You should read the following discussion and analysis along with our audited combined financial statements, including the notes thereto, for the three fiscal years from 2023 to 2025 included in the Accountants' Report set out in Appendix I to this document. The Accountants' Report has been prepared in accordance with IFRS Accounting Standards, which may differ materially from generally accepted accounting principles in other jurisdictions.

Information presented in this section, particularly in the paragraphs headed "Net Current Assets" and "Indebtedness", that is not extracted or derived from the Accountants' Report has been extracted or derived from unaudited management accounts as at and for 31 January 2026 (which are not included in this document) or from other records.

The following discussion and analysis and other parts of this document contain forward-looking statements that reflect our current views regarding future events and financial performance that involve risks and uncertainties. These statements are based on assumptions and analysis made by us in light of our experience and perception of historical events, current conditions, and expected future developments, as well as other factors we believe are appropriate under the circumstances. In evaluating our business, you should carefully consider the information provided in "Risk Factors" in this document.

For the purpose of this section, unless the context otherwise requires, references to FY2023, FY2024, or FY2025 refer to our financial year ended 31 December of such year. Unless the context otherwise requires, financial information described in this section is described on a consolidated basis.

OVERVIEW

We are primarily engaged in the manufacturing and sales of hygienic disposables, including baby care products, feminine care products, and adult incontinence products, as well as the sales of hygienic disposable materials. Since our establishment in 2014, we have transitioned from being an OEM for local brands of overseas countries to developing and marketing our own brands, primarily targeting the PRC market. Our branded product portfolio features "Focus Baby" and "Bemoe" for baby care products, and "Veermoon"（薇月）and "Blue Cotton"（藍綿花）for feminine care products. Prior to May 2024, we also marketed adult incontinence products under our own brand "Tieban (貼伴)", which we discontinued as part of a strategic shift to focus on higher-growth segments, though we continue to manufacture such products for third-party customers on an OEM basis.

Our business operates through three distinct segments, each with tailored sales channels. The OEM Business provides manufacturing services for both PRC and local brands of overseas countries, with products sold under client brands, reaching markets such as Southeast Asia. The Branded Product Business markets our own products primarily in the PRC through a combination of e-commerce platforms (e.g., B2C platforms and short video/livestreaming channels) and offline channels through wholesalers or retailers, including supermarkets and baby care stores. The Hygienic Disposable Materials Business supplies intermediate materials, such as SAP, nonwoven fabrics, and hot melt adhesives, mainly to international hygienic disposables manufacturers and hygiene product suppliers via international B2B e-commerce platforms and direct business dealings.

Our production facility are designed to meet international quality standards, incorporating modern manufacturing processes and quality control systems certified under ISO 9001, ISO 14001, and ISO 13485. We have been recognised as a "High and New Technology Enterprise (國家高新技術企業)" and a "Technology-based Small and Medium-sized Enterprise (科技型中小企業)" in Fujian Province, reflecting our commitment to innovation and quality.

During the Track Record Period, our financial performance demonstrated robust growth. Our revenue increased from approximately RMB372.3 million in FY2023 to RMB447.1 million in FY2024, and further to RMB533.4 million in FY2025. Gross profit rose from approximately RMB87.6 million in FY2023 to RMB122.8 million in FY2024, and reached RMB152.4 million in FY2025, with gross profit margins improving from 23.5% to 27.5%, then to 28.6%. Profit for the year also grew significantly, from RMB39.5 million in FY2023 to RMB65.6 million in FY2024 and RMB80.9 million FY2025, Primarily driven by revenue and gross profit expansion, partially offset by the impact of higher operating costs and one-off **[REDACTED]** expenses.

Our financial success during the Track Record Period was driven by several key factors, namely (i) the rapid expansion of our Branded Product Business in the PRC, fuelled by growing consumer demand and our multi-brand strategy; (ii) consistent growth in our OEM Business, supported by long-standing relationships with international clients; and (iii) increasing sales in our Hygienic Disposable Materials Business, benefiting from economies of scale and a strong supplier network. Our integrated business model, which combines manufacturing expertise, R&D (with 45 patents), and diversified sales channels, positions us competitively to capitalise on opportunities in the hygienic disposables market.

BASIS OF PRESENTATION

Our Company was incorporated in the Cayman Islands as an exempted company with limited liability on 5 January 2023. Following the completion of the corporate reorganisation on 11 June 2025, our Company became the holding company of the entities that now form our Group. The companies involved in the Reorganisation were controlled by the same Controlling Shareholders, before and after the Reorganisation. The control was not transitional, and as a result, there was a continuation of risks and benefits to the Controlling Shareholders. Consequently, the Reorganisation is considered as a combination of entities under common control. For more details, see "History, Reorganisation and Corporate Structure".

The financial information in the Accountants' Report presented in Appendix I to this document has been prepared by applying the principles of merger accounting as if the companies now forming our Group had been combined from the beginning of the Track Record Period. The net assets of the combining companies have been combined using the existing book values from the perspective of the Controlling Shareholders.

Our Combined Statements of Financial Position as at 31 December 2023, 2024 and 2025 presented in the Accountants' Report in Appendix I to this document have been prepared to present our financial position as at the respective dates as if the Reorganisation had been completed at the beginning of the Track Record Period. Our Combined Statements of Profit or Loss and Other Comprehensive Income, the Combined Statements of Changes in Equity, and the Combined Statements of Cash Flows for the Track Record Period, as set forth in the Accountants' Report, include the results of operations of the companies now comprising our Group as if the current group structure had been in existence throughout the Track Record Period.

Our combined financial statements, which are presented in RMB, have been prepared in accordance with the IFRS Accounting Standards and the disclosure requirements of Hong Kong Companies Ordinance and the Listing Rules. Details regarding the basis of presentation and preparation of our combined financial statements for the Track Record Period are set out in note 2 to the Accountants' Report in Appendix I to this document.

SIGNIFICANT FACTORS AFFECTING OUR RESULTS OF OPERATIONS AND FINANCIAL CONDITION

Our results of operations and financial condition have been, and will continue to be, affected by a number of factors, including those set forth in the section headed "Risk Factors" in this document and the following factors, which primarily include the following:

- Sales mix and geopolitical uncertainties
- Product mix and the demand for personal hygienic disposables
- Availability and costs of our critical raw materials
- Our production capacity and operating efficiency

Sales mix and geopolitical uncertainties

Our operational performance is influenced by various factors, including our sales mix, specifically, the balance between our OEM Business, Branded Product Business and Hygienic Disposable Materials Business as well as the economic and political conditions in the markets where our customers are located. The sales mix directly impacts our profit margins, with Branded Product Business increasingly contributing to our growth during the Track Record Period.

From FY2023 to FY2025, our revenue increased by approximately 43.3%, rising from RMB372.3 million in FY2023 to RMB447.1 million in FY2024, and further to RMB533.4 million in FY2025. This growth was largely driven by (i) our Branded Product Business expansion, and (ii) a significant increase in revenue from customers located in various geographic regions such as:

- **The PRC**: increased from RMB143.8 million in FY2023 to RMB200.7 million in FY2024 and further to RMB335.9 million in FY2025.
- **Uzbekistan**: decreased from RMB59.8 million in FY2023 to RMB51.7 million in FY2024, before increasing to RMB71.1 million in FY2025.
- **Pakistan**: decreased from RMB53.7 million in FY2023 to RMB52.1 million in FY2024, further to RMB32.5 million in FY2025.
- **Other key markets** include Hong Kong, South Korea, Malaysia, and Nigeria which collectively contributed RMB78.6 million, RMB100.3 million, RMB63.8 million in FY2023, FY2024, and FY2025, respectively, demonstrating steady revenue contribution during the Track Record Period.

Given that a large portion of our customers are based in these foreign regions, shifts in their economic or political landscapes can considerably impact our financial results. For example, ongoing geopolitical tensions, trade restrictions, sanctions, or disruptions in logistics and payments may hinder our customers' ability to operate, thereby affecting our sales and operations.

The uncertainty surrounding geopolitical conflicts and evolving global regulations continues to pose risks. Sanctions, inflationary pressures, and restrictions on monetary transactions can reduce customer demand, impact procurement or delivery timelines, and ultimately affect our revenue streams and cash flow.

Domestically, our sales mix is also influenced by consumer behaviours in the PRC, particularly in the feminine care products segments under Branded Product Business.

In FY2023, our feminine care products sales experienced strong growth, driven by effective digital marketing strategies and rising consumer demand online. Social media, live streaming, and short video platforms have been instrumental in enhancing customer engagement and facilitating seamless purchase experiences. These platforms not only drive sales but also improve customer satisfaction through personalised and interactive shopping experiences. According to the Frost & Sullivan Report, the market size of feminine care hygienic disposables in China increased from approximately RMB61.3 billion in 2020 to RMB86.7 billion in 2024, representing a CAGR of 9.1%. The market is projected to reach RMB132.5 billion by 2029, reflecting a CAGR of 8.9% from 2024 to 2029. In particular, the online segment of the feminine care hygienic disposables market is experiencing strong growth, projected to expand from RMB27.5 billion in 2024 to RMB59.7 billion in 2029, representing a CAGR of 16.8%. While we ceased our e-commerce operations and transferred our e-stores to one of our business customers in 2024 in order to focus our resources on daily operations, we understand that many of our major business customers who purchase our branded feminine care products also sell their own products through their respective e-stores. This continued online activity is expected to further support the projected market growth and rising demand.

However, any shift in consumer preferences or in the popularity of digital platforms could adversely impact demand for our products. Failure to adapt to evolving digital trends and consumer expectations in the PRC could negatively affect our business performance and future growth prospects.

Product mix and demand for personal hygienic disposables

Our revenue and operating performance are significantly influenced by consumer demand for our personal hygienic disposable products, which fall into three categories: (i) baby care products; (ii) feminine care products; and (iii) adult incontinence products. Among these, baby care products, comprising baby diapers, and baby pull-ups have historically been the dominant category. However, the product mix may evolve going forward. For example, in FY2023, baby care products accounted for the majority of our hygienic disposables revenue, generating RMB112.0 million. This was followed by feminine care products at RMB64.6 million and adult incontinence products at RMB15.1 million. A strategic shift in focus began in FY2023, particularly towards feminine care products, in response to growing market demand and potential, especially in the PRC.

As a result, revenue from feminine care products increased to RMB113.7 million in FY2024, and further to approximately RMB163.7 million in FY2025. This rapid growth was driven by the successful launch and increasing popularity of our feminine care products under our own brand Veermoon (薇月), which was introduced in 2023 and Blue Cotton (藍綿花), which was introduced in 2024. Accordingly, feminine care products became the largest product category in FY2025, generating RMB163.7 million, surpassing baby care products at RMB131.4 million.

Several factors influence the demand for our products, including consumer preferences, product safety and quality perception, hygiene awareness, economic conditions, disposable income, urbanisation, and demographic trends. Although many of these elements are beyond our control, they collectively shape regional demand patterns. For instance, despite global challenges such as the COVID-19 pandemic, demand for our essential products remained resilient, and our consolidated net sales, earnings, and cash flows were not materially affected.

Demographic trends play a vital role in shaping demand. In the PRC, the relaxation of the "one-child" policy and the continuing urbanisation process have expanded the potential customer base for our baby care and feminine care products. On the other hand, according to the Frost & Sullivan Report, the export value of baby care hygienic disposables is expected to reach RMB19.3 billion by 2029, with a CAGR of 7.1% from 2024 to 2029. During the Track Record Period, our baby care products were primarily sold through OEM business to overseas customers.

These demographic and socio-economic shifts are reshaping our product mix. Over the Track Record Period, the proportion of revenue attributed to feminine care products has significantly increased, reflecting the growing importance and profitability of this segment. Consequently, changes in product mix have had, and are expected to continue to have, a meaningful impact on our revenue and overall gross profit margins.

Based on our best estimates and for illustrative purposes only, the table below demonstrates the sensitivity of our profit before tax during the Track Record Period to hypothetical fluctuations in the average selling prices (ASP) of our baby care and feminine care products in the same year, assuming all other variables remain constant. The table presents the illustrative impact on the Group's profit before tax resulting from these hypothetical changes in the ASP of our baby care and feminine care products for the periods indicated.

Hypothetical fluctuations

	Impact on profit before tax for		
	FY2023	**FY2024**	**FY2025**
	RMB'000	*RMB'000*	*RMB'000*
ASP of baby care products			
–/+ 5%	(5,599)/5,599	(6,954)/6,954	(6,569)/6,569
–/+ 10%	(11,199)/11,199	(13,908)/13,908	(13,137)/13,137
–/+ 15%	(16,798)/16,798	(20,862)/20,862	(19,706)/19,706
ASP of feminine care products			
–/+ 5%	(3,229)/3,229	(5,685)/5,685	(8,185)/8,185
–/+ 10%	(6,457)/6,457	(11,371)/11,371	(16,370)/16,370
–/+ 15%	(9,686)/9,686	(17,056)/17,056	(24,555)/24,555

Availability and costs of our critical raw materials

We purchase various raw materials essential to our production processes, including nonwoven fabrics, SAP, hot melt adhesive fluff pulp, and a range of chemicals, as well as packaging materials. Each of these components plays a critical role in the manufacturing of our products.

Direct materials costs represent the largest portion of our cost of sales, accounting for approximately 92.5%, 90.3%, and 93.4% during FY2023, FY2024, and FY2025 of the Track Record Period, respectively. As such, raw material costs have a significant impact on our operating results.

For FY2023, FY2024 and FY2025, the average purchase cost per tonne of nonwoven fabrics increased slightly by approximately 1.6% from FY2023 to FY2024 and further increased by 13.8% from FY2024 to FY2025. Similarly, the average direct material cost per tonne of SAP declined by approximately 3.5% from FY2023 to FY2024, and decreased by approximately 4.5% from FY2024 to FY2025. Such fluctuations in raw material prices are generally subject to changes in global supply and demand dynamics and are considered normal within our industry. In any event, we cannot predict precisely the possibility of the raw material price movements in the future, and therefore any price movement, whether upward or downward, may continue to affect our gross profit margin.

The table below presents a sensitivity analysis illustrating the impact of changes in the average direct material costs of two key raw materials, nonwoven fabrics and SAP on our profit before tax during the Track Record Period. This analysis aligns with historical fluctuations in our profit before tax attributable to variations in the direct material cost of key raw materials throughout the Track Record Period.

Hypothetical fluctuations

	Impact on profit before tax for		
	FY2023	**FY2024**	**FY2025**
	RMB'000	*RMB'000*	*RMB'000*
Nonwoven fabrics			
-/+ 5%	3,615/(3,615)	4,321/(4,321)	(5,625)/5,625
-/+ 10%	7,229/(7,229)	8,642/(8,642)	(11,250)/11,250
-/+ 15%	10,844/(10,844)	12,963/(12,963)	(16,876)/16,876
SAP			
-/+ 5%	2,486/(2,486)	2,698/(2,698)	(3,434)/3,434
-/+ 10%	4,971/(4,971)	5,395/(5,395)	(6,867)/6,867
-/+ 15%	7,457/(7,457)	8,093/(8,093)	(10,301)/10,301

In addition, the availability of key raw materials significantly impacts our business, financial condition, and operational results. We source these materials from independent third-party suppliers, some of whom are based overseas. As a result, we occasionally face longer inventory turnover times for imported materials. Notwithstanding the above, our Directors confirm that during the Track Record Period, we did not encounter any material shortages in raw material supply.

Our production capacity and operating efficiency

Our production capacity and operating efficiency are crucial to the growth of our revenue, market share, and the diversification of our product mix. As at 31 December 2025, our production facility had a total of 8 production lines for our major products. Below is a summary of the annual production capacity in terms of the number of products produced and utilisation rates for each of our product categories in our production facility for the years indicated:

Product category	FY2023				FY2024				FY2025			
	Number of production lines	Production capacity	Annual production volume	Utilisation rate	Number of production lines	Production capacity	Annual production volume	Utilisation rate	Number of production lines	Production capacity	Annual production volume	Utilisation rate
		'000 pieces/year	*'000 pieces/year*	*%*		*'000 pieces/year*	*'000 pieces/year*	*%*		*'000 pieces/year*		*'000 pieces/year*
Baby care products												
– Baby pull-ups	2	159,600	114,800	71.9	2	159,600	155,200	97.2	2	159,600	109,020	68.3
– Baby diapers	1	80,600	100,900	125.2	2	94,100	84,800	90.1	1	100,800	93,673	92.9
Feminine care products												
– Disposable period underwears	1	73,900	69,100	93.5	2	98,300	93,100	94.7	2	74,760	70,776	94.7
– Menstrual pads	–	–	–	–	1	11,200	5,900	52.7	2	203,700	137,594	67.6
Adult incontinence products												
– Adult pull-ups	1	4,200	3,600	85.7	1	16,800	11,600	69.0	1	46,200	47,019	101.8
– Adult diapers	1	42,000	4,600	11.0	–	38,500	6,100	15.8	–	–	–	–
Total number of production lines	**6**				**8**				**8**			

To support growth, we aim to expand our production capacity by acquiring additional production lines. With this expansion, we expect to meet rising product demand and increase our sales volume.

Our financial performance also relies heavily on operating efficiency. We maintain full control over key stages of the industry value chain, including design, R&D, raw material procurement, production, quality control, and product marketing and sales. This integrated approach allows us to optimise inventory management, ensure production flexibility, and enhance operating efficiency. For more information on our production capacity, assumptions and calculation of the utilisation figures, see "Business – Production" for further details.

MATERIAL ACCOUNTING POLICIES

Our financial information have been prepared in accordance with accounting policies which conform to the IFRS Accounting Standards issued by the International Accounting Standards Board. We have identified certain accounting policies that are material to the preparation of our financial information and are important in understanding our financial condition and results of operations. Some of these policies involve subjective assumptions and estimates, as well as complex judgments related to specific accounting items. In each case, the determination of these items requires management judgment based on information and financial data that may change in future periods. Uncertainty regarding these assumptions and estimates could result in outcomes that may require a material adjustment to the carrying amounts of the affected assets or liabilities in the future. For further details on our material accounting policies, judgments, and estimates, see Note 3 to the Accountants' Report in Appendix I this document.

SUMMARY OF RESULTS OF OPERATIONS

The following table sets forth a summary of financial information for the years indicated, which have been extracted from the Accountants' Report in Appendix I to this document.

	FY2023	**FY2024**	**FY2025**
	RMB'000	*RMB'000*	*RMB'000*
Revenue	372,322	447,053	533,369
Cost of sales	(284,729)	(324,270)	(380,996)
Gross profit	87,593	122,783	152,373
Other income	2,029	6,070	5,818
Selling and distribution expenses	(24,348)	(26,312)	(27,029)
Administrative and other operating expenses	(14,365)	(21,088)	(25,443)
(Provision for) Reversal of loss allowance on trade receivables, net	(2,303)	690	306
Provision for impairment loss on other receivables	–	–	(330)
Finance costs	(395)	(192)	(747)
[REDACTED] expenses	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**
Profit before taxation	48,211	78,486	96,341
Income tax expenses	(8,744)	(12,881)	(15,433)
Profit and total comprehensive income for the year	39,467	65,605	80,908

DESCRIPTION AND ANALYSIS OF PRINCIPAL ITEMS OF OUR COMBINED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Revenue

(a) Revenue by our business segments

The following table sets out a breakdown of revenue of our Group by our business segments for the years indicated:

	FY2023		FY2024		FY2025	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Branded Product Business						
E-commerce sales	46,952	12.6	22,413	5.0	–	0.0
Offline sales[1]	78,735	21.2	137,803	30.8	226,718	42.5
Subtotal of Branded Product Business	125,687	33.8	160,216	35.8	226,718	42.5
Hygienic Disposable Materials Business						
E-commerce sales	26,874	7.2	3,948	0.9	3,861	0.7
Offline sales	153,826	41.3	175,255	39.2	201,613	37.8
Subtotal of Hygienic Disposable Materials Business	180,700	48.5	179,203	40.1	205,474	38.5
OEM Business						
E-commerce sales	13,626	3.7	11,680	2.6	937	0.2
Offline sales	52,309	14.0	95,954	21.5	100,240	18.8
Subtotal of OEM Business	65,935	17.7	107,634	24.1	101,177	19.0
Total	372,322	100.0	447,053	100.0	533,369	100.0

Note:

(1) Customer who purchased our branded products through offline sales during the Track Record Period were mainly hygiene product suppliers based in China.

Hygienic Disposable Materials Business

Our revenue remained stable between approximately RMB180.7 million for FY2023 to RMB179.2 million for FY2024. Our revenue from Hygienic Disposable Materials Business increased by approximately RMB26.3 million, or 14.7%, from RMB179.2 million for FY2024 to RMB205.5 million for FY2025. The increase was primarily driven by higher sales volume of hygienic disposable materials, such as hot melt adhesive, SAP, and non-woven fabric, supported by sustained demand from customers in both domestic and overseas markets.

OEM Business

Our revenue increased by approximately RMB41.7 million or approximately 63.2% from approximately RMB65.9 million for FY2023 to RMB107.6 million for FY2024. Such increase was mainly due to the increased sales volume from two South-East Asia customers, which primarily engaged us in the manufacture of baby care products.

Our revenue decreased by approximately RMB6.4 million, or 5.9%, from RMB107.6 million for FY2024 to RMB101.2 million for FY2025. The decrease was primarily attributable to lower baby care OEM revenue, which declined from approximately RMB90.5 million in FY2024 to RMB63.1 million in FY2025, reflecting reduced order volumes from certain Southeast Asian customers during the period. This decline was partially offset by growth in adult incontinence OEM revenue, which increased from approximately RMB14.8 million in FY2024 to RMB32.5 million in FY2025, driven by higher demand from customers located in the PRC for adult pull-ups and adult diapers.

Branded Product Business

E-commerce sales

Our revenue from e-commerce sales under Branded Product Business decreased by approximately RMB24.6 million or approximately 52.3% from approximately RMB47.0 million for FY2023 to RMB22.4 million for FY2024. The decline in e-commerce revenue in FY2024 was primarily due to the strategic transition of our online retail operations to third-party operators. Between June and October 2024, we gradually transferred the management of our self-operated e-stores to Customer A1, allowing us to focus our internal resources on product development and offline sales while leveraging the operational expertise of our partners.

Our revenue from e-commerce sales under Branded Product Business decreased from RMB22.4 million for FY2024 to nil for FY2025. This decrease was mainly due to the full transfer of our online retail operations to third-party operators, including Customer A1, by late 2024. As a result, our Branded Product Business no longer recorded direct e-commerce revenue during FY2025.

Offline sales

Our revenue from offline sales under Branded Product Business increased by approximately RMB59.1 million or approximately 75.0% from approximately RMB78.7 million for FY2023 to RMB137.8 million for FY2024. The increase in FY2024 was stem from the continued growth of our offline business, supported by the steady expansion of our branded product distribution network. In addition, from June to October 2024, we strategically transferred the operation of our self-managed e-stores to Customer A1, thereby ceasing direct online retail activities. As a result, a portion of sales previously derived from our own e-commerce platforms was recognised as offline business sales, as we began supplying our branded products in bulk to Customer A1. This shift in sales model, combined with our ongoing efforts to broaden offline channels, contributed to the substantial increase in offline sales revenue.

Our revenue from offline sales under Branded Product Business increased by approximately RMB88.9 million, or 64.5%, from RMB137.8 million for FY2024 to RMB226.7 million for FY2025. The increase was primarily attributable to the completion of the transfer of our self-operated online retail operations to Customer A1 in the second half of 2024, as a result of which sales of our branded products to Customer A1 is recorded as offline sales in FY2025, and the continued expansion of our offline distribution network which drove increased sales of our branded feminine care products, in particular Veermoon and Blue Cotton branded products, in the PRC.

(b) Revenue by country/region

The following table sets out a breakdown of revenue by country/region, for the years indicated:

	FY2023		FY2024		FY2025	
Country/Region	*(RMB'000)*	*%*	*(RMB'000)*	*%*	*(RMB'000)*	*%*
China	143,800	38.6	200,651	44.9	335,872	63.0
Uzbekistan	59,824	16.1	51,697	11.6	71,143	13.3
Pakistan	53,719	14.4	52,050	11.6	32,535	6.1
HKSAR	27,690	7.4	38,342	8.6	41,107	7.7
Malaysia	18,508	5.0	36,698	8.2	12,539	2.4
Nigeria	18,482	5.0	17,462	3.9	6,141	1.2
South Korea	13,889	3.7	7,786	1.7	4,141	0.8
Bangladesh	3,651	1.0	3,905	0.9	2,622	0.5
Vanuatu	2,746	0.7	1,535	0.3	1,196	0.2
Vietnam	1,620	0.4	12,483	2.8	5,932	1.1
Others[(1)]	28,393	7.7	24,444	5.5	20,141	3.7
Total	372,322	100.0	447,053	100.0	533,369	100.0

Note:

(1): Mainly include Oman, Thailand, Burkina Faso and Sri Lanka.

During the Track Record Period, our revenue increased from RMB372.3 million in FY2023 to RMB447.1 million in FY2024, and further to RMB533.4 million in FY2025. The majority of our customers are based in China, with the proportion of revenue derived from China-based customers rising from 38.6% in FY2023, 44.9% in FY2024, and further to 63.0% in FY2025. Revenue from customers in China is primarily attributable to our OEM Business and Branded Product Business segments.

A substantial proportion of our revenue was also generated from overseas customers, particularly those based in Uzbekistan, who accounted for approximately 16.1% in FY2023, declining to 11.6% in FY2024, before recovering to approximately 13.3% in FY2025. Customers in Uzbekistan and Pakistan represent a significant portion of our Hygienic Disposable Materials Business segment, which remained broadly stable between FY2023 and FY2024 at RMB180.7 million and RMB179.2 million respectively, before increasing to RMB205.5 million in FY2025.

Revenue from Malaysia is primarily derived from the sale of baby care products through our OEM Business segment, supplemented by sales from our Hygienic Disposable Materials Business. Revenue from Malaysian customers increased substantially from RMB18.5 million in FY2023 to RMB36.7 million in FY2024 while decreasing to approximately RMB12.5 million in FY2025, primarily due to reduced order volumes from OEM baby care products customers in Malaysia during the period. In addition, customers in South Korea constitute an important part of our OEM Business segment, although revenue from South Korea decreased during the period under review.

In addition, HKSAR was our third-largest market by revenue in FY2025, generating approximately RMB41.1 million. Revenue from HKSAR was derived entirely from our Hygienic Disposable Materials Business.

During FY2025, our revenue increased by approximately RMB86.3 million, or 19.3%, from RMB447.1 million for the FY2024 to RMB533.4 million for the FY2025. The majority of our customers continued to be based in China, with revenue from China-based customers increasing from RMB200.7 million to RMB335.9 million. Revenue from customers in China was mainly attributable to sales generated from our Branded Product Business segments, supported by sustained demand for feminine care products. This was supplemented by our OEM Business, the revenue of which comprising adult incontinence and baby care products manufactured for third-party clients.

A substantial proportion of our revenue during the Track Record Period was derived from international markets, led by Uzbekistan, which accounted for approximately 16.1%, 11.6% and 13.3% of our total revenue in FY2023, FY2024 and FY2025, respectively. Uzbekistan remained one of our top export markets for the Hygienic Disposable Materials Business segment. Revenue from Hong Kong SAR, representing primarily sales of hygienic disposable materials, remained stable, contributing 7.4% to 8.6% and 7.7% of our total revenue in FY2023, FY2024 and FY2025, respectively. Revenue from Pakistan represented 14.4%, 11.6% and 6.1% of our total revenue in FY2023, FY2024 and FY2025, respectively, primarily attributable to the Hygienic Disposable Materials Business.

During FY2025, our overall revenue growth was primarily driven by stronger sales in the PRC. Sales to certain countries in Southeast Asia, including Malaysia and South Korea decreased due to reduced order volumes from our OEM baby care products customers. Such decreases were partially offset by a recovery in revenue from Uzbekistan, driven by procurement activity from our hygienic disposable materials customers in Uzbekistan. Meanwhile, we continued to broaden our overseas customer base across emerging markets, which helped offset regional fluctuations and supported the overall expansion of our OEM and Hygienic Disposable Materials Businesses during the period.

(c) Revenue by product category, business segment, the nature of the sales channel and customer type

The following table sets out a breakdown of revenue and percentage of total revenue of our Group by product category and business segment for the years indicated:

	FY2023		FY2024		FY2025	
	(RMB'000)	*%*	*(RMB'000)*	*%*	*(RMB'000)*	*%*
Hygienic Disposable Materials Business	180,700	48.5	179,203	40.1	205,474	38.5
Feminine care						
– OEM Business	4,142	1.1	2,303	0.5	5,536	1.0
– Branded Product Business	60,429	16.2	111,403	24.9	158,162	29.7
Baby care						
– OEM Business	47,575	12.8	90,534	20.2	63,094	11.8
– Branded Product Business	64,413	17.3	48,545	10.9	68,278	12.8
Adult incontinence						
– OEM Business	14,218	3.8	14,797	3.3	32,547	6.1
– Branded Product Business	845	0.3	268	0.1	278	0.1
Total	372,322	100.0	447,053	100.0	533,369	100.0

The following table sets out a breakdown of revenue and percentage of total revenue of our Group by product category and the nature of the sales channel:

	FY2023		FY2024		FY2025	
	(RMB'000)	*%*	*(RMB'000)*	*%*	*(RMB'000)*	*%*
Hygienic Disposable Materials Business						
– e-commerce sales	26,874	7.2	3,948	0.9	3,861	0.7
– offline sales	153,826	41.3	175,255	39.2	201,613	37.8
Feminine care						
– e-commerce sales	45,459	12.2	22,159	5.0	156	0.0
– offline sales	19,112	5.1	91,547	20.4	163,542	30.7
Baby care						
– e-commerce sales	14,558	3.9	11,934	2.7	179	0.1
– offline sales	97,430	26.2	127,145	28.4	163,519	24.5
Adult incontinence						
– e-commerce sales	561	0.2	–	–	129	0.0
– offline sales	14,502	3.9	15,065	3.4	32,696	6.2
Total	372,322	100.0%	447,053	100.0%	533,369	100.0%

The following table sets forth a breakdown of our revenue by customer type:

	FY2023		FY2024		FY2025	
	(RMB'000)	*%*	*(RMB'000)*	*%*	*(RMB'000)*	*%*
B2B sales						
Wholesales and retailers	131,044	35.2	233,757	52.3	326,958	61.3
Hygienic disposables manufacturers	180,700	48.5	179,203	40.1	205,474	38.5
OEM customers	13,626	3.7	11,680	2.6	937	0.2
B2C sales						
E-store operators	46,952	12.6	22,413	5.0	–	–
Total	372,322	100.0	447,053	100.0	533,369	100.0

The following table sets out a breakdown of revenue by detailed product category for the periods indicated:

	FY2023				FY2024				FY2025			
	Revenue *(RMB'000)*	Sales Volume	ASP	Price Range *(RMB)*	Revenue *(RMB'000)*	Sales Volume	ASP	Price Range *(RMB)*	Revenue *(RMB'000)*	Sales Volume	ASP	Price Range *(RMB)*
Feminine care products												
–Disposable period underwears	63,325	82,501	0.77	0.51–3.94	85,930	132,692	0.65	0.26–2.02	77,560	78,326	0.99	0.32–2.00
– Menstrual pads	1,150	7,276	0.16	0.04–2.64	27,535	68,776	0.40	0.03–2.31	85,438	142,594	0.60	0.04–1.89
– Other	96	231	0.42	0.32–0.97	241	953	0.25	0.05–0.44	700	1,374	0.51	0.38-0.69
Baby care products												
– Baby pull-ups	62,046	127,106	0.49	0.29–1.68	89,770	156,317	0.57	0.024–1.85	75,171	113,431	0.66	0.27-1.33
– Baby diapers	49,476	103,331	0.48	0.29–1.32	48,563	89,423	0.54	0.27–1.32	55,346	102,874	0.54	0.27-1.33
– Other	466	165	2.82	1.94–3.97	746	1,980	0.38	0.09–4.02	855	654	1.31	1.50-2.19
Adult incontinence products												
– Adult pull-ups	5,759	6,096	0.94	0.5–1.63	7,844	10,126	0.77	0.41–1.55	2,418	1,877	1.29	1.08-1.64
– Adult diapers	9,304	6,538	1.42	1.04–1.88	7,221	5,835	1.24	0.81–1.95	30,407	33,762	0.90	0.45-2.14
Other products	180,700	14,164	12.76		179,203	14,732	12.16		205,474	17,397	11.81	
Total	372,322	347,408			447,053	480,834			533,369	492,289		

Baby care products

Our revenue increased by approximately RMB27.1 million or approximately 24.2% from approximately RMB112.0 million for FY2023 to RMB139.1 million for FY2024. Such increase during FY2024 was mainly driven by the sales growth of our OEM Business, primarily from sales to customers in Malaysia.

Our revenue from baby care products decreased slightly by approximately RMB7.7 million, or 5.5%, from RMB139.1 million for FY2024 to RMB131.4 million for FY2025, primarily due to reduced order volumes from OEM baby care product customers in Malaysia, partially offset by continued growth in offline sales of our branded baby care products in the PRC, including "Focus Baby (焦點寶貝)" and "Cotton Sun (全棉小時光)".

Our baby care products maintained a stable ASP of approximately RMB0.5 to RMB0.6 per piece throughout the Track Record Period.

Feminine care products

Our revenue increased by approximately RMB49.1 million or approximately 76.0% from approximately RMB64.6 million for FY2023 to RMB113.7 million for FY2024. Such increase was mainly due to the continued sales of our brand Veermoon with our newly developed product, Veermoon air-conditioned disposable period underwears (薇月空調安睡褲), and our newly developed feminine care brand, Blue Cotton (藍棉花).

During FY2023, the increase in sales of the Veermoon brand was primarily driven by e-commerce channels. Online sales were conducted directly with consumers, while offline sales were made to retailers. The pricing for direct-to-consumer transactions was higher than the pricing offered to retailers. Given the higher proportion of online sales relative to offline sales, the overall average selling price (ASP) per unit for feminine care products increased during the year.

In FY2024, the ASP declined mainly due to an increase in offline retailers and the launch of new products, including the Blue Cotton brand and Veermoon air-conditioned disposable period underwear. As the Veermoon disposable air-conditioned underwear is priced lower and accounted for a significant portion of sales, the overall ASP decreased in FY2024.

Our revenue from feminine care products increased from RMB113.7 million in FY2024 to RMB163.7 million in FY2025, representing an increase of approximately 44.0%. Such increase during FY2025 was mainly due to the continued sales growth of our menstrual pad products driven by the expansion of our offline distribution network in the PRC, which more than offset a decrease in sales of disposable period underwear during the same period.

The ASP of our feminine care products decreased from RMB0.7 per piece in FY2023 to RMB0.6 per piece in FY2024, before increasing slightly to approximately RMB0.7 per piece in FY2025.

Adult incontinence products

Our revenue remained stable between approximately RMB15.1 million for FY2023 and FY2024. Such revenue was mainly derived from local PRC customer, where they engaged us for our OEM services. Revenue from audit incontinence products increased by approximately RMB17.7 million or 117.2% from approximately RMB15.1 million for FY2024 to RMB32.8 million for FY2025. Such increase was primarily driven by growing OEM demand for adult pull-ups from PRC customers, consistent with the overall expansion of the adult incontinence disposables market in the PRC.

The ASP of our adult incontinence products was approximately RMB1.2 per piece in FY2023, which decreased to RMB0.9 per piece in FY2024. In FY2023, the sales mix shifted to mainly adult diapers, which have a higher ASP. In FY2024, we decided to discontinue our adult incontinence branded product business. As a result, we sold off adult diaper inventory at lower prices to clear stock, which caused the ASP to drop.

In FY2025, the ASP of our adult incontinence products remained stable at approximately RMB0.9 per piece. The product mix shifted towards adult pull-ups following the decommissioning of the adult diaper production line. As adult diapers generally carry a higher unit price than adult pull-ups, such shift would have had a downward effect on the overall ASP, which was offset by the normalisation of pricing as FY2024 ASP had been depressed by the clearance of adult diaper inventory at lower prices.

Hygienic Disposable Materials Business

For discussions on fluctuation in our revenue from Hygienic Disposable Materials Business, please refer to the discussion in "(a) Revenue by our business segments" above.

The ASP of our Hygienic Disposable Materials Business amounted to approximately RMB12.8 per kg in FY2023, RMB12.2 per kg in FY2024, and RMB11.8 per kg in FY2025.

The decline in ASP was mainly due to changes in the sales mix of intermediate materials. During the Track Record Period, SAP, which carries a lower selling price than other hygienic disposable materials, accounted for an increasing proportion of total sales volume. In FY2024, SAP sales continued to grow, further lowering the overall ASP in this business segment, as lower-priced materials accounted for a larger share of total sales.

In FY2025, the ASP of our Hygienic Disposable Materials Business remained generally stable at approximately RMB11.8 per kg, compared with RMB12.2 per kg in FY2024. The slight decrease was primarily attributable to a higher proportion of sales from SAP products, which carried lower unit prices than nonwoven fabrics and hot melt adhesives, despite the overall increase in total sales volume.

Costs of sales

Our costs of sales comprised direct materials costs, manufacturing overhead and direct labour costs. The table below sets forth a breakdown of our costs of sales for the periods indicated.

	FY2023		FY2024		FY2025	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Direct materials costs	263,352	92.5	292,639	90.3	355,821	93.4
Manufacturing overhead	15,526	5.5	25,768	7.9	17,412	4.6
Direct labour costs	5,851	2.0	5,863	1.8	7,763	2.0
Total	284,729	100.0	324,270	100.0	380,996	100.0

Direct materials costs

Our direct materials costs mainly include nonwoven fabrics, SAP and fluff pulp. For FY2024, our direct material costs increased by approximately RMB29.2 million or approximately 11.1% from approximately RMB263.4 million for FY2023 to RMB292.6 million for FY2024. For FY2025, our direct material costs further increased by approximately RMB63.2 million or approximately 21.6% from approximately RMB292.6 million in FY2024 to approximately RMB355.8 million in FY2025. Our Directors consider that the increase in direct material costs was aligned with the revenue growth, reflecting the scaling of operations. During the Track Record Period, our direct material costs remained relatively stable as a proportion of revenue, at 70.7% in FY2023, 65.5% in FY2024, and 66.7% in FY2025.

Manufacturing overhead

Our manufacturing overhead mainly include subcontracting costs, equipment depreciation and utilities expenses. For FY2024, our manufacturing overhead increased by approximately RMB10.3 million or approximately 66.0% to RMB25.8 million, primarily due to higher subcontracting costs incurred in connection with the outsourcing of part of our production to third-party manufacturers to meet increased customer demand, with subcontracting costs increasing from approximately RMB4.3 million in FY2023 to approximately RMB14.7 million in FY2024. For FY2025, our manufacturing overhead decreased by approximately RMB8.4 million or approximately 32.6% from RMB25.8 million in FY2024 to RMB17.4 million in FY2025, primarily due to a reduction in subcontracting costs following the addition of a new production line in April 2025, which expanded our in-house production capacity and reduced our reliance on third-party manufacturers.

Direct labour costs

Our direct labour costs, which include wages, salaries and retirement benefit scheme contributions for employees under cost of sales, remained relatively stable at approximately RMB5.9 million per annum during FY2023 to FY2024. The stability during this period was mainly due to the high degree of automation in our production lines, which limited the need for additional labour despite the increase in revenue and production output. For FY2025, our direct labour costs increased to approximately RMB7.8 million, primarily due to an increase in production staff to support higher production volumes and expanded manufacturing activities.

Gross profit and gross profit margin

The table below sets forth the gross profit and gross profit margin by product category for the periods indicated by business segment:

	FY2023		FY2024		FY2025	
By product category	Gross profit *(RMB'000)*	Gross profit margin *(%)*	Gross profit *(RMB'000)*	Gross profit margin *(%)*	Gross profit *(RMB'000)*	Gross profit margin *(%)*
Feminine care						
– OEM Business	1,395	33.7	755	32.8	1,060	19.1
– Branded Product Business	28,078	46.5	49,197	44.2	80,404	50.8
	29,473	45.6	49,952	43.9	81,464	49.8
Baby care						
– OEM Business	19,210	40.4	31,256	34.5	15,106	23.9
– Branded Product Business	11,460	17.8	17,223	35.5	24,387	35.7
	30,670	27.4	48,479	34.9	39,493	30.1
Adult incontinence						
– OEM Business	4,093	28.8	3,816	25.8	9,611	29.5
– Branded Product Business	257	30.4	32	12.1	83	29.8
	4,350	28.9	3,848	25.5	9,694	29.5
Hygienic Disposable Materials Business	23,100	12.8	20,504	11.4	21,722	10.6
Subtotal	87,593	23.5	122,783	27.5	152,373	28.6
By business segment						
Branded Product Business	39,795	31.7	66,452	41.5	104,874	46.3
OEM Business	24,698	37.5	35,827	33.3	25,777	25.5
Subtotal	64,493	33.7	102,279	38.2	130,651	39.8
Hygienic Disposable Materials Business	23,100	12.8	20,504	11.4	21,722	10.6
Total	87,593	23.5	122,783	27.5	152,373	28.6

The following table sets out the gross profit and gross profit margin by sales channel:

	FY2023		FY2024		FY2025	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	(RMB'000)	*%*	*(RMB'000)*	*%*	*(RMB'000)*	*%*
Branded Product Business						
– E-commerce sales	24,805	52.8	10,776	48.1	–	–
– Offline sales	14,990	19.0	55,676	40.4	104,874	46.3
Subtotal of Branded Product Business	39,795	31.7	66,452	41.5	104,874	46.3
Hygenic Disposable Materials Business						
– E-commerce sales	3,322	12.4	363	9.2	385	10.0
– Offline sales	19,778	12.9	20,141	11.5	21,337	10.6
Subtotal of Hygenic Disposable Materials Business	23,100	12.8	20,504	11.4	25,722	10.6
OEM Business						
– E-commerce sales	1,624	11.9	1,334	11.4	199	21.2
– Offline sales	23,074	44.1	34,493	36.0	25,578	25.5
Subtotal of OEM Business	24,698	37.5	35,827	33.3	25,777	25.5
Total	87,593	23.5	122,783	27.5	152,373	28.6

The following table sets out the gross profit and gross profit margin by product category and the nature of the sales channel:

	FY2023		FY2024		FY2025	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	(RMB'000)	*%*	*(RMB'000)*	*%*	*(RMB'000)*	*%*
Hygienic Disposable Materials Business						
– E-commerce sales	3,332	12.4	363	9.2	385	10.0
– Offline sales	19,778	12.9	20,141	11.5	21,337	10.6
Feminine care						
– E-commerce sales	24,781	54.5	10,694	48.3	20	12.8
– Offline sales	4,692	24.6	39,258	42.9	81,444	49.8
Baby care						
– E-commerce sales	1,642	11.3	1,416	11.9	156	23.9
– Offline sales	29,028	29.8	47,063	37.0	39,337	30.1
Adult incontinence						
– E-commerce sales	6	1.1	–	–	23	17.8
– Offline sales	4,344	29.9	3,848	25.5	9,671	29.6
Total	87,593	23.5	122,783	27.5	152,373	28.6

The following table sets forth the gross profit and gross profit margin by customer type:

	FY2023		FY2024		FY2025	
	(RMB'000)	*%*	*(RMB'000)*	*%*	*(RMB'000)*	*%*
B2B sales						
Wholesales and retailers	38,064	29.0	90,169	38.6	130,452	39.9
Hygienic disposables manufacturers	23,100	12.8	20,504	11.4	21,722	10.6
OEM customers	1,624	11.9	1,334	11.4	199	21.2
B2C sales						
E-store operators	24,805	52.8	10,776	48.1	–	–
Total	87,593	23.5	122,783	27.5	152,373	28.6

The following table sets out the gross profit and gross profit margin by country/region of customer:

	FY2023		FY2024		FY2025	
Country/Region	*RMB'000*	*GP Margin %*	*RMB'000*	*GP Margin %*	*RMB'000*	*GP Margin %*
China	45,051	31.3	73,765	36.8	123,035	36.6
Uzbekistan	8,477	14.2	5,826	11.3	7,628	10.7
Malaysia	8,415	45.5	14,902	40.6	4,332	34.5
South Korea	6,392	46.0	3,405	43.7	970	23.4
Pakistan	5,377	10.0	4,027	7.7	2,711	8.3
HKSAR	4,718	17.0	6,118	16.0	6,106	14.9
Nigeria	2,796	15.1	3,318	19.0	1,098	17.9
Bangladesh	969	26.5	1,225	31.4	690	26.3
Vietnam	625	38.6	4,912	39.3	1,889	31.8
Vanuatu	431	15.7	276	18.0	219	18.3
Other(1)	4,342	15.3	5,009	20.5	3,695	18.3
Total	87,593	23.5	122,783	27.5	152,373	28.6

Note:

(1): Mainly include Oman, Thailand, Burkina Faso and Sri Lanka.

During the Track Record Period, our gross profit increased from RMB87.6 million in FY2023 to RMB122.8 million in FY2024, and further to RMB152.4 million in FY2025. The increase in gross profit from FY2023 to FY2024 was mainly attributable to the growth of our Branded Product Business in the PRC, particularly from our baby care and feminine care products. The gross profit margin of the Branded Product Business increased from 31.7% in FY2023 to 41.5% in FY2024, primarily attributable to (i) the increased revenue contribution from branded feminine care products, which carried a gross profit margin of 44.2% and accounted for approximately 69.5% of total Branded Product Business revenue in FY2024, compared to approximately 48.1% in FY2023; and (ii) the improvement in gross profit margin of branded baby care products from 17.8% to 35.5%, primarily driven by the launch of "Focus Tianchi Series (焦點天賜系列)" under our Focus Baby brand. These effects were partially offset by a slight decrease in gross profit margin of branded feminine care products from 46.5% to 44.2%, mainly attributable to the expansion of offline distribution channels. Of the incremental gross profit of approximately RMB26.9 million, approximately RMB21.1 million was attributable to branded feminine care products and approximately RMB5.8 million was attributable to branded baby care products. The increase in gross profit from FY2024 to FY2025 was mainly attributable to growth of our Branded Product Business as a result of the continued expansion of the domestic distribution network and OEM sales of adult incontinence product. The continuous increase in gross profit margin from 27.5% in FY2024 to 28.6% in FY2025 was mainly due to the increased revenue contribution of our Branded Product Business, primarily from feminine care products which carried a gross profit margin of 50.8%, partially offset by the decline in the gross profit margin of the OEM Business of baby care product from 34.5% to 23.9%.

Gross profit attributable to customers in China increased from RMB45.1 million in FY2023 to RMB73.8 million in FY2024, and further to RMB123.0 million in FY2025, primarily due to the expansion of the Branded Product Business in the PRC, mainly contributed by continued growth in sales of baby care and feminine care products under our own brands, OEM sales of adult incontinence product and the expansion of the domestic distribution network.

Gross profit from South Korea decreased from RMB6.4 million in FY2023 to RMB3.4 million in FY2024, and further to RMB1.0 million in FY2025, consistent with lower revenue from this region. During the same period, Customer B, located in Seoul, ceased to be one of our top five customers. The gross profit margin in South Korea decreased from 43.7% in FY2024 to 23.4% in FY2025, mainly reflecting business volume as revenue from South Korea declined from RMB7.8 million in FY2024 to RMB4.1 million in FY2025.

Gross profit from Malaysia increased from RMB8.4 million in FY2023 to RMB14.9 million in FY2024, mainly contributed by sales under the OEM Business, particularly baby care products supplied to Customer C. Gross profit from Malaysia decreased to RMB4.3 million in FY2025, in line with the decline in sales from approximately RMB36.7 million in FY2024 to approximately RMB12.5 million in FY2025, primarily due to reduced order volumes from OEM baby care product customers in Malaysia during the period. The gross profit margin decreased from 45.5% in FY2023 to 40.6% in FY2024, primarily due to a shift in product mix toward lower-margin OEM baby care products. The increase in sales from RMB18.5 million to RMB36.7 million did not offset the margin impact of such product mix changes. Gross profit from Malaysia decreased to RMB4.3 million in FY2025, in line with the decline in revenue to approximately RMB12.5 million, primarily due to reduced order volumes from OEM baby care product customers in Malaysia. The gross profit margin further decreased to 34.5% in FY2025, reflecting the combined effect of the continued shift in product mix toward lower-margin OEM baby care products and the decline in sales volume during the period.

Gross profit from Uzbekistan, attributable mainly to our Hygienic Disposable Materials Business, decreased from RMB8.5 million in FY2023 to RMB5.8 million in FY2024, corresponding to a decline in revenue from RMB59.8 million to RMB51.7 million. The gross profit margin decreased from 14.2% in FY2023 to 11.3% in FY2024, primarily due to a shift in product mix toward a higher proportion of SAP, which carried lower margins compared to non-woven fabrics and hot melt adhesives, together with the decline in sales volume during the period. Gross profit from Uzbekistan increased to RMB7.6 million in FY2025, as revenue increased from RMB51.7 million to RMB71.1 million, while the gross profit margin decreased slightly to 10.7%, consistent with the overall gross profit margin of our Hygienic Disposable Materials Business, which decreased from 11.4% in FY2024 to 10.6% in FY2025. The increase in sales volume did not offset the continued margin pressure from the shift in product mix and fluctuations in raw material prices.

Under our Hygienic Disposable Materials Business, we process raw materials into intermediate materials (including SAP, hot melt adhesives, and nonwoven fabrics) for sale to our customers. Our customers in Uzbekistan procure a diverse mix of these materials. Consequently, fluctuations in our procurement costs are directly reflected in the selling prices and margins of the products sold in this region. Specifically, from FY2023 to FY2024, the average direct material cost per tonne of SAP decreased by approximately 3.5%, while the average purchase cost per tonne of nonwoven fabrics increased slightly by approximately 1.6%.

Gross profit from Hong Kong, attributable mainly to our Hygienic Disposable Materials Business, increased from RMB4.7 million in FY2023 to RMB6.1 million in FY2024, and remained stable at RMB6.1 million in FY2025. Revenue from Hong Kong increased from RMB38.3 million in FY2024 to RMB41.1 million in FY2025. Gross profit margin decreased from 17.0% in FY2023 to 16.0% in FY2024, and further to 14.9% in FY2025, primarily attributable to changes in the sales mix of hygienic disposable materials sold to customers in Hong Kong.

The fourth table, below, sets forth the gross profit and gross profit margin by specific product category

	FY2023				FY2024				FY2025			
	Revenue (RMB'000)	*Cost of Sales (RMB'000)*	*Gross Profit (RMB'000)*	*Gross Profit Margin*	*Revenue (RMB'000)*	*Cost of Sales (RMB'000)*	*Gross Profit (RMB'000)*	*Gross Profit Margin*	*Revenue (RMB'000)*	*Cost of Sales (RMB'000)*	*Gross Profit (RMB'000)*	*Gross Profit Margin*
Feminine care products												
–Disposable period underwears	63,325	34,194	29,131	46%	85,930	52,494	33,436	39%	77,560	45,579	31,981	41%
– Menstrual pads	1,150	827	323	28%	27,535	11,060	16,475	60%	85,438	36,107	49,331	58%
– Other	96	77	19	20%	241	200	41	17%	700	548	152	22%
Baby care products												
– Baby pull-ups	62,046	41,523	20,523	33%	89,770	57,645	32,125	36%	75,171	51,633	23,538	31%
– Baby diapers	49,476	39,444	10,032	20%	48,563	32,468	16,095	33%	55,346	39,500	15,846	29%
– Other	466	351	115	25%	746	487	259	35%	855	746	109	13%
Adult incontinence products												
– Adult pull-ups	5,759	4,080	1,679	29%	7,844	5,976	1,868	24%	30,407	21,243	9,164	30%
– Adult diapers	9,304	6,633	2,671	29%	7,221	5,241	1,980	27%	2,418	1,888	530	22%
Other products	180,700	157,600	23,100	13%	179,203	158,699	20,504	11%	205,474	183,752	21,722	11%
Total	372,322	284,729	87,593	24%	447,053	324,270	122,783	27%	533,369	380,996	152,373	29%

Baby care products

The average gross profit margin from baby care products increased from 27.4% in FY2023 to 34.9% in FY2024, due to the following:

- OEM Business: revenue mainly concentrated with Customer C in FY2024. To increase market presence overseas, we also worked with other brand owners offering products with lower gross profit margins. As a result, the gross profit margin declined from 40.4% to 34.5%.

- Branded Product Business: in FY2024, revenue mainly derived from sale of a new product named "Focus Tianchi Series (焦點天賜系列)" under our own brand Focus Baby, which had higher gross profit margins. The gross profit margin for the branded product business increased to 35.5%.

The average gross profit margin from baby care products decreased from 34.9% in FY2024 to 30.1% in FY2025, due to the following:

- OEM Business: The gross profit margin of the OEM baby care business decreased from 34.5% in FY2024 to 23.9% in FY2025. In FY2024, revenue was primarily concentrated with Customer C, whose product specifications supported higher profitability. To further broaden its overseas market presence, the Group also collaborated with several brand owners during the period, offering products with moderate but stable margins. In FY2025, however, revenue was mainly derived from new customers, these new customers were quoted at more competitive prices to enhance market penetration and customer acquisition, resulting in a decrease in the overall OEM gross profit margin.

- Branded Product Business: The gross profit margin of the branded product business remained stable, at 35.5% in FY2024 and 35.7% in FY2025, supported by steady demand for the Group's proprietary "Focus Baby - Tianchi Series (焦點天賜系列)". Despite maintaining profitability, the proportion of branded product sales declined relative to the OEM segment, which expanded faster but at lower margins. This shift in revenue mix diluted the overall baby care gross profit margin.

The average gross profit margin from feminine care products slightly decreased from 45.6% in FY2023 to 43.9% in FY2024, due to the following:

- OEM Business: the gross profit margin remained relatively stable, decreasing slightly from 33.7% in FY2023 to 32.8% in FY2024.

- Branded Product Business: in FY2024, the gross profit margin declined from 46.5% to 44.2%, mainly due to the expansion of offline distribution channels, which carry lower gross profit margins.

The average gross profit margin from feminine care products increased from 43.9% in FY2024 to 49.8% in FY2025, due to the following:

- OEM Business: The gross profit margin decreased from 32.8% in FY2024 to 19.1% in FY2025, mainly due to a higher proportion of orders from overseas OEM customers with customised specifications and lower pricing, which reduced the overall margin level of the OEM segment. However, the OEM Business accounted for only approximately 3.4% of total feminine care revenue in FY2025, and accordingly the impact on the overall feminine care gross profit margin was limited.

- Branded Product Business: The gross profit margin increased from 44.2% in FY2024 to 50.8% in FY2025, primarily attributable to a shift in the product mix towards our menstrual pad products, which carried a higher gross profit margin than our disposable period underwear products. The revenue contribution of menstrual pads as a proportion of total feminine care revenue increased from approximately 24.2% in FY2024 to approximately 52.2% in FY2025.

Adult incontinence products

The average gross profit margin from adult incontinence products further declined from 28.9% in FY2023 to 25.5% in FY2024, due to the following:

- OEM Business: The gross profit margin decreased from 28.8% in FY2023 to 25.8% in FY2024. In FY2024, we engaged several OEM customers who purchased low-margin product lines, with gross profit margins below 20%. This customer mix dragged down the overall gross profit margin for the OEM business in the adult incontinence segment.

- Branded Product Business: The gross profit margin dropped significantly from 30.4% in FY2023 to 12.1% in FY2024, as we decided to clear inventory following our decision to discontinue the adult incontinence branded product business.

The average gross profit margin from adult incontinence products increased from 25.5% in FY2024 to 29.5% in FY2025, due to the following:

- OEM Business: The gross profit margin increased from 25.8% in FY2024 to 29.5% in FY2025 primarily attributable to a shift in the product mix towards adult pull-ups, which carried a higher gross profit margin than adult diapers and accounted for a substantially higher proportion of adult incontinence OEM revenue in FY2025.

- Branded Product Business: The gross profit margin increased from 12.1% in FY2024 to 29.8% in FY2025. The branded product segment accounted for less than 1% of total adult incontinence revenue in both FY2024 and FY2025, as branded sales were limited to a small number of residual transactions following the discontinuation of the Group's adult incontinence branded product business in May 2024, and accordingly had a negligible impact on the overall gross profit margin.

Hygienic Disposable Materials Business

The overall gross profit margin from Hygienic Disposable Materials Business remained stable over the Track Record Period, at 12.8% in FY2023, before slightly decreasing to 11.4% in FY2024 and further to 10.6% in FY2025, primarily due to changes in the sales mix of hygienic disposable materials, in particular a higher proportion of sales of SAP products, which carried lower unit prices and margins than nonwoven fabrics and hot melt adhesives.

Other income

The following table is breakdown of our other income during the Track Record Period:

	Year ended 31 December		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Gain on early termination of leases	–	–	12
Sales of production wastes	1,635	2,177	1,969
Government grants *(Note (i))*	335	155	1,041
Interest income	27	92	15
Sundry income	32	174	106
Exchange gain, net	–	1,847	692
Additional deduction of input value-added tax ("VAT") *(Note (ii))*	–	1,625	1,983
	2,029	6,070	5,818

Notes:

(i) Government grants represent various form of subsidies granted to the Group by the local government authorities in the PRC for compensation of expenses incurred by the Group. These grants are generally made for business supports and awarded to the Group on a discretionary basis. The Group received these government grants in respect of its investments in the PRC.

There were no unfulfilled conditions or contingencies relating to these grants during the Track Record Period.

(ii) According to Announcement 2023 No. 43 of the Ministry of Finance and the State Taxation Administration of the PRC, with effect from 1 January 2023 and until 31 December 2027, advanced manufacturing enterprises are eligible for additional VAT credits by 5% of the current period creditable input VAT. The subsidiary of the Company, Yuejian is qualified for the additional deduction of the VAT credit.

Our other income amounted to approximately RMB2.0 million in FY2023, primarily comprising sales of production wastes RMB1.6 million and government grants of RMB0.3 million.

Our other income increased from approximately RMB2.0 million in FY2023 to RMB6.1 million in FY2024. This increase was primarily attributable to a net exchange gain of RMB1.8 million and an additional deduction of input VAT of RMB1.6 million in FY2024, coupled with improved sales of production wastes from RMB1.6 million to RMB2.2 million. These increases offset the decrease in government grants from RMB0.3 million to RMB0.2 million, resulting in a total increase of RMB4.1 million. Pursuant to the relevant PRC regulations, advanced manufacturing enterprises are eligible for additional VAT credits of 5% of the current period creditable VAT input. Following one of our key operating subsidiaries, Yuejian's recognition as an advanced manufacturing enterprise in December 2023, we recorded an additional VAT input deduction of RMB1.6 million in FY2024. Details of which are set out in Note 6 (ii) to the Accountants' Report in Appendix I to this document.

Our other income decreased from approximately RMB6.1 million in FY2024 to RMB5.8 million in FY2025. This decrease was primarily due to the net exchange gain decreasing from approximately RMB1.8 million to RMB0.7 million, and sales of production wastes decreasing from approximately RMB2.2 million to RMB2.0 million. These decreases were partially offset by government grants increasing from approximately RMB0.2 million to RMB1.0 million and the additional deduction of input VAT increasing from approximately RMB1.6 million to RMB2.0 million.

Selling and distribution expenses

The table below sets forth a breakdown of our selling and distribution expenses for the periods indicated:

	FY2023	**FY2024**	**FY2025**
	RMB'000	*RMB'000*	*RMB'000*
Agency fee and declaration expenses	1,714	2,067	1,685
Staff cost	1,994	1,495	2,214
Distribution expenses	7,656	5,662	1,817
Online sales and promotion expenses	7,646	3,547	319
Depreciation	287	211	99
Advertising and marketing expenses	3,539	11,461	19,269
Others	1,512	1,869	1,626
Total	24,348	26,312	27,029

Our total selling and distribution expenses increased by approximately 8.2%, from approximately RMB24.3 million in FY2023 to RMB26.3 million in FY2024. This increase is primarily due to the following:

- Our advertising and marketing expenses increased from approximately RMB3.5 million in FY2023 to approximately RMB11.5 million in FY2024, representing an increase of approximately 228.6%. This increase was mainly attributable to (i) intensified marketing campaigns featuring province-wide elevator billboard advertisements amounting to RMB6.0 million, and (ii) offline brand-building initiatives to strengthen our market position.

- Our other expenses increased from RMB1.5 million in FY2023 to RMB1.9 million in FY2024, representing an increase of approximately 26.7%. The increase reflected increased operational support costs associated with our expanded sales network and distribution channels.

- Our online sales and promotion expenses decreased by approximately RMB4.1 million from RMB7.6 million in FY2023 to RMB3.5 million in FY2024, representing a decrease of approximately 53.9%. This decline was primarily due to the strategic realignment of our digital operations. From June to October 2024, we assigned our e-commerce stores on Douyin, Kuaishou, and Pinduoduo platforms to Customer A1 to optimise our resource allocation and strengthen our focus on core manufacturing and product development activities.

- Our distribution expenses decreased by approximately RMB2.0 million from RMB7.7 million in FY2023 to RMB5.7 million in FY2024, representing a decrease of approximately 26.0%. This reduction was mainly attributable to the transfer of our e-commerce operations to Customer A1, which eliminated our logistics and distribution network costs.

Our total selling and distribution expenses increased by approximately 2.7%, from approximately RMB26.3 million in FY2024 to RMB27.0 million in FY2025. This increase is primarily due to the following:

- Advertising and marketing expenses increased from approximately RMB11.5 million in FY2024 to approximately RMB19.3 million in FY2025, representing an increase of approximately RMB7.8 million, or 67.8%. This growth was mainly attributable to (i) intensified brand-building and media placement campaigns to enhance brand awareness; and (ii) expansion of offline promotional activities and market initiatives to support the continued growth of our Branded Product business.

- Staff cost increased by approximately RMB0.7 million, or 46.7%, from approximately RMB1.5 million in FY2024 to approximately RMB2.2 million in FY2025, primarily due to the expansion of our sales team to support the growth of our Branded Product business and the broadening of our offline distribution network.

Partially offsetting the above increases were:

- Online sales and promotion expenses, which decreased by approximately RMB3.2 million or 91.4%, from approximately RMB3.5 million in FY2024 to approximately RMB0.3 million in FY2025. This decrease was primarily due to the completion of the transfer of our self-operated e-commerce stores to Customer A1 by late 2024, resulting in a reduction in digital marketing and platform service fees borne by us.

- Distribution expenses decreased by approximately RMB3.9 million from approximately RMB5.7 million in FY2024 to approximately RMB1.8 million in FY2025. This reduction was mainly attributable to lower logistics and fulfilment costs following the cessation of our direct-to-consumer e-commerce operations, which previously required higher per-unit shipping and distribution costs.

Administrative and other operating expenses

The table below sets forth a breakdown of our administrative and other operating expenses for the periods indicated:

	FY2023	**FY2024**	**FY2025**
	RMB'000	*RMB'000*	*RMB'000*
R&D expenses	5,758	9,071	12,778
Staff cost	3,350	4,378	5,553
Office expenses	1,297	3,847	3,804
Exchange loss, net	1,342	–	–
Depreciation	1,583	703	2,099
Others	1,035	3,089	1,209
	14,365	21,088	25,443

Our total administrative and other operating expenses increased by approximately 46.5%, from approximately RMB14.4 million in FY2023 to RMB21.1 million in FY2024, primarily due to the following:

- Our R&D expenses increased by approximately RMB3.3 million, or approximately 56.9%, from approximately RMB5.8 million in FY2023 to RMB9.1 million in FY2024. The increase was mainly attributable to intensified investment in R&D initiatives in FY2024, focusing on hygiene technologies including eco-friendly breathable design for diapers, elastic anti-binding baby pull-ups, user-friendly disposable feminine care products, and highly absorbent baby pull-up diapers.

- Our office expenses, which include office operation costs, legal and professional fees, and rental expenses, increased by approximately RMB2.5 million, or 192.3%, from approximately RMB1.3 million in FY2023 to approximately RMB3.8 million in FY2024. This increase was primarily attributable to (i) an increase in office expenses of RMB1.0 million due to catering expenses for professional parties of RMB0.8 million and purchase of accounting software of RMB0.1 million; (ii) an increase in legal and professional fees of RMB0.8 million, primarily due to operations and organisation consulting services; and (iii) an increase in rental expenses of RMB0.8 million.

- Others increased by approximately RMB2.1 million, or 210.0%, from RMB1.0 million in FY2023 to RMB3.1 million in FY2024, primarily attributable to a one-time payment of RMB0.3 million related to intellectual property matters, a lease termination early expense of RMB0.3 million, and additional staff benefits of RMB0.1 million.

Our total administrative and other operating expenses increased by approximately 20.4%, from approximately RMB21.1 million in FY2024 to RMB25.4 million in FY2025, primarily due to the following:

- Research and development expenses increased by approximately RMB3.7 million, or 40.7%, from approximately RMB9.1 million in FY2024 to approximately RMB12.8 million in FY2025. The increase was mainly attributable to the development of new feminine care and baby care products and the enhancement of existing product quality and production efficiency.

- Staff cost increased by approximately RMB1.2 million, or 27.3%, from approximately RMB4.4 million in FY2024 to approximately RMB5.6 million in FY2025. The increase was mainly due to additional staff performance-based incentives.

[REDACTED]

[REDACTED] expenses comprise professional and other expenses in relation to our **[REDACTED]**. Our **[REDACTED]** expenses amounted to **[REDACTED]**, approximately RMB**[REDACTED]**, and approximately RMB**[REDACTED]** for FY2023, FY2024, and FY2025 of the Track Record Period, respectively.

Finance costs

Our finance costs mainly represented the interest on lease liabilities and interest-bearing borrowings. Our finance costs decreased from approximately RMB0.4 million in FY2023 to RMB0.2 million in FY2024, before increasing to RMB0.7 million in FY2025 which was generally in line with the level of our bank borrowing.

Income tax expenses

Our income tax expenses represented the PRC Enterprise Income Tax. PRC Enterprise Income Tax has been provided for at the statutory rate of 25% during the Track Record Period except for Yuejian which was recognised as High and New Technology Enterprise ("**HNTE**") and is entitled to a preferential tax rate of 15% since December 2023. The entitlement of the HNTE is subject to renewal by respective tax bureau in the PRC every three years. The latest approval of the HNTE for Fujian Yuejian was obtained in December 2023 and will be expired in December 2026. Yuejian can enjoy the preferential tax rate of 15% for the whole year of the year of obtaining the HNTE.

Our income tax expenses amounted to approximately RMB8.7 million, RMB12.9 million, and RMB15.4 million with the effective tax rate of approximately 18.1%, 16.4% and 16.0% for the FY2023, FY2024, and FY2025 of Track Record Period, respectively.

Our Directors confirmed that during the Track Record Period and up to the Latest Practicable Date, our Group had fulfiled all of our income tax obligations and had no unresolved income tax issues or disputes with the relevant tax authorities.

Profit and total comprehensive income for the year attributable to owners of the Company

As a result of the foregoing, our profit and total comprehensive income for the year attributable to owners of the Company amounted to approximately RMB39.0 million, RMB65.6 million, and RMB80.9 million for the FY2023, FY2024, and FY2025 of Track Record Period, respectively, which is generally in line with our gross profit growth. Our net profit margin amounted to approximately 10.5%, 14.7%, and 15.2% for the same periods of the Track Record Period, respectively.

LIQUIDITY AND CAPITAL RESOURCES

Financial resources

During the Track Record Period, our primary use of cash had been the payment for purchases of raw materials, staff costs, production costs and various operating expenses. Historically, our working capital and other capital requirements were principally satisfied by Shareholders' funds and cash generated from our operations.

As at 31 December 2023, 31 December 2024 and 31 December 2025, we had cash and bank balances of approximately RMB8.0 million, RMB10.3 million, and RMB33.6 million, respectively, which were primarily held in RMB. Going forward, our Group expects to continue to generate cash from operations as our principal source of liquidity, and we may use a portion of the net **[REDACTED]** from the **[REDACTED]** to finance our liquidity requirements. See "Future Plans and **[REDACTED]**" for details. Our Directors believe that, in the long term, our Group's operations will be funded by internal resources and, if necessary, bank borrowings.

The table below sets forth the condensed summary of the combined statements of cash flows for the periods indicated:

	FY2023	**FY2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Operating cash flows before movement in working capital	57,418	84,842	104,884
Changes in working capital	(61,213)	29,346	(89,884)
Income tax paid	(3,059)	(8,400)	(24,064)
Net cash (used in)/from operating activities	(6,854)	105,788	(9,064)
Net cash used in investing activities	(8,312)	(10,289)	(27,532)
Net cash from/(used in) financing activities	19,759	(93,194)	59,896
Net increase in cash and cash equivalents	4,593	2,305	23,300
Cash and cash equivalents at the beginning of the year	3,430	8,023	10,328
Cash and cash equivalents at the end of the year	8,023	10,328	33,628

Net cash (used in)/from operating activities

Our net cash used in operating activities for FY2023 was approximately RMB6.9 million, primarily comprising cash used in operations of approximately RMB3.8 million and income tax paid of approximately RMB3.1 million. Our cash generated from operations reflected profit before tax for the year of approximately RMB48.2 million, as adjusted by depreciation of property, plant and equipment of approximately RMB3.8 million and depreciation of right-of-use assets of approximately RMB**[REDACTED]** million. Our change in working capital contributed to a cash outflow of approximately RMB61.2 million, which was primarily due to the significant increase in trade and other receivables of approximately RMB87.5 million, partially offset by a decrease in trade and other payables of approximately RMB23.0 million and a decrease in inventories of approximately RMB3.3 million.

Our net cash from operating activities for FY2024 was approximately RMB105.8 million, primarily comprising cash generated from operations of approximately RMB114.2 million and income tax paid of approximately RMB8.4 million. Our cash generated from operations reflected profit before tax for the year of approximately RMB78.5 million, as adjusted by depreciation of property, plant and equipment of approximately RMB4.4 million and depreciation of right-of-use assets of approximately RMB0.3 million. Our change in working capital contributed to a cash inflow of approximately RMB29.3 million, which was primarily due to a decrease in inventories of approximately RMB16.9 million and a decrease in trade and other payables of approximately RMB22.1 million, partially offset by an increase in trade and other receivables of approximately RMB9.6 million.

Our net cash used in operating activities for FY2025 was approximately RMB9.1 million, primarily comprising cash generated from operations of approximately RMB15.0 million, offset by income tax paid of approximately RMB24.1 million. Cash generated from operations reflected profit before tax for the year of approximately RMB96.3 million, as adjusted by depreciation of property, plant and equipment of approximately RMB4.3 million and depreciation of right-of-use assets of approximately RMB2.8 million. Our change in working capital contributed to a cash outflow of approximately RMB89.9 million, which was primarily due to an increase in trade and other receivables of approximately RMB81.4 million, an increase in inventories of approximately RMB8.7 million, and an increase in restricted bank deposits, and partially offset by an increase in trade and other payables of approximately RMB3.6 million.

Net cash used in investing activities

Our net cash used in investing activities for FY2023 was approximately RMB8.3 million, primarily representing the purchase of property, plant and equipment of approximately RMB9.5 million, partially offset by proceeds from disposal of property, plant and equipment of approximately RMB1.2 million and interest received of RMB27,000.

Our net cash used in investing activities for FY2024 was approximately RMB10.3 million, primarily representing the purchase of property, plant and equipment of approximately RMB14.5 million, partially offset by proceeds from disposal of property, plant and equipment of approximately RMB4.1 million and interest received of RMB0.1 million.

Our net cash used in investing activities for FY2025 was approximately RMB27.5 million, primarily representing the purchase of property, plant and equipment of approximately RMB26.3 million and payments for acquisition of intangible assets of approximately RMB1.8 million, partially offset by proceeds from disposal of property, plant and equipment of approximately RMB0.6 million.

Net cash (used in)/from financing activities

Our net cash from financing activities for FY2023 was approximately RMB19.8 million, primarily representing inception of interest-bearing borrowings of RMB13.9 million, advance from the Controlling Shareholders of RMB23.5 million, and partially offset by (i) repayment of interest-bearing borrowings of RMB10.3 million; (ii) repayment of lease payment of RMB2.5 million; (iii) interest paid of RMB0.2 million; (iv) net cash outflow of RMB3.5 million from acquisition of a subsidiary; and (v) repayment to former non-controlling equity holder of RMB1.1 million.

Our net cash used in financing activities for FY2024 was approximately RMB93.2 million, primarily representing repayment to advance from the Controlling Shareholders of RMB97.1 million, repayment of interest-bearing borrowings of RMB8.5 million, repayment of lease payment of RMB0.5 million, and interest paid of RMB0.2 million and partially offset by inception of interest-bearing borrowings of RMB13.1 million.

Our net cash from financing activities for FY2025 was approximately RMB59.9 million, primarily representing (i) proceeds from interest-bearing borrowings of approximately RMB40.0 million, (ii) payment from the Controlling Shareholders of approximately RMB74.7 million, and (iii) [capital injection from **[REDACTED]** Investments] of approximately RMB1.9 million, and partially offset by (i) consideration paid to the Controlling Shareholders under the Reorganisation of approximately RMB33.2 million, (ii) repayment of interest-bearing borrowings of approximately RMB19.9 million, (iii) repayment of lease liabilities of approximately RMB3.0 million, and (iv) interest paid of approximately RMB0.6 million.

NET CURRENT ASSETS

	As at 31 December			**31 January**
	2023	**2024**	**2025**	**2026**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
	(audited)	*(audited)*	*(audited)*	*(unaudited)*
Current assets				
Inventories	38,413	21,545	30,260	31,718
Trade and other receivables	120,884	131,177	212,523	203,867
Amount due from the Controlling Shareholders	–	71,503	–	7,035
Restricted bank deposit	–	–	3,290	4,920
Bank balance and cash	8,023	10,328	33,628	17,811
	167,320	234,553	279,701	265,351
Current liabilities				
Trade and other payables	94,567	113,669	114,396	104,602
Interest-bearing borrowings	5,500	10,080	30,225	29,900
Lease liabilities	2,120	1,213	2,147	1,734
Amount due to the Controlling Shareholders	25,562	–	3,155	–
Income tax payables	11,236	15,776	7,060	1,542
	138,985	140,738	156,983	137,778
Net current (liabilities)/assets	28,335	93,815	122,718	127,573

Our net current assets increased from approximately RMB28.3 million as at 31 December 2023 to approximately RMB93.8 million as at 31 December 2024, representing an increase of approximately RMB65.5 million, which was mainly attributable to the combined effects of (i) our trade and other receivables increase of approximately RMB10.3 million; (ii) increase in balance of amount due from the Controlling Shareholders of approximately RMB71.5 million; (iii) our bank balances and cash increase of approximately RMB2.3 million; and (iv) decrease in lease liabilities of approximately RMB0.9 million, which was partially offset by (v) our inventories decrease of approximately RMB16.9 million; (vi) increase in trade and other payables of approximately RMB19.1 million; (vii) increase in income tax payables of approximately RMB4.5 million; and (viii) increase in interest-bearing borrowing of approximately RMB4.6 million.

Our net current assets increased from approximately RMB93.8 million as at 31 December 2024 to approximately RMB122.7 million as at 31 December 2025, representing an increase of approximately RMB28.9 million, which was mainly attributable to the combined effects of (i) our trade and other receivables increase of approximately RMB81.3 million; (ii) our bank balances and cash increase of approximately RMB23.3 million; (iii) increase in restricted bank deposits of approximately RMB3.3 million; and (iv) our inventories increase of approximately RMB8.7 million; and (v) decrease in income tax payable of approximately RMB8.7 million which was partially offset by (vi) increase in interest-bearing borrowings of approximately RMB20.1 million; (vii) decrease in amount due from the Controlling Shareholders of approximately RMB71.5 million; (viii) increase in amount due to the Controlling Shareholders of approximately RMB3.2 million; and (ix) increase in lease liabilities of approximately RMB0.9 million.

DESCRIPTION AND ANALYSIS OF SELECTED ITEMS OF OUR COMBINED STATEMENTS OF FINANCIAL POSITION

Inventories

Our raw materials mainly consisted of SAP, fluff pulp, nonwoven fabrics, absorbent paper, various kinds of chemicals such as polypropylene and high-density polyethylene (HDPE), as well as packing materials.

The table below sets forth a breakdown of our inventories balances as at the dates indicated.

	As at 31 December		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Raw materials	27,351	6,207	8,219
Finished goods	11,062	15,338	22,041
Total	38,413	21,545	30,260

Pursuant to our inventory policy, the value of inventory shall be stated at the lower of cost and net realisable value. Costs of inventories are determined on weighted average basis and net realisable value means the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale. As at 31 December 2022, 31 December 2023, 31 December 2024, and 31 December 2025, our Group had no write-down provision as a result of damaged or unsold finished goods.

The table below sets forth an ageing analysis for our inventories, net of loss allowances as at the dates indicated.

	As at 31 December		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Less than 1 year	32,828	21,517	30,260
Between 1 and 2 years	3,721	28	–
Over 2 years	1,864	–	–
Total	38,413	21,545	30,260

The table below sets forth the turnover days of our inventories during the Track Record Period.

	FY2023	**FY2024**	**FY2025**
Inventory turnover days	51	34	25

Note: The number of inventory turnover days is calculated using the average balance of inventory divided by the cost of sales for the relevant year and multiplied by 365 days in the relevant year. Average balance of inventory is calculated as the sum of the beginning and the ending balance for the relevant year, divided by two.

Our inventory turnover days were approximately 51 days, 34 days and 25 days for FY2023, FY2024 and FY2025, respectively. The decrease in inventory turnover days over the Track Record Period reflected continuous improvements in inventory management and sales efficiency, including by enhanced demand forecasting and tighter production scheduling, resulting in quicker inventory turnover across all product categories.

As at 23 March 2026, 80.2% of our inventories as at 31 December 2025 had been sold or utilised.

Trade and other receivables

The table below sets forth a breakdown of our trade and other receivables balances, net of loss allowances, as at the dates indicated.

	As at 31 December		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Trade receivables, net of loss allowances	105,298	68,068	175,502
Other receivables, net of loss allowances	15,586	63,109	37,021
Total	120,884	131,177	212,523

Our Group generally grants credit terms of up to 90 days to our customers.

The table below sets forth an ageing analysis of our trade receivables, net of loss allowances, based on revenue recognition date as at the dates indicated.

	As at 31 December		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Within 30 days	33,875	29,417	70,834
31 to 60 days	19,104	21,032	61,054
61 to 90 days	31,466	14,705	34,837
91 to 180 days	18,729	1,297	8,488
181 to 365 days	1,876	1,617	25
Over 1 year	248	–	264
Total	105,298	68,068	175,502

Our trade receivables, net of loss allowances, was approximately RMB105.3 million as at 31 December 2023, then decreased to approximately RMB68.1 million as at 31 December 2024, and increased to approximately RMB175.5 million as at 31 December 2025.

Despite our revenue growth from RMB372.3 million to RMB447.1 million, our trade receivables decreased from RMB105.3 million to RMB68.1 million as at the respective period end dates. This improvement in trade receivables was mainly attributable to our management's implementation of stricter collection measures. These measures included enhanced credit control policies, more rigorous follow-up on overdue amounts, and closer monitoring of customer payment patterns.

Our trade receivables increased from approximately RMB68.1 million as at 31 December 2024 to approximately RMB175.5 million as at 31 December 2025. The increase was primarily attributable to revenue growth in quarter four of FY2025 (from RMB447.1 million to RMB533.4 million), which are still remained in granted credit period as at 31 December 2025.

As at 31 December 2023, 31 December 2024, and 31 December 2025, our trade receivables, net of loss allowances, of approximately RMB21.6 million, RMB2.9 million and RMB11.7 million, respectively, were past due but not impaired. Such amounts were due from our customers whom, to the best knowledge of our Directors, had no financial difficulties. Based on the previous experience of business cooperation, the overdue amounts can be recovered.

In FY2023, FY2024, and FY2025, a provision of loss allowance in trade receivables of approximately RMB2.9 million, RMB2.2 million, and RMB1.9 million have been made. Our Directors confirm that, during the Track Record Period and up to the Latest Practicable Date, our Group has not experienced any material default for our trade receivables.

The table below sets forth the turnover days of our trade receivables during the Track Record Period.

	FY2023	FY2024	FY2025
Trade receivables turnover days	62	71	83

Note: The number of trade receivables turnover days is calculated using the average balance of trade receivables divided by total revenue for the relevant year and multiplied by 365 days in the relevant year. Average balance of trade receivables is calculated as the sum of the beginning and the ending balance for the relevant year, divided by two.

Our trade receivables turnover days were approximately 62 days, 71 days, and 83 days during the Track Record Period, respectively. The trade receivables turnover days of our Group were within the range of the credit period granted to our customers. The gradual increase in trade receivables turnover days during the Track Record Period was primarily due to the increasing revenue contribution of our Branded Product Business, the customers of which were generally granted credit periods of up to 90 days. As the revenue contribution of our Branded Product Business increased from approximately 33.8% in FY2023 to 42.5% in FY2025, the longer credit terms associated with this segment resulted in higher average trade receivables turnover days.

For FY2024, the increase in trade receivables turnover days is mainly due to the significantly higher opening balance of RMB105.3 million, which affected the average trade receivables calculation despite our improved collection performance resulting in a lower closing balance of RMB68.1 million.

For FY2025, our trade receivables turnover days remain stable at 83 days.

As at the 23 March 2026, approximately 86.3% of our trade receivables as at 31 December 2025 have been subsequently settled.

Other receivables

The following table sets forth a breakdown of our other receivables, net of loss allowances, during the relevant periods:

	As at 31 December		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Other receivables			
Prepayments to suppliers	2,186	40,156	2,467
Prepayments for **[REDACTED]** expenses	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**
Receivables from digital platforms[(1)]	1,178	377	494
Value-added tax and other tax recoverables	4,090	17,370	8,417
Other prepayments	6,855	1,426	720
Other receivables	1,277	1,113	1,206
Deposit paid-for acquisition of a land use right	–	–	19,670
Total:	15,586	63,109	37,021

Note:

(1) The amounts represented the considerations received by the digital platforms on behalf of the Group for the sales through the Group's self-operated online retail stores via their platforms. The amounts were repayable on demand upon request from the Group.

Our other receivables mainly comprised prepayments to suppliers, value-added tax and other tax recoverables, and other deposits and prepayments.

Our other receivables increased significantly form approximately RMB15.6 million as at 31 December 2023 to approximately RMB63.1 million as at 31 December 2024, mainly due to an increase in prepayments for **[REDACTED]** expenses from **[REDACTED]** to RMB**[REDACTED]**, the increase in prepayments to suppliers from RMB2.2 million to RMB40.2 million that mirrors an increase in purchases from our suppliers, and the increase in value-added tax and other tax recoverables from RMB4.1 million to RMB17.4 million as caused by the on-going processing of refunds in accordance with the schedule of the relevant government.

Our other receivables decreased from approximately RMB63.1 million as at 31 December 2024 to approximately RMB37.0 million as at 31 December 2025. This decrease was primarily due to prepayments to suppliers decreasing from approximately RMB40.2 million to RMB2.5 million, the decrease in value-added tax and other tax recoverables from RMB17.4 million to RMB8.4 million, partially offset by a refundable deposit of RMB19.7 million paid for the acquisition of a land use right.

Our Directors confirm that there are no recoverability issues in respect of our other receivables given the nature and reasons as stated above.

Significant increase in prepayments to suppliers

The increase in prepayments to suppliers from approximately RMB2.2 million as at 31 December 2023 to approximately RMB40.2 million as at 31 December 2024 was primarily attributable to the expansion of our production volume to meet increased demand for baby care and feminine care products. Accordingly, we procured a larger quantity of key raw materials, including SAP, nonwoven fabrics and hot melt adhesives, to ensure supply stability. Certain major suppliers required partial or full prepayment for purchases of high-demand or import-dependent materials, particularly during the first half of FY2024 when market prices were more volatile.

For domestic suppliers, the typical time interval between the placement of purchase orders, prepayment and shipment is approximately one week. For overseas suppliers, the time interval is generally around one month, taking into account logistics arrangements, customs procedures and shipping schedules.

Subsequent utilisation of FY2024 prepayment balance

As at 31 December 2024, the prepayment balance of approximately RMB40.2 million mainly represented deposits paid for raw materials scheduled for delivery in January and February 2025. These prepayments were subsequently utilised on or before 30 June 2025 upon receipt of the related materials, which were recorded in inventories in the corresponding periods. The Directors confirm that all prepayments as at 31 December 2024 were fully utilised or offset against deliveries on or before 30 June 2025, and there were no long-term outstanding or unutilised balances.

As at 31 December 2025, prepayments to suppliers amounted to approximately RMB2.5 million, which the Directors consider to be within the normal operating level. The Directors consider that the increase in prepayments to suppliers as at 31 December 2024 was mainly due to timing differences between procurement and delivery schedules around the year end. Our prepayment arrangements are consistent with our standard procurement practices and industry norms and did not involve any unusual or extended settlement period.

Amount due to the Controlling Shareholders

As at 31 December 2025, the amount due to the Controlling Shareholders is approximately RMB3.2 million, which was classified under current liabilities, non-trade in nature, unsecured, interest-free, and repayable on demand. The amount due to the Controlling Shareholders will be settled prior to the **[REDACTED]**.

Trade and other payables

The following table sets forth a breakdown of our trade and other payables as at the dates indicated.

	As at 31 December		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Trade payables	47,516	68,863	74,492
Bills payables	–	–	17,720
Others payables	47,051	44,806	22,184
Total	94,567	113,669	114,396

Our suppliers generally offer our Group normal credit terms of up to 90 days.

Our trade payables increased from approximately RMB47.5 million as at 31 December 2023 to approximately RMB68.9 million as at 31 December 2024, and further increased to approximately RMB74.5 million as at 31 December 2025.

The table below sets forth the ageing analysis of our trade payables based on the goods receipt date as at the dates indicated.

	As at 31 December		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Within 30 days	19,116	17,881	35,803
31–60 days	13,297	18,792	19,062
61–90 days	8,132	16,592	12,324
Over 90 days	6,971	15,598	7,303
Total	47,516	68,863	74,492

As at 23 March 2026, approximately 81.0% of our trade payables as at 31 December 2025 have been subsequently settled.

The table below sets forth the turnover days of our trade payables during the Track Record Period.

	FY2023	FY2024	FY2025
Trade payables turnover days	48	65	69

Note: The number of trade payables turnover days is calculated using the average balance of trade payables divided by cost of sales for the relevant year and multiplied by 365 days in the relevant year. Average balance of trade payables is calculated as the sum of the beginning and the ending balance for the relevant year, divided by two.

Our trade payables turnover days were approximately 48 days, 65 days, and 69 days during the Track Record Period, respectively. The increase in trade payables turnover days from FY2023 to FY2024 (from 48 to 65 days) was mainly due to an increase in the average trade payables balance in line with the growth in cost of sales, while remaining within the standard credit terms of up to 90 days. For FY2025, our trade payables turnover days increased slightly to approximately 69 days, which continued to remain within the standard 90-day credit period, reflecting our continued adherence to timely supplier payment practices and stable procurement management.

Other payables

The following table sets forth a breakdown of our other payables during the relevant periods:

	As at 31 December		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Other payables			
Contract liabilities – receipts in advance[1]	24,987	15,968	6,285
Accruals and other payables	2,250	2,431	1,298
Accruals **[REDACTED]** expenses	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**
Salary payables	6,788	7,251	5,903
Payable for acquisition of property, plant and equipment	11,056	8,077	5,244
Value-added tax and other tax payables	1,970	11,079	3,075
	47,051	44,806	22,184

Notes:

(1) The Group applies the practical expedient and does not disclose information about remaining performance obligations that have original expected durations of one year or less. For more information regarding contract liabilities, see Note 18(b) of the Accountants' Report, Appendix I of this document.

(2) The amount represented payable due to a former equityholder of a subsidiary, Yuejian, an indirectly wholly-owned subsidiary of the Company. The amount due was non-trade in nature, unsecured, interest-free and repayable on demand.

Our other payables decreased from approximately RMB47.1 million as at 31 December 2023 to RMB44.8 million as at 31 December 2024. This decrease was primarily due to a reduction in contract liabilities (receipts in advance) from RMB25.0 million to RMB16.0 million, and a decrease in payable for acquisition of property, plant and equipment from RMB11.1 million to RMB8.1 million, partially offset by an increase in value-added tax and other tax payables from RMB2.0 million to RMB11.1 million.

Our other payables decreased from approximately RMB44.8 million as at 31 December 2024 to approximately RMB22.2 million as at 31 December 2025. This decrease was primarily due to contract liabilities (receipts in advance) decreasing from approximately RMB16.0 million to RMB6.3 million, VAT and other tax payables decreasing from approximately RMB11.1 million to RMB3.1 million following the settlement of tax obligations during the year, and payable for acquisition of property, plant and equipment decreasing from approximately RMB8.1 million to RMB5.2 million.

INDEBTEDNESS

The following table sets forth the indebtedness of our Group as at the dates indicated.

	As at 31 December			As at 31 January
	2023	**2024**	**2025**	**2026**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
	(audited)	*(audited)*	*(audited)*	*(unaudited)*
Interest-bearing borrowings	5,500	10,080	30,225	29,900
Lease liabilities	2,866	1,973	2,521	2,108
Amount due to the Controlling Shareholders	25,562	–	3,155	–
Total	33,928	12,053	35,901	32,008

Interest-bearing borrowings

The following table sets forth the breakdown of our interest-bearing borrowings as at the dates indicated:

	As at 31 December			As at 31 January
	2023	2024	2025	2026
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
	(audited)	*(audited)*	*(audited)*	*(unaudited)*
Current portion	5,500	10,800	30,225	29,900
Non-current portion	–	–	–	–
Total	5,500	10,080	30,225	29,900

As at 31 December 2023, 2024 and 2025, and 31 January 2026, our Group had bank borrowings of approximately RMB5.5 million, RMB10.1 million, RMB30.2 million, and RMB29.9 million, respectively.

The weighted average effective interest rate on bank borrowings as at these respective dates was 3.71%, 3.46%, and 2.86% as at 31 December 2023, 31 December 2024 and 31 December 2025.

Among the above-mentioned amounts, the secured bank borrowings portion amounted to approximately RMB2.5 million, RMB7.1 million, and RMB30.2 million, as at 31 December 2023, 31 December 2024, and 31 December 2025, which were repayable within one year. The bank borrowings were drawn under banking facilities.

As at 31 December 2023, our secured and unsecured bank borrowings amounted to approximately RMB5.5 million, respectively. Our bank borrowings were drawn under banking facilities secured by various parties.

As at 31 December 2023, our banking facilities were secured by:

- personal guarantees in aggregate amounts of RMB10.0 million provided by our Controlling Shareholders, Mr. Zhou and Ms. He; and

- a joint guarantee in the aggregate amount of RMB2.5 million as at 31 December 2023, provided by Ms. He and Mr. Cai Hehua, an independent third party who is an old friend of Mr. Zhou and has known him for over 20 years.

As at 31 December 2024, our secured and unsecured bank borrowings amounted to approximately RMB10.1 million. These borrowings were supported by:

- personal guarantees provided by Mr. Zhou in the aggregate amounts of RMB7.7 million;
- personal guarantees in the aggregate amounts of RMB10.0 million given by the Controlling Shareholders, Mr. Zhou and Ms. He.

As at 31 December 2025, our bank borrowings amounted to approximately RMB30.2 million, all of which were secured (unsecured: nil). These borrowings were supported by:

- personal guarantees in aggregate amounts of RMB15.0 million, provided by our Controlling Shareholders, Mr. Zhou and Ms. He;
- a personal guarantee in the aggregate amount of RMB24.5 million, provided by Mr. Zhou; and
- a personal guarantee in the aggregate amount of RMB5.0 million, provided by Ms. He.

As at 31 January 2026, our secured and unsecured bank borrowings amounted to approximately RMB29.9 million, and these facilities were secured by:

- personal guarantees in aggregate amounts of RMB15.0 million as at 31 January 2026, provided by our Controlling Shareholders, Mr. Zhou and Ms. He; and
- personal guarantees in aggregate amounts of RMB21.8 million as at 31 January 2026, provided by our Controlling Shareholder, Mr. Zhou.
- a personal guarantee in the aggregate amount of RMB5.0 million, provided by Ms. He.

The personal guarantees were lower or proportionate to the respective outstanding secured bank borrowings at each period end, reflecting partial repayments of prior loan balances and adjustments to the credit facilities over time.

Details of which are set out in Note 22 to the Accountants' Report in Appendix I to this document.

All banking facilities are subject to the fulfilment of covenants typically found in lending arrangements with financial institutions. If we were to breach these covenants, the utilised facilities would become repayable on demand.

As at 31 December 2023, 31 December 2024, 31 December 2025, none of the covenants relating to drawn-down facilities had been breached. Certain material, customary affirmative and/or negative covenants in the loan agreements may limit us from carrying out mergers, restructuring, changes of control, allotment and issue of new shares, declaration of dividends, and creating any mortgages, debentures, or charges without the prior consent of our lenders.

As at the Latest Practicable Date, we have obtained consent from the banks that (i) guarantees provided by Mr. Zhou and (ii) the abovementioned customary affirmative and/or negative covenants are expected to be released and/or replaced by a corporate guarantee to be given by our Company upon **[REDACTED]**.

During the Track Record Period, our Directors confirmed that we did not experience any delays or defaults in the repayment of bank borrowings nor any difficulty in obtaining banking facilities with terms that are commercially acceptable to us. As at the date of this document, we do not have any plan for material external debt financing.

Lease liabilities

The following table sets forth the details of lease liabilities in terms of current and non-current portions:

	As at 31 December			As at 31 January
	2023	**2024**	**2025**	**2026**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
	(audited)	*(audited)*	*(audited)*	*(unaudited)*
Current portion	2,120	1,213	2,147	1,733
Non-current portion	746	760	374	375
Total	2,866	1,973	2,521	2,108

As at 31 December 2023, 31 December 2024, 31 December 2025, and 31 January 2026, we had outstanding lease liabilities of approximately RMB2.9 million, RMB2.0 million, RMB2.5 million and RMB2.1 million, respectively. During the Track Record Period and up to 31 January 2026, we did not breach any covenants of the lease agreements.

Amount due to the Controlling Shareholders

The amount due to the Controlling Shareholders was non-trade in nature, unsecured, interest-free, and repayable on demand.

The following table sets forth the breakdown of our amount due to the Controlling Shareholders as at the dates indicated:

	As at 31 December			As at 31 January
	2023	**2024**	**2025**	**2026**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
	(audited)	*(audited)*	*(audited)*	*(unaudited)*
Current portion	25,562	–	3,155	–
Non-current portion	–	–	–	–
Total	25,562	–	3,155	–

As at 31 December 2023, 31 December 2024, 31 December 2025, and 31 January 2026, the amount due to the Controlling Shareholders were approximately RMB25.6 million, nil, RMB3.1 million, and nil, respectively.

Contingent liabilities

As at 31 December 2023, 31 December 2024, 31 December 2025, and 31 January 2026, we had no contingent liabilities. We are currently not a party to any litigation that is likely to have a material adverse effect on our business, results of operations or financial condition taken as a whole. We have confirmed that there was no material change in our contingent liabilities since 31 January 2026 and up to the Latest Practicable Date.

Statement of indebtedness

As at 31 January 2026, being the latest practicable date of indebtedness, save as disclosed in this sub-section headed "Indebtedness", we did not have any outstanding debt securities, charges, mortgages, or other similar indebtedness, finance lease commitments, any guarantees or other material contingent liabilities, or other banking facilities. Since 31 January 2026 and up to the date of this document, there has been no material change in our indebtedness.

CAPITAL EXPENDITURES AND COMMITMENTS

Our capital expenditures were primarily related to the purchases of plant and equipment which amounted to approximately RMB5.9 million, RMB10.9 million, and RMB4.8 million during FY2023, FY2024, and FY2025 of the Track Record Period, respectively. We have financed our capital expenditure through cash flow generated from operating activities and current account with the Controlling Shareholders.

Save for the planned capital expenditure as disclosed in the section headed "Future Plans and **[REDACTED]**" in this document and the additions of furniture, fixtures and office equipment and production equipment necessary for our business operations which will be made by our Group from time to time, our Group had no material planned capital expenditure as at the Latest Practicable Date.

Commitments

Capital expenditure commitments

	As at 31 December		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Contracted but not provided net of deposits paid for acquisition of property, plant and equipment.	1,503	2,300	991

As at 31 December 2023, 31 December 2024, and 31 December 2025, the capital expenditure commitments were approximately RMB1.5 million, RMB2.3 million and RMB1.0 million, respectively.

Commitments under lease

The Group as lessor

As at 31 December 2023, 31 December 2024, and 31 December 2025, we have no material commitments on short-term leases or low-value asset leases.

SUMMARY OF KEY FINANCIAL RATIOS

The following sets out our key financial ratios for the periods and as at the dates indicated.

	For the year ended/As at 31 December		
	2023	2024	2025
Profitability			
Gross profit margin(1)	23.5%	27.5%	28.6%
Net profit margin(2)	10.6%	14.7%	15.2%
Return on equity(3)	68.5%	53.2%	46.8%
Return on total assets(4)	20.0%	24.8%	24.5%
Liquidity			
Current ratio(5)	1.2 times	1.7 times	1.8 times
Quick ratio(6)	0.9 times	1.5 times	1.6 times
Capital sufficiency			
Gearing ratio(7)	0.1	0.1	0.2
Net debt to equity ratio(8)	N/A(10)	N/A(10)	N/A(10)
Interest coverage ratio(9)	123.1	409.8	130.0

Notes:

(1) Gross profit margin is calculated based on the gross profit for the period divided by total revenue and multiplied by 100%.

(2) Net profit margin is calculated based on the profit for the period divided by total revenue and multiplied by 100%.

(3) Return on equity is calculated based on the profit for the period divided by the shareholders' equity as at the end of the period and multiplied by 100%.

(4) Return on total assets is calculated based on the profit for the period divided by total assets at the end of the period and multiplied by 100%.

(5) Current ratio is calculated based on the total current assets divided by the total current liabilities as at the end of the period.

(6) Quick ratio is calculated based on the total current assets minus inventories divided by the total current liabilities as at the end of the period.

(7) Gearing ratio is calculated based on the sum of our interest-bearing borrowings divided by total equity at the end of the period.

(8) Net debt to equity ratio is calculated based on the sum of our interest-bearing borrowings, minus our cash and bank balances divided by total equity at the end of the period.

(9) Interest coverage ratio is calculated by profit before interest and tax divided by net interest expense for the period.

(10) As our cash and bank balances are larger than our interest-bearing borrowings, the ratio for the relevant period is not applicable.

Gross profit margin and net profit margin

Our gross profit margin amounted to approximately 23.5%, 27.5%, and 28.6% for FY2023, FY2024, and FY2025 of the Track Record Period, respectively. For further details on the changes in gross profit margin, please refer to the paragraph headed "Gross profit and gross profit margin" in this section.

Our net profit margin amounted to approximately 10.6%, 14.7%, and 15.2% for the Track Record Period, respectively. For further details on the changes in net profit, please refer to the paragraph headed "Profit and total comprehensive income for the year attributable to the owners of the Company" in this section.

Return on equity

Our return on equity (ROE) declined from 68.5% in FY2023 to 53.2% in FY2024, and further to 46.8% in FY2025. This trend reflects our strategy to prioritise internal growth and reinvestment over shareholder distributions, as we retained all earnings and declared no dividends during the Track Record Period. This enabled us to fund expansion, including acquiring new production lines for baby and feminine care products, developing brands such as "Cotton Sun" and "Blue Cotton" in 2024, and increasing marketing efforts.

As a result, shareholders' equity increased significantly from RMB57.6 million at the end of FY2023 (an increase of RMB41.7 million, primarily driven by RMB39.5 million in profit and total comprehensive income for the year) to RMB123.2 million at the end of FY2024 (an increase of RMB65.6 million, fully attributable to profit and total comprehensive income for the year) and further to RMB172.7 million at the end of FY2025 (an increase of RMB49.5 million, driven by profit and total comprehensive income for the year of RMB80.9 million, partially offset by the consideration paid to the Controlling Shareholders under the Reorganisation of approximately RMB33.3 million and net of capital injection from the **[REDACTED]** Investments of approximately RMB1.9 million).

Because shareholders' equity increased more rapidly than annual profits (which increased from RMB39.5 million in FY2023 to RMB65.6 million in FY2024, and further to RMB80.9 million in FY2025), ROE declined. However, this approach supported strong revenue growth from RMB372.3 million to RMB533.4 million, driven by scaling our Branded Product Business (from 33.8% to 42.5% of total revenue) and reallocating resources away from lower-growth segments.

Return on total assets

Our return on total assets was approximately 20.0% for FY2023 and subsequently increased to approximately 24.8% for FY2024, before decreasing slightly to approximately 24.5% for FY2025.

This level nonetheless reflected our continued operational efficiency and asset utilisation, supported by steady profitability. Profit for the year increased from RMB39.5 million in FY2023 to RMB65.6 million in FY2024, and further to RMB80.9 million in FY2025, while total assets grew from RMB197.4 million as at 31 December 2023 to RMB264.7 million as at 31 December 2024, and further to RMB330.1 million as at 31 December 2025.. Our Directors consider the Group maintained effective use of assets through improved production capacity and expansion of its branded product lines.

Current ratio and quick ratio

Our current ratio increased from approximately 1.2 times as at 31 December 2023 to 1.7 times as at 31 December 2024, and further to 1.8 times as at 31 December 2025, respectively, primarily reflecting the growth in current assets outpacing the increase in current liabilities during the Track Record Period. Our quick ratio increased from approximately 0.9 times to 1.5 times, and further to to 1.6 times as at 31 December, 2023, 31 December 2024, and 31 December 2025, respectively. The general increase in our quick ratio was mainly attributable to the combined effects of the increase in trade receivables and cash and cash equivalents which outweighed the increase in trade and other payables as discussed in the subsection headed "Description and Analysis of Selected Items of our Combined Statements of Financial Position" above.

Gearing ratio and net debt to equity ratio

Our gearing ratio remained stable between 0.1, 0.1 and 0.2 as at 31 December 2023, 31 December 2024, and 31 December 2025.

Given we were at net cash position as at 31 December 2023, 31 December 2024, and 31 December 2025, our net debt to equity ratios are not applicable as at the respective dates.

Interest coverage

Our interest coverage ratio was approximately 123.1 times for FY2023, further improved to approximately 409.8 times for FY2024. In FY2025, our interest coverage ratio was around 130.0 times, which, although lower than the full year figure for FY2024 due to the shorter reporting period, still reflected strong profitability and effective management of our finance costs, supported by stable borrowing levels.

QUANTITATIVE AND QUALITATIVE DISCLOSURE OF FINANCIAL RISKS

We are, in the ordinary course of our business, exposed to a variety of financial risks including credit risk, foreign risk and liquidity risk. Details of such risks are set out in note 30 to the Accountants' Report in Appendix I to this document.

RELATED PARTY TRANSACTIONS

Our related party transactions mainly represented transactions between the entities of our Group and the remuneration for key management personnel (including the Directors) of our Group during the Track Record Period. Details of which are set out in note 29 to the Accountants' Report in Appendix I to this document. Our Directors are of the view that these related party transactions as a whole were conducted on normal commercial terms and on arm's length basis.

QUALITATIVE AND QUANTITATIVE DISCLOSURE ABOUT MARKET RISK

We are exposed to market risks from changes in market rates and prices, such as interest rates, credit and liquidity.

Details of the risk to which we are exposed, please refer to "Financial Risk Management Objectives and Policies" in Note 30 to the Accountants' Report which is set out in Appendix I to this document.

CAPITAL MANAGEMENT

Our objectives when managing capital are to safeguard our ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

We monitor capital on basis of the gearing ratio. As at 31 December 2023, 31 December 2024, and 31 December 2025 our gearing ratios were approximately 0.1, 0.1, and 0.2, respectively. We may adjust the amount of dividends paid to shareholder, issue new shares or sell assets to reduce debt to keep the capital structure optimal.

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

During the Track Record Period and up to the Latest Practicable Date, we had not entered into off-balance sheet commitments and arrangements.

[REDACTED] EXPENSES

Our estimated **[REDACTED]** expenses primarily consisted of **[REDACTED]** fees and **[REDACTED]** as well as legal and professional fees in relation to the **[REDACTED]**. Assuming an **[REDACTED]** of HK$**[REDACTED]** per Share, being the mid-point of the **[REDACTED]** range stated in the section headed "SUMMARY– **[REDACTED]** STATISTICS" to this document, the **[REDACTED]** expenses to be borne by our Company are estimated to be approximately HK$**[REDACTED]** (representing approximately **[REDACTED]**% of the total gross **[REDACTED]** from the **[REDACTED]**), of which (i) approximately HK$**[REDACTED]** (approximately RMB**[REDACTED]**) is to be accounted for as a deduction from equity; (ii) approximately HK$**[REDACTED]** (approximately RMB**[REDACTED]**) was recognised in our combined statement of profit and loss and other comprehensive income for FY2024 and FY2025; and (iii) approximately HK$**[REDACTED]** (approximately RMB**[REDACTED]**) is expected to be recognised in our combined statement of profit or loss and other comprehensive income for FY2026. The aforementioned total estimated **[REDACTED]** expenses (based on the low-end of the **[REDACTED]** range stated in the section headed "SUMMARY– **[REDACTED]** STATISTICS" to this document and assuming that the **[REDACTED]** is not exercised) in relation to the **[REDACTED]** includes (i) **[REDACTED]**-related expenses (including but not limited to **[REDACTED]** fees and **[REDACTED]**) of approximately HK$**[REDACTED]** (approximately RMB**[REDACTED]**); and (ii) non-**[REDACTED]**-related expenses of approximately HK$**[REDACTED]** (approximately RMB**[REDACTED]**), which can be further categorised into (a) fees and expenses of legal advisers and reporting accountants of approximately HK$**[REDACTED]** (approximately RMB**[REDACTED]**); and (b) other fees and expenses of approximately HK$**[REDACTED]** (approximately RMB**[REDACTED]**).

Our Directors would like to emphasise that the amount of the **[REDACTED]** expenses is a current estimate for reference only and the final amount to be recognised in our combined financial statements for the year ending 31 December 2025 is subject to adjustment based on audit and the then changes in variables and assumptions.

DIVIDENDS

No dividends were paid or declared to the then equity owners of the entities now comprising our Group during the Track Record Period. We do not have any predetermined dividend payout ratio. Our Board has absolute discretion as to whether to recommend any dividend payment for any financial year end and if any, the amount of dividend and the means of payment. Such discretion is subject to the applicable laws and regulations including the Companies Act and the Articles which also requires the approval of our Shareholders. The amount of any dividends to be declared and paid in the future will depend on, amongst other things (i) general financial conditions; (ii) actual and future operations and liquidity positions; (iii) future cash requirements and availability; (iv) restrictions on payment of dividends that may be imposed by our Group's lenders; (v) general market conditions; and (vi) any other factors which our Board may deem appropriate at such time.

DISTRIBUTABLE RESERVES

Under Companies Act, our Group may pay dividends out of our profit or our share premium account in accordance with the provisions of our Articles of Association, provided that immediately following the date on which the dividend is proposed to be distributed, we remain able to pay our debts as and when they fall due in the ordinary course of business.

Our Company was incorporated in the Cayman Islands under the Companies Act as an exempted company with limited liability on 5 January 2023. As at the Latest Practicable Date, our Company did not have distributable reserves to our Shareholders.

LIQUIDITY MANAGEMENT

We have adopted centralised liquidity management to give us a better understanding of our liquidity position and enable us to utilise our capital efficiently, which in turn enables us to reduce our overall liquidity risk and achieve higher efficiency in capital utilisation. In order to manage our liquidity position in view of our working capital requirement for business operation and the possible cash flow mismatch associated with the receipt of settlements from customers and payments to suppliers, we have implemented the following measures:

- annual budget including gross cash receipts and payments from our operating activities, business expansion plan, capital expenditure, tax payments, dividends of investments is prepared by our finance department and approved by our executive Directors. Our senior management is responsible for comparing actual cash flow statement with our annual approved budget on a quarterly basis and investigating and explaining significant or unusual differences, if any;

- we have established policies and objectives for cash invested in inventories, trade receivables and other current assets as well as trade payables and disbursements on an annual basis;

- our finance department is also responsible for the overall monitoring of our current and expected liquidity requirements on a monthly basis to ensure that we maintain sufficient financial resources to meet our liquidity requirements;

- our finance department monitors the ageing analysis of both trade receivables and payables at the end of each month. The ageing analysis of both trade receivables and payables will be submitted to our senior management for review and approval regularly;

- for trade receivables past due, material overdue payments are monitored continuously and evaluated on a case-by-case basis with appropriate follow-up actions based on the customer's normal payment processing procedures, our relationship with our customer, their history of making payments, their financial position as well as the general economic environment. Follow-up actions to recover overdue trade receivables include (i) active communications with our customer's appropriate personnel such as the relevant department responsible for processing payments; (ii) review the recoverable amount of each individual trade receivable balance at the end of each reporting period to ensure adequate provision for impairment losses are provided for irrecoverable amounts; and (iii) seeking legal advice when necessary;

- for our trade payables management, we adhere to the following to ensure timely payment to our suppliers: (i) preparation and approval of the payment requisition form for payment once the invoice is received; (ii) monthly review of trade payable ageing analysis; and (iii) for any outstanding payables, investigation and settlement should be performed unless being informed by suppliers or there are special circumstances;

- if any receivables past due cannot be recouped and if our Group did not possess sufficient working capital to pay to our suppliers on a timely basis, we will make use of unutilised banking facilities to pay our suppliers; and

- if, based on regular monitoring by our finance department, there is any expected shortage of internal financial resources, we will consider different financing alternatives, including obtaining adequate committed lines of funding from banks.

SUFFICIENCY OF WORKING CAPITAL

Our Directors are of the opinion that after taking into account, the existing financial resources available to our Group including internally generated funds from operating activities, existing banking facilities available and the estimated net **[REDACTED]** from the **[REDACTED]**, our Group has sufficient working capital for its present requirements for the next 12 months from the date of this document.

DIRECTOR'S CONFIRMATION ON NO MATERIAL ADVERSE CHANGE

Our Directors confirm that they have performed sufficient due diligence on our Company to ensure that, up to the date of this document, there has been no material adverse change in our financial or trading position or indebtedness since 31 December 2025 (being the date of our latest combined audited financial information), and there have been no events since 31 December 2025 which would materially affect the information shown in our combined financial statements set out in the Accountants' Report in Appendix I to this document.

IMPACT OF THE COVID-19 PANDEMIC

The COVID-19 pandemic has had a significant impact on the global economy since December 2019. More specifically, the pandemic had a profound impact on the production of non-woven fabrics, a key raw material for epidemic prevention materials, causing a surge in demand for non-woven fabrics. The surge in demand resulted in a rapid increase in non-woven fabric price, but said prices have stabilized within the Track Record Period. Moving forward, the price of non-woven fabrics is expected to remain stable, with a projected average of approximately RMB22,000 per ton by 2029, representing a CAGR of approximately 2.1% from 2024.

Since the initial outbreak, the government has taken further containment measures in response to reoccurrences of COVID-19 cases in several cities in China, which have affected the operations of our business partners and our own business operations. While COVID-19 containment measures had, to a certain extent, affected our business during the Track Record Period, as at the Latest Practicable Date, our business operations and financial conditions were not materially impact by the containment measures that were put in place. In particular, our production facilities had not been subject to any material or prolonged suspension or shutdown caused by COVID-19 containment measures during the Track Record Period, nor any time up to the Latest Practicable Date. The majority of our production staff reside in dormitories we provided in the vicinity of our production facilities, which allowed us to exercise closed-loop management and continue our production activities while avoiding COVID-19 infections among our staff.

Overall, demand for our essential products has remained resilient throughout the pressures of the COVID-19 pandemic, and our consolidated net sales, earnings, and cash flows were not materially affected. Our Directors take the view that the COVID-19 is not expected to cause any material adverse impact on our operations and performance in the long run.

RECENT DEVELOPMENT AND NO MATERIAL ADVERSE CHANGE

Our Directors confirm that our business operations and business model have remained stable after the Track Record Period and up to the date of this document as there were no material changes to our business model and the general economic and regulatory environment in which we operate.

For our recent development subsequent to the Track Record Period, please see the paragraph headed ''Summary – Recent Development and No Material Adverse Change''.

UNAUDITED [REDACTED] STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

Please see the section headed ''Unaudited **[REDACTED]** Financial Information' in Appendix II to this document for details.

DISCLOSURE PURSUANT TO RULES 13.13 TO 13.19 OF THE LISTING RULES

Our Directors confirm that, as at the Latest Practicable Date, they were not aware of any circumstances that would give rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.