2,859	2,656	2,399
At or above 51	Number	140	139	153

Turnover⁵

		For the year ended December 31,		
		2023	2024	2025
Unit				
By gender				
Male	%	33.4	28.0	18.2
Female	%	36.7	37.2	31.3
By age group				
At or below 30	%	57.7	50.5	39.4
Between 31–50	%	28.8	30.6	25.6
At or above 51	%	18.6	27.3	15.0

The Group did not experience any major work safety-related incidents involving our employees during the Track Record Period and up to the Latest Practicable Date.

		For the year ended December 31,		
		2023	2024	2025
Unit				
Working days lost due to work injury	Days	4	0	40.5

RISK MANAGEMENT AND INTERNAL CONTROL

We are exposed to various risks during our operations. For further details, please see the section headed “Risk Factors”. We have implemented various policies and procedures to ensure effective risk management at each aspect of our operations, including but are not limited to financial reporting, intellectual property rights and compliance.

Internal Control on Financial Reporting

We maintain a set of accounting policies in connection with our financial reporting risk management, such as financial reporting management policies, budget management policies, liability policies, financial statements preparation policies and finance department and staff management policies. We have various procedures and IT systems to implement our accounting policies, and our finance department reviews our management accounts accordingly. We also provide regular training to our finance department employees to ensure that they understand our financial management and accounting policies and strictly enforce them in our daily operations.

⁵ Turnover rate is calculated as the total number of employees in the specified category leaving employment each year during the Track Record Period, divided by the total number of employees in the specified category as at the years ended 31 December 2023, 2024, and 2025 and then multiplied by 100%.

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Internal Control on Technology System and Data Privacy

We have not suffered from any material data leakage during the Track Record Period and up to the Latest Practicable Date. We highly value our users’ personal data and consistently assess the strength of our security and privacy measures. In response to evolving regulations, we monitor our compliance and frequently update our privacy policy and internal processes to safeguard our users’ privacy and interests effectively.

Internal Control on Intellectual Property Rights

We are committed to combat counterfeit products to uphold our brand’s reputation. We encourage consumers to report unauthorised uses of our brands or counterfeit products to us. Furthermore, we have dedicated a team to monitoring and handling counterfeiting issues. In the event we identify any counterfeit products, we may pursue legal actions and take other responsive measures based on the advice of intellectual property consultants and legal counsel.

In light of the Infringement Litigations as disclosed in “— Legal Proceedings and Compliance — Legal proceedings” above, we have implemented enhanced policies, procedures and monitoring mechanisms to prevent intellectual property infringement, including but are not limited to:

- our management has provided trainings to product development and design department staff in enhancing their awareness of preventing intellectual property infringement;
- our R&D Department performs research on industry peers’ product designs launched in the market and circulates research results with the product development and design team for reference;
- we have assigned a designated team responsible for monitoring and protecting our intellectual property rights under the supervision of the legal department or product design and development department to coordinate management of intellectual property infringement, including performing risk assessment of infringement of intellectual property rights, conducting compliance training and handling trademarks infringements, etc.;
- our management will conduct regular monitoring of trademark registration information (such as information on the website of the Trademark Office of China National Intellectual Property administration) and conduct searches of patents, product designs drawings and patterns if similar designs from other brands had been identified.

We have engaged an independent internal control consultant to perform an assessment of the current policies, procedures and monitoring mechanisms for preventing intellectual property infringement. Based on their assessment, management have implemented those internal control measures as recommended by the internal control consultant and the internal control consultant has no further comment.

The Sole Sponsor, having considered (i) the nature, liability amount and status of the Infringement Litigations; (ii) the enhanced internal control measures adopted by the Company in preventing future intellectual property infringement, which have been reviewed and revisited by the internal control consultant; and (iii) the discussion with the internal control consultant on its work performed regarding the enhanced internal control measures in preventing future intellectual property infringement in the enhanced internal control measures, is of the view that the enhanced internal control measures are adequate.

Internal Control on Human Resource

We have set a number of standard operation procedures for human resource management in China and overseas, including the employee management system, training manuals, and human resource planning policies. These measures aim to mitigate our risks in insufficient recruitment, staff attrition, non-compliance with labour regulations, employee information management and others.

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Internal control on property laws and regulations compliance

We have implemented the following internal control measures to ensure our compliance with property laws and regulations:

- before entering into any new lease, we will conduct enhanced due diligence to ensure there are no title issues and legal issues;
- The enhanced due diligence includes, among others, (i) examining the relevant land use right certificates and building title ownership documents; (ii) verifying such certificates and documents with the land administration authority and building administration authority and confirming the ownership; (iii) checking with building administration authority to ascertain whether any mortgage, charge or other security are attached to the building; and (iv) conducting site visits;
- we will seek our PRC Legal Advisor’s opinion on the issues relating to compliance of property laws and regulations;
- we have established a set of internal approval policies and procedures for leasing arrangements; and
- we have designed personnel to be responsible for monitoring the implementation of the above measures and ensuring compliance in the future.

Having considered the facts and circumstances leading to the non-compliance incidents with respect to relevant property laws and regulations and details and relevance of our Group’s internal control measures to avoid recurrence of the non-compliance incidents, our Directors are of the view that the above measures are effective and adequate.