

FINANCIAL INFORMATION

The following discussion and analysis should be read in conjunction with our consolidated financial statements included in “Appendix I — Accountants’ Report,” together with the accompanying notes. Our consolidated financial statements have been prepared in accordance with IFRS Accounting Standards.

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

OVERVIEW

We are a technology-driven brand operator that serves as the critical nexus connecting brands, sales channels, and consumers. By bridging domestic expertise with global reach, we help overseas brands develop and establish deep roots in the Chinese market while propelling Chinese brands onto the world stage. We leverage our deep, long-term insights into the consumer goods sector, applying our proprietary technology and operational expertise to help our brand partners diversify their market presence and accelerate sales growth.

Our operations are built on two complementary business models: the sale of goods model and the provision of services model. These business models are operationalized through three integrated business segments, powered by our proprietary “Intelink” technology platform: (i) domestic e-commerce brand operations; (ii) general agency and authorized brand operations; and (iii) overseas e-commerce brand operations.

Our revenue decreased from RMB1,593.4 million in 2023 to RMB1,378.7 million in 2024, and then increased to RMB1,607.7 million in 2025. Our net profit decreased from RMB80.5 million in 2023 to RMB9.2 million in 2024, and then increased to RMB43.4 million in 2025.

BASIS OF PREPARATION

The Historical Financial Information has been prepared in accordance with all applicable IFRS Accounting Standards as issued by the International Accounting Standards Board (the “IASB”). Further details of the material accounting policy information adopted are set out in note 2 to the Accountants’ Report included in Appendix I. The IASB has issued a number of new and revised IFRS Accounting Standards. For the purpose of preparing this Historical Financial Information, we have consistently applied all applicable new and revised IFRS Accounting Standards throughout the Track Record Period. We have not adopted any new and revised accounting standards and interpretations issued but are not yet effective for the Track Record Period which are set out in note 30 to the Accountants’ Report included in Appendix I.

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MAJOR FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our results of operations have been, and are expected to continue to be, materially affected by a number of factors, including the following:

Macroeconomic Conditions, Consumer Market Sentiment and Policy Risks

Our revenue growth is closely tied to the overall development of the e-commerce market in the PRC and globally. Consumer confidence, disposable income levels, consumption structure, and broader economic cycles directly influence brand sales performance. These factors affect both revenue generated from sale of goods and provision of services. Any slowdown in macroeconomic growth, weakening consumer demand, or contraction in the e-commerce sector may adversely affect our operating results.

In addition, our overseas e-commerce brand operations may be affected by changes in tariff policies, import/export regulations, international trade tensions, and geopolitical developments. For example, tariff increases may raise product costs for overseas brands entering China, while regulatory changes may affect Chinese brands’ competitiveness in overseas markets. Although such risks are less central compared with domestic consumer sentiment, they may introduce volatility to our overseas business performance.

Competitive Landscape and Pricing Pressure

The e-commerce industry is highly competitive, with rapid technological evolution and shifting consumer preferences. Competition from brands, platform self-operated businesses, and other service providers may lead to more aggressive pricing strategies, increased marketing spending, and pressure on service fee rates. For the sale of goods model, intensified price competition may compress gross margins. As for the service model, competition may reduce our pricing power or affect customer retention. Failure to compete effectively may negatively impact our revenue growth and profitability.

Ability to Acquire and Retain Brand Partners

Our performance is closely linked to the strategic decisions of our brand partners. Changes in global or regional strategies—such as market exits, ownership changes, or shifts in channel priorities—may affect the scope and scale of our cooperation. Any adjustments, such as international brands adjusting their China market presence, ownership changes leading to revised operating strategies and brands strengthening in-house e-commerce capabilities may reduce demand for our services or affect our financial performance.

Our growth depends on our ability to attract new brand partners and deepen cooperation with existing ones. We primarily acquire customers through referrals, platform recommendations, and expansion within brand groups. If we fail to maintain service quality, operational efficiency, or industry reputation, our customer acquisition and retention may be adversely affected.

Brand, Product Category and Channel Mix

Our profitability is affected by the composition of our brand portfolio, product category operated by each brand, and the mix of sales channels through which we generate revenue. We operate under the sale of goods model, where we purchase products from suppliers and assume inventory ownership, and the service model, where we earn service fees for brand operation services. The sale of goods model, which accounted for the majority of our revenue during the Track Record Period, generally entails higher revenue scale but carries margin variability depending on brand positioning, nature of product categories, and the specific terms of cooperation with brand partners. Within this model, our profitability is further shaped by the mix of brands we serve, as different brands operate across distinct product categories. Our channel mix also plays a critical role, as we sell through B2C self-operated stores and B2B channels, including sales to e-commerce platforms and distribution partners, each with distinct cost structures and margin profiles. As we continue to scale up, shifts in our brand, product categories and channel composition could materially affect our overall gross margin and profitability.

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MATERIAL ACCOUNTING POLICIES AND ESTIMATES

Some of our accounting policies require us to apply estimates and assumptions as well as complex judgments relating to accounting items. The estimates and assumptions that we use and the judgments that we make in applying our accounting policies have a significant impact on our financial condition and results of operations. Our management continually evaluates such estimates, assumptions, and judgments based on past experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances. There has not been any material deviation between our management’s estimates or assumptions and actual results, and we have not made any material changes to these estimates or assumptions during the Track Record Period. We do not expect any material changes in these estimates and assumptions in the foreseeable future.

For details on our material accounting policies, estimates and judgments, which are important for understanding our financial condition and results of operations, see note 2 to the Accountants’ Report as set out in Appendix I.

SUMMARY OF RESULTS OF OPERATIONS DURING THE TRACK RECORD PERIOD

The following table sets forth a summary of our consolidated statements of profit and loss and other comprehensive income for the periods indicated:

	For the year ended December 31,					
	2023		2024		2025	
	RMB'000	%	RMB'000	%	RMB'000	%
Revenue	1,593,359	100.0	1,378,665	100.0	1,607,699	100.0
Cost of revenue	(1,251,871)	(78.6)	(1,109,505)	(80.5)	(1,236,143)	(76.9)
Gross profit	341,488	21.4	269,160	19.5	371,556	23.1
Other income or loss, net . . .	11,575	0.7	3,632	0.3	(2,335)	(0.1)
Selling and marketing expenses	(187,233)	(11.8)	(173,064)	(12.6)	(257,907)	(16.0)
General and administration expenses	(47,916)	(3.0)	(70,457)	(5.1)	(42,879)	(2.7)
Research and development expenses	(16,498)	(1.0)	(13,158)	(1.0)	(11,981)	(0.7)
Impairment losses reversal/(recognized) on financial assets	1,037	0.1	(846)	(0.1)	(477)	(0.0)
Profit from operations	102,453	6.4	15,267	1.1	55,977	3.5
Finance costs	(838)	(0.1)	(1,162)	(0.1)	(1,348)	(0.1)
Changes in fair value of financial instruments measured at fair value through profit or loss (“FVPL”)	(473)	0.0	311	0.0	98	0.0
Profit before taxation	101,142	6.3	14,416	1.0	54,727	3.4
Income tax	(20,657)	(1.3)	(5,248)	(0.4)	(11,328)	(0.7)
Profit for the year	80,485	5.1	9,168	0.7	43,399	2.7

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DESCRIPTION OF MAJOR COMPONENTS OF OUR RESULTS OF OPERATIONS

Revenue

During the Track Record Period, we derived our revenue from (i) domestic e-commerce brand operations, which consisted of sale of goods and provision of services; (ii) general agency and authorized brand operations; and (iii) overseas e-commerce brand operations.

The following table sets forth a breakdown of our revenue in absolute amounts and as a percentage of our total revenue for the periods indicated:

	For the year ended December 31,					
	2023		2024		2025	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
Domestic e-commerce brand operations	1,572,382	98.7	1,361,277	98.7	1,214,135	75.5
– Sale of goods	1,199,495	75.3	1,072,213	77.8	985,317	61.3
– Provision of services	372,887	23.4	289,064	20.9	228,818	14.2
General agency and authorized brand operations	20,977	1.3	17,388	1.3	42,697	2.7
Overseas e-commerce brand operations	–	–	–	–	350,867	21.8
Total	<u>1,593,359</u>	<u>100.0</u>	<u>1,378,665</u>	<u>100.0</u>	<u>1,607,699</u>	<u>100.0</u>

Our revenue recorded a decrease in 2024 followed by a rebound in 2025. Our revenue decreased from RMB1,593.4 million in 2023 to RMB1,378.7 million in 2024, primarily due to a decline in revenue from domestic e-commerce brand operations from RMB1,572.4 million in 2023 to RMB1,361.3 million in 2024. Our revenue increased from RMB1,378.7 million in 2024 to RMB1,607.7 million in 2025, primarily due to an increase in revenue from overseas e-commerce brand operations of RMB350.9 million. For detailed analysis, see “— Period to Period Comparison of Results of Operations” in this section.

Cost of Revenue

During the Track Record Period, our cost of revenue primarily consisted of (i) cost of inventories sold; (ii) cost of services purchased, which primarily comprised service fees paid to suppliers for outsourced customer services under the service model and promotional activities (including channel promotion and media expenses); (iii) staff costs; and (iv) logistics costs for the delivery of products to customers.

The following table sets forth a breakdown of our cost of revenue by nature, in absolute amounts and as a percentage of our total cost of revenue, for the periods indicated:

	For the year ended December 31,					
	2023		2024		2025	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
Cost of inventories sold . . .	966,921	77.3	903,696	81.5	1,036,802	83.9
Cost of services purchased . .	163,176	13.0	122,074	11.0	91,617	7.4
Staff costs	54,055	4.3	56,216	5.1	46,791	3.8
Logistics costs	62,695	5.0	23,861	2.1	56,123	4.5
Others ⁽¹⁾	5,024	0.4	3,658	0.3	4,810	0.4
Total	<u>1,251,871</u>	<u>100.0</u>	<u>1,109,505</u>	<u>100.0</u>	<u>1,236,143</u>	<u>100.0</u>

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Note:

- (1) Primarily including travel expenses, office expenses and depreciation directly attributable to provision of services.

Our cost of revenue amounted to RMB1,251.9 million, RMB1,109.5 million and RMB1,236.1 million in 2023, 2024 and 2025, respectively. Our cost of revenue as percentages of revenue remained relatively stable during the Track Record Period, representing 78.6%, 80.5% and 76.9% of our revenue for the respective periods.

Gross Profit and Gross Profit Margin

Our gross profit amounted to RMB341.5 million, RMB269.2 million and RMB371.6 million in 2023, 2024 and 2025, respectively, and our overall gross profit margins amounted to 21.4%, 19.5% and 23.1% for the same years.

The following table sets forth a breakdown of our gross profit and gross profit margin by business line for the periods indicated:

	For the year ended December 31,					
	2023		2024		2025	
	Gross Profit	Gross profit margin	Gross Profit	Gross profit margin	Gross Profit	Gross profit margin
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
Domestic e-commerce						
brand operations	337,519	21.5	264,650	19.4	260,562	21.5
– Sale of goods	197,682	16.5	162,165	15.1	171,404	17.4
– Provision of services	139,837	37.5	102,485	35.5	89,158	39.0
General agency and authorized brand operations	3,969	18.9	4,510	25.9	14,825	34.7
Overseas e-commerce brand operations	–	–	–	–	96,169	27.4
Total	<u>341,488</u>	<u>21.4</u>	<u>269,160</u>	<u>19.5</u>	<u>371,556</u>	<u>23.1</u>

Other Income or Loss, Net

Our other income or loss, net primarily consists of (i) government grants, (ii) extra deduction of VAT, (iii) interest income, (iv) net loss or gain on disposal of property and equipment and intangible assets, and (v) net foreign exchange loss. We recorded other income of RMB11.6 million and RMB3.6 million in 2023 and 2024, respectively, while we incurred other loss of RMB2.3 million in 2025.

The following table sets forth a breakdown of our other income or loss for the periods indicated:

	For the year ended December 31,		
	2023	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Government grants	4,643	2,613	1,293
Extra deduction of VAT	3,993	613	–
Interest income	2,326	3,408	652

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	For the year ended December 31,		
	2023	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Net (loss)/gain on disposal of property and equipment and intangible assets	(13)	529	(2)
Net foreign exchange loss	(609)	(3,867)	(4,852)
Others	1,235	336	574
Total	<u>11,575</u>	<u>3,632</u>	<u>(2,335)</u>

Selling and Marketing Expenses

Our selling and marketing expenses primarily consisted of (i) staff costs associated with selling and marketing activities; (ii) marketing and promotion expenses; (iii) platform service fees; (iv) warehousing and logistics expenses before goods are dispatched; and (v) operation service fees, which mainly represent outsourced customer services expenses under the sale of goods model.

The following table sets forth a breakdown of selling and marketing expenses in absolute amount and as a percentage of our total selling and marketing expenses for the periods indicated:

	For the year ended December 31,					
	2023		2024		2025	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
Staff costs	86,921	46.4	71,083	41.1	67,788	26.3
Marketing and promotion expenses	39,039	20.8	56,868	32.8	82,749	32.1
Platform service fees	29,169	15.6	17,424	10.1	65,611	25.4
Warehousing and logistics expenses	14,903	8.0	16,032	9.3	25,494	9.9
Operation service fees	9,569	5.1	7,099	4.1	10,510	4.1
Others ⁽¹⁾	7,632	4.1	4,558	2.6	5,755	2.2
Total	<u>187,233</u>	<u>100.0</u>	<u>173,064</u>	<u>100.0</u>	<u>257,907</u>	<u>100.0</u>

Note:

- (1) Primarily including packaging material expenses, travel expenses, business entertainment expenses and office expenses.

Our selling and marketing expenses amounted to RMB187.2 million, RMB173.1 million and RMB257.9 million in 2023, 2024 and 2025, respectively, representing 11.8%, 12.6% and 16.0% of our revenue for the respective periods.

General and Administration Expenses

Our general and administration expenses primarily consisted of (i) staff costs attributable to our administrative personnel; (ii) professional service fees in connection with our previous A-share listing attempt; (iii) depreciation and amortization; (iv) consulting fees; (v) rental, property management and utilities expenses; (vi) office expenses; and (vii) [REDACTED] in connection with the [REDACTED].

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The following table sets forth a breakdown of our general and administration expenses in absolute amount and as a percentage of our total general and administration expenses for the periods indicated:

	For the year ended December 31,					
	2023		2024		2025	
	RMB'000	%	RMB'000	%	RMB'000	%
Staff costs	28,926	60.4	31,571	44.8	25,098	58.5
Professional service fees . . .	–	–	20,775	29.4	–	–
Depreciation and amortization	10,010	20.9	8,718	12.4	6,025	14.1
Consulting fees	2,411	5.0	2,087	3.0	1,730	4.0
Rental, property management and utilities expenses	2,177	4.5	2,221	3.2	2,410	5.6
Office expenses	2,303	4.8	1,983	2.8	1,341	3.1
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Others ⁽¹⁾	2,089	4.4	3,102	4.4	3,723	8.7
Total	47,916	100.0	70,457	100.0	42,879	100.0

Note:

(1) Primarily including travel expenses, technical service fees, and bank service charges.

Our general and administration expenses amounted to RMB47.9 million, RMB70.5 million and RMB42.9 million in 2023, 2024 and 2025, respectively, representing 3.0%, 5.1% and 2.7% of our revenue for the respective periods.

Research and Development Expenses

Our research and development expenses primarily consisted of (i) staff costs and (ii) technical service fees mainly representing outsourcing development service fees incurred at the early stage of our R&D projects.

The following table sets forth a breakdown of research and development expenses in absolute amount and as a percentage of our total research and development expenses for the periods indicated:

	For the year ended December 31,					
	2023		2024		2025	
	RMB'000	%	RMB'000	%	RMB'000	%
Staff costs	10,889	66.0	10,135	77.0	10,271	85.7
Technical service fees	5,357	32.5	2,752	20.9	1,570	13.1
Others ⁽¹⁾	252	1.5	271	2.1	140	1.2
Total	16,498	100.0	13,158	100.0	11,981	100.0

Notes:

(1) Primarily including depreciation and amortization.

Our research and development expenses amounted to RMB16.5 million, RMB13.2 million and RMB12.0 million for the years ended December 31, 2023, 2024 and 2025, respectively, representing 1.0%, 1.0% and 0.7% of our revenue for the respective periods.

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Impairment losses reversal/(recognized) on financial assets

Our impairment losses reversal/(recognized) on financial assets represent credit losses or reversal on our financial assets, mainly including trade receivables and other receivables. We recorded a reversal of impairment losses on financial assets of RMB1.0 million in 2023, while we recorded impairment losses on financial assets of RMB0.8 million in 2024 and RMB0.5 million in 2025, respectively, representing the reversal or recognition of expected credit losses on our trade and other receivables.

Finance Costs

Our finance costs consist of (i) interest on bank loans; (ii) interest on lease liabilities; and (iii) interests on financing of property and equipment for office premises purchased in Hangzhou.

The following table sets forth a breakdown of finance costs for the periods indicated:

	For the year ended December 31,		
	2023	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Interest on bank loans	–	584	990
Interest on lease liabilities	660	578	358
Interests on financing of property and equipment	178	–	–
Total	838	1,162	1,348

Our finance costs amounted to RMB0.8 million, RMB1.2 million and RMB1.3 million in 2023, 2024 and 2025, respectively, representing 0.1%, 0.1% and 0.1% of our revenue for the respective periods.

Changes in fair value of financial instruments measured at FVPL

Our changes in fair value of financial instruments measured at FVPL represents loss or gain on fair value changes of our equity investments, which primarily comprise (i) our unlisted equity investment in Beijing OriginWater PureTech Co., Ltd. (北京碧水源淨水科技有限公司) (“OriginWater”); and (ii) our investment as a limited partner in Tianjin Lanying, which primarily invests in companies in the retail and technology services sectors. As of December 31, 2023, 2024 and 2025, the carrying amounts of our financial instruments measured at FVPL were RMB26.4 million, RMB26.1 million and RMB25.6 million, respectively.

We recorded a net loss of RMB0.5 million, a net gain of RMB0.3 million and a net gain of RMB0.1 million in 2023, 2024 and 2025, respectively. The fluctuations in fair value of financial assets measured at FVPL during the Track Record Period were primarily attributable to fair value changes of our investment in OriginWater.

Taxation

Under the Law of the PRC on Enterprise Income Tax (the “EIT Law”) and Implementation Regulation of the EIT Law, the standard EIT rate of the PRC entities is 25%. Our Company obtained the certificates of “High and New Technology Enterprise” from the tax authorities and was subject to a preferential tax rate of 15% during the Track Record Period. An additional 100% of qualified research and development expenses incurred is allowed to be deducted from taxable income under the PRC Enterprise Income Tax laws and regulations after October 1, 2022. In 2023, 2024 and 2025, we recorded income tax expense of RMB20.7 million, RMB5.2 million, and RMB11.3 million, respectively.

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During the Track Record Period, the provision for Hong Kong profits tax had been calculated in accordance with the two-tiered profits tax rates regime. Under the two-tiered profits tax rates regime, the first HK\$2 million of assessable profits of a qualifying corporation of our Group will be taxed at 8.25%, and assessable profits above HK\$2 million of the qualifying corporation will be taxed at 16.5%. The assessable profits of the other entity of our Group in Hong Kong not qualifying for the two-tiered profits tax rates regime will continue to be taxed at the flat rate of 16.5%.

Taxation for subsidiaries incorporated in other jurisdictions is calculated at the applicable income tax rates in the relevant jurisdictions.

During the Track Record Period and as of the Latest Practicable Date, we did not have any disputes or unresolved tax issues with the relevant tax authorities. For details of our income tax, see note 7 to the Accountants' Report as set out in Appendix I.

PERIOD TO PERIOD COMPARISON OF RESULTS OF OPERATIONS

Year Ended December 31, 2025 Compared to Year Ended December 31, 2024

Revenue

Our revenues increased by 16.6% from RMB1,378.7 million in 2024 to RMB1,607.7 million in 2025.

Our revenue from domestic e-commerce brand operations decreased by 10.8% from RMB1,361.3 million in 2024 to RMB1,214.1 million in 2025, primarily due to the following:

- (i) a decrease in revenue from sale of goods by 8.1% from RMB1,072.2 million in 2024 to RMB985.3 million in 2025, which was mainly attributable to our strategy to expand into overseas e-commerce brand operations. Meanwhile, we proactively optimized our domestic e-commerce brand portfolio and discontinued cooperation with 21 and nine brands in 2024 and 2025, respectively, some of which had relatively lower gross profit margins; and
- (ii) a decrease in revenue from provision of services by 20.8% from RMB289.1 million in 2024 to RMB228.8 million in 2025, which was primarily because we strategically allocated more resources to our new businesses, including overseas e-commerce brand operations and general agency and authorized brand operations.

Our revenue from general agency and authorized brand operations increased by 145.6% from RMB17.4 million in 2024 to RMB42.7 million in 2025, mainly because we further expanded this business line in 2025 and secured two new cooperative brands.

We strategically shifted our business focus to the newly developed overseas e-commerce operations business in 2025, which generated revenue of RMB350.9 million in the year.

Cost of revenue

Our cost of revenue increased by 11.4% from RMB1,109.5 million in 2024 to RMB1,236.1 million in 2025, primarily due to the increases in cost of inventories sold and logistics costs in line with our revenue growth.

Gross profit

As a result of the foregoing, our gross profit increased by 38.0% from RMB269.2 million in 2024 to RMB371.6 million in 2025. Our gross profit margin increased from 19.5% in 2024 to 23.1% in 2025.

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Gross profit margin of our domestic e-commerce brand operations increased from 19.4% in 2024 to 21.5% in 2025. In particular, the gross profit margin for sales of goods increased from 15.1% in 2024 to 17.4% in 2025, primarily due to the discontinuation of certain low-margin projects in 2024 and the addition of new projects with higher gross profit margins in 2025, as well as the continued enhancement of refined operational management. The gross profit margin for provision of services increased from 35.5% in 2024 to 39.0% in 2025, primarily because we incurred relatively higher staff costs in 2024 due to one-off severance payments arising from headcount reduction of our operational staff.

Gross profit margin of our general agency and authorized brand operations increased significantly from 25.9% in 2024 to 34.7% in 2025. We expanded our footprint in this business segment in 2025 through collaborations with new brands. Simultaneously, we are refining our operational excellence to ensure quality outcomes for our brand partners, which in turn strengthened our pricing power in the market.

Our overseas e-commerce brand operations commenced in 2025 and generated revenue of RMB350.9 million and gross profit of RMB96.2 million, with a gross profit margin of 27.4%, contributing to the overall improvement in our gross profit margin for the year.

Other income or loss, net

We recorded other income of RMB3.6 million in 2024 while we incurred other loss of RMB2.3 million in 2025, primarily due to (i) a decrease in interest income of RMB2.8 million attributable to a decrease in bank deposit balance, (ii) a decrease in government grants of RMB1.3 million; and (iii) an increase in net foreign exchange loss of RMB1.0 million following foreign exchange rate fluctuations.

Selling and marketing expenses

Our selling and marketing expenses increased by 49.0% from RMB173.1 million in 2024 to RMB257.9 million in 2025, primarily due to (i) an increase in platform service fees of RMB48.2 million, as we launched our overseas e-commerce brand operations in 2025, which led to a rise in service fees charged by international e-commerce platforms; (ii) an increase in marketing and promotion expenses of RMB25.9 million mainly stemming from channel promotion and media expenses on international e-commerce platforms to develop our overseas e-commerce brand operations; and (iii) an increase in warehousing and logistics expenses of RMB9.5 million, mainly due to higher logistics expenses associated with our overseas e-commerce brand operations as well as our general agency and authorized brand operation business.

General and administration expenses

Our general and administration expenses decreased by 39.1% from RMB70.5 million in 2024 to RMB42.9 million in 2025, primarily due to (i) a decrease in professional service fees in connection with our previous A-share listing attempt of RMB20.8 million; (ii) a decrease in staff costs of RMB6.5 million; and (iii) a decrease in depreciation and amortization expenses of RMB2.7 million, mainly resulting from the relocation of our offices in Beijing and Hangzhou in 2024 which led to lower rental costs.

Research and development expenses

Our research and development expenses decreased by 8.9% from RMB13.2 million in 2024 to RMB12.0 million in 2025, primarily due to a decrease in technical service fees of RMB1.2 million following the completion of the outsourced development phase for certain R&D projects.

Impairment losses reversal/(recognized) on financial assets

Our impairment losses on financial assets amounted to RMB0.8 million and RMB0.5 million in 2024 and 2025, respectively, recognized with reference to the assessments of the credit risk and aging profile of our trade and other receivables.

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Finance costs

Our finance costs increased by 16.0% from RMB1.2 million in 2024 to RMB1.3 million in 2025, primarily due to an increase in interest expense on bank loans of RMB0.4 million, which was partially offset by a decrease in interest on lease liabilities of RMB0.2 million.

Changes in fair value of financial assets measured at FVPL

Our fair value changes on financial assets measured at FVPL decreased by 68.5% from a net gain of RMB0.3 million in 2024 to a net gain of RMB0.1 million in 2025, mainly attributable to fair value fluctuations of our investments in OriginWater and Tianjin Lanying.

Income tax

Income tax expenses increased by 117.3% from RMB5.2 million in 2024 to RMB11.3 million in 2025, primarily due to an increase in our profit before tax in 2025.

Profit for the year

As a result of the foregoing, our profit for the period increased by 373.4% from RMB9.2 million in 2024 to RMB43.4 million in 2025. Our net profit margin increased from 0.7% in 2024 to 2.7% in 2025.

Year Ended December 31, 2024 Compared to Year Ended December 31, 2023

Revenue

Our revenues decreased by 13.5% from RMB1,593.4 million in 2023 to RMB1,378.7 million in 2024.

Our revenue from domestic e-commerce brand operations decreased by 13.4% from RMB1,572.4 million in 2023 to RMB1,361.3 million in 2024, primarily due to the following:

- (i) a decrease in revenue from sale of goods by 10.6% from RMB1,199.5 million in 2023 to RMB1,072.2 million in 2024, which was mainly attributable to our strategic adjustment in 2024 to expand into overseas e-commerce brand operations, under which we proactively optimized our domestic e-commerce brand portfolio and terminated cooperation with certain brands with the number of brand partners for this business line decreasing from 50 in 2024 to 47 in 2025, and
- (ii) a decrease in revenue from provision of services by 22.5% from RMB372.9 million in 2023 to RMB289.1 million in 2024, which was primarily due to reduced marketing budgets of certain brand partners, resulting in lower demand for our marketing and operational services.

Revenue from general agency and authorized brand operations decreased by 17.1% from RMB21.0 million in 2023 to RMB17.4 million in 2024, mainly because we discontinued cooperation with a brand partner in 2023.

We did not generate revenue from overseas e-commerce brand operations in 2023 and 2024 as this business was in its early development stage.

Cost of revenue

Our cost of revenue decreased by 11.4% from RMB1,251.9 million in 2023 to RMB1,109.5 million in 2024, which was generally in line with the decline in our revenue.

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Gross profit

As a result of the foregoing, our gross profit decreased by 21.2% from RMB341.5 million in 2023 to RMB269.2 million in 2024. Our gross profit margin decreased slightly from 21.4% in 2023 to 19.5% in 2024.

Gross profit margin of our domestic e-commerce brand operations decreased from 21.5% in 2023 to 19.4% in 2024. In particular, the gross profit margin for sales of goods decreased from 16.5% in 2023 to 15.1% in 2024, primarily due to a higher revenue contribution from sales channel with lower gross profit margin. The gross profit margin for provision of services decreased from 37.5% in 2023 to 35.5% in 2024, primarily due to the increased staff costs associated with one-off severance payments arising from headcount reduction.

Gross profit margin of our general agency and authorized brand operations increased from 18.9% in 2023 to 25.9% in 2024, which was primarily driven by the normalization of margins following the completion of a one-off inventory clearance for certain discontinued brands in 2023.

Other income or loss, net

Other income or loss, net decreased by 68.6% from RMB11.6 million in 2023 to RMB3.6 million in 2024, primarily due to (i) a decrease in extra deduction of VAT of RMB3.4 million attributable to the expiration of the relevant preferential tax policies; (ii) an increase in net foreign exchange loss of RMB3.3 million attributable to foreign exchange rate fluctuations; and (iii) a decrease in government grants of RMB2.0 million. These decreases were partially offset by an increase in interest income of RMB1.1 million, primarily due to higher levels of average bank balance during the year.

Selling and marketing expenses

Our selling and marketing expenses decreased by 7.6% from RMB187.2 million in 2023 to RMB173.1 million in 2024, mainly due to (i) a decrease in staff costs of RMB15.8 million, as a result of reduced headcount as we improved operating efficiency by using automation tools, and (ii) a decrease in platform service fees of RMB11.7 million, primarily attributable to declined revenue from our B2C business in 2024. These decreases were partially offset by an increase in marketing and promotion expenses of RMB17.8 million, mainly attributable to increased marketing expenditures to drive sales and expand market share.

General and administration expenses

Our general and administration expenses increased by 47.0% from RMB47.9 million in 2023 to RMB70.5 million in 2024, mainly due to (i) an increase in professional service fees in connection with our previous A-share listing attempt of RMB20.8 million in 2024, (ii) an increase in staff costs of RMB2.6 million, mainly attributable to severance payments arising from headcount reduction as part of our cost-control initiatives.

Research and development expenses

Our research and development expenses decreased by 20.2% from RMB16.5 million in 2023 to RMB13.2 million in 2024, primarily due to a decrease in technical service fee following the completion of the outsourced development phase for certain R&D projects.

Impairment losses reversal/(recognized) on financial assets

We recorded net impairment losses reversal on financial assets of RMB1.0 million in 2023 while we incurred net impairment losses on financial assets of RMB0.8 million in 2024. The impairment losses reversal on financial assets in 2023 was mainly due to the reversal of previously recognized expected credit losses, as certain trade and other receivables were collected in 2023. The impairment loss on financial assets in 2024 was mainly due to the increase in expected credit losses of as a result of the updated assessments of the credit risk and aging profile of certain trade and other receivables.

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Finance costs

Our finance costs increased by 38.7% from RMB0.8 million in 2023 to RMB1.2 million in 2024, mainly due to an increase in interests on bank loans of RMB0.6 million, partially offset by (i) a decrease in interests on financing of property and equipment of RMB0.2 million and (ii) a decrease in interest on lease liabilities of RMB0.1 million.

Changes in fair value of financial instruments measured at FVPL

Our fair value changes on financial instruments measured at FVPL turned from a net loss of RMB0.5 million in 2023 to a net gain of RMB0.3 million in 2024, mainly attributable to fair value fluctuations of our unlisted equity investment in OriginWater and our investment as a limited partner in Tianjin Lanying. The loss in 2023 was primarily due to a decrease in the fair value of OriginWater, while the gain in 2024 mainly reflected the fair value appreciation of and dividend contribution from Tianjin Lanying.

Income tax

Our income tax expenses decreased by 74.6% from RMB20.7 million in 2023 to RMB5.2 million in 2024, primarily due to a decrease in our profit before tax in 2024.

Profit for the year

As a result of the foregoing, our profit for the period decreased by 88.6% from RMB80.5 million in 2023 to RMB9.2 million in 2024. Our net profit margin decreased from 5.1% in 2023 to 0.7% in 2024.

DISCUSSION OF CERTAIN KEY ITEMS OF CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Current Assets and Liabilities

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

	As of December 31,			As of January 31,
	2023	2024	2025	2026
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i> <i>(unaudited)</i>
Current assets				
Inventories and contract costs	204,962	280,372	351,030	426,604
Trade receivables	150,593	120,489	118,899	89,263
Prepayments and other receivables . .	275,442	206,981	270,391	264,687
Cash at bank and on hand	253,928	213,482	96,461	61,601
Total current assets	884,925	821,324	836,781	842,155
Current liabilities				
Trade payables	63,068	100,107	42,721	66,394
Other payables and accruals	29,079	23,989	28,937	34,647
Contract liabilities	10,273	6,901	3,396	12,338
Bank loans	–	28,812	59,405	57,744
Lease liabilities	7,469	5,267	4,993	5,016
Current taxation	16,317	6,842	6,416	3,938
Total current liabilities	126,206	171,918	145,868	180,077
Net current assets	758,719	649,406	690,913	662,078

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Our net current assets decreased from RMB690.9 million as of December 31, 2025 to RMB662.1 million as of January 31, 2026, primarily due to (i) a decrease in cash at bank and on hand of RMB34.9 million, (ii) a decrease in trade and bills receivables of RMB29.6 million, and (iii) an increase in trade payables of RMB23.7 million, partially offset by (iv) an increase in inventories and contract costs of RMB75.6 million.

Our net current assets increased from RMB649.4 million as of December 31, 2024 to RMB690.9 million as of December 31, 2025, primarily due to (i) an increase in inventories and contract costs of RMB70.7 million, (ii) an increase in prepayments and other receivables of RMB63.4 million and (iii) a decrease in trade payables of RMB57.4 million, partially offset by (iv) a decrease in cash at bank and on hand of RMB117.0 million and (v) an increase in bank loans of RMB30.6 million.

Our net current assets decreased from RMB758.7 million as of December 31, 2023 to RMB649.4 million as of December 31, 2024, primarily due to (i) a decrease in prepayments and other receivables of RMB68.5 million, (ii) a decrease in cash at bank and on hand of RMB40.4 million, (iii) a decrease in trade receivables of RMB30.1 million, (iv) an increase in trade payables of RMB37.0 million, and (v) an increase in bank loans of RMB28.8 million, partially offset by an increase in inventories and contract costs of RMB75.4 million.

Inventories and contract costs

Our inventories and contract costs mainly consist of (i) finished goods we purchased for resell; and (ii) contract fulfilment costs. The following table sets forth a breakdown of our inventories as of the dates indicated.

	As of December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Finished goods	198,979	283,108	354,467
Contract fulfilment costs	10,751	1,011	3,286
Less: write-down of inventories	(4,768)	(3,747)	(6,723)
Total	204,962	280,372	351,030

Our inventories and contract costs increased from RMB205.0 million as of December 31, 2023 to RMB280.4 million as of December 31, 2024, primarily due to (i) an increase in finished goods as we obtained several new projects and started cooperation with relevant brand partners in 2024, partially offset by (ii) a decrease in contract fulfilment costs as a result of the completion of several service projects in 2024. Our inventories and contract costs further increased to RMB351.0 million as of December 31, 2025, primarily due to the expansion of our overseas e-commerce brand operations in 2025, which led to an increase in finished goods in stock.

The following table sets forth an aging analysis of our inventories and contract costs before write-down of inventories as of the dates indicated:

	As of December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Within 1 year	200,473	282,472	341,382
1 to 2 years	3,514	1,460	15,951
Over 2 years	5,743	187	420
Total	209,730	284,119	357,753

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We recorded write-downs of inventories and contract costs of RMB4.8 million, RMB3.7 million and RMB6.7 million as of December 31, 2023, 2024 and 2025, respectively. The decrease in 2024 despite increased inventory balance at year end was primarily due to the disposal of slow-moving inventories in the year. The increase in 2025 was mainly driven by the increased inventory level of goods.

The following table sets forth our inventory and contract costs turnover days for the periods indicated.

	For the year ended December 31,		
	2023	2024	2025
Inventory and contract costs turnover days	64	80	93

Note: Inventory and contract costs turnover days for a period equals the average of the opening and closing inventory and contract costs balances divided by total cost of revenue during the relevant period and multiplied by the number of days within such period.

Our inventory and contract costs turnover days were 64 days, 80 days and 93 days in 2023, 2024 and 2025, respectively. The increase in inventory and contract costs turnover days in 2024 was primarily due to the addition of inventories attributable to certain newly obtained projects, which accounted for a significant portion of the inventory balance at year end, with limited revenue contribution for the year due to its late-year commencement. The further increase in turnover days in 2025 was mainly attributable to the expansion of our overseas e-commerce brand operations, which resulted in higher year-end inventory levels.

As of January 31, 2026, RMB115.2 million, or 32.2%, of our inventories and contract costs as of December 31, 2025 had been subsequently sold, consumed or utilized.

Trade receivables

Our trade receivables represent the outstanding amount due from our customers for the purchase of our products or solutions on credit terms. We generally grant credit terms for sales to e-commerce platforms and provision of services. During the Track Record Period, credit terms granted to major customers were typically within 90 days from the invoice date.

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

	As of December 31,		
	2023	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Trade receivables	157,824	124,967	123,845
Less: loss allowance	(7,231)	(4,478)	(4,946)
Net carrying amount	150,593	120,489	118,899

Our trade receivables decreased from RMB150.6 million as of December 31, 2023 to RMB120.5 million as of December 31, 2024, primarily due to a decrease in service revenue in 2024. Our trade receivables further decreased to RMB118.9 million as of December 31, 2025, primarily due to continued collection of outstanding receivables.

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The following table sets forth an aging analysis of our trade receivables, based on the invoice date and net of loss allowance, as of the dates indicated:

	As of December 31,		
	2023	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Within 1 year	149,998	120,367	118,778
1 year to 2 years	477	122	106
2 years to 3 years	118	–	15
Total	150,593	120,489	118,899

The substantial majority of our trade receivables are due within one year. We measure loss allowance for trade receivables at an amount equal to lifetime ECLs, which is calculated using a provision matrix. As of December 31, 2023, 2024 and 2025, we recorded loss allowance for trade receivables of RMB7.2 million, RMB4.5 million, and RMB4.9 million, respectively. The decrease in loss allowance in 2024 was mainly due to the settlement of overdue balances from certain clients in 2024 and a lower overall receivable balance. For details of our credit risk exposure, see note 27(a) to the Accountants’ Report as set out in Appendix I.

The following table sets forth the turnover days of our trade receivables as of the date indicated.

	For the year ended December 31,		
	2023	2024	2025
Trade receivable turnover days	40	36	27

Note: Trade receivable turnover days for a period equals the average of the opening and closing trade receivable balances divided by total revenue during the relevant period and multiplied by the number of days within such period.

Our trade receivable turnover days amounted to 40 days, 36 days and 27 days as of December 31, 2023, 2024, and 2025, respectively. The continuous decrease during the Track Record Period was mainly due to our proactive collection of outstanding receivables. Our trade receivable turnover days were shorter than credit terms granted to customers, mainly because we typically receive payments upon customers’ receipt of goods for direct-to-consumer sales through our self-operated stores on e-commerce platforms.

As of January 31, 2026, RMB29.8 million, or 24.1%, of our trade receivables as of December 31, 2025 had been subsequently settled.

Prepayments and other receivables

Our prepayments and other receivables mainly consist of (i) prepayments for inventories and services, (ii) prepayments for costs incurred in connection with the Company’s A share listing attempt, (iii) prepayments for costs incurred in connection with [REDACTED] of the Company’s H share, (iv) advance payments on behalf of brand partners, (v) rebate receivable from brand partners, (vi) deposits, and (vii) deductible input VAT.

The following table sets forth a breakdown of our prepayments and other receivables as of the dates indicated:

	As of December 31,		
	2023	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Prepayments for inventories and services	42,237	44,524	89,152
Prepayment for professional service fees in connection with the Company’s previous A share listing attempt	19,440	–	–

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	As of December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Prepayments for costs incurred in connection with [REDACTED] of the Company's H share	[REDACTED]	[REDACTED]	[REDACTED]
Advance payments on behalf of brand partners	101,157	64,321	50,236
Rebate receivable from brand partners	76,056	76,147	71,338
Deposits	13,162	9,321	36,333
Deductible input VAT and others	23,848	14,346	24,664
Less: loss allowances	(458)	(1,678)	(1,614)
Net carrying amount	275,442	206,981	270,391

Our prepayments and other receivables decreased from RMB275.4 million as of December 31, 2023 to RMB207.0 million as of December 31, 2024, primarily due to (i) the decrease in advance payments on behalf of brand partners of RMB36.8 million mainly resulted from reduced marketing budgets of brand partners and lower online retail sales in 2024, (ii) a decrease in prepayments for costs incurred in connection with the Company's A share listing attempt of RMB19.4 million, and (iii) the reduction in deductible input VAT following the completion of certain projects and lower procurement levels in 2024.

Our prepayments and other receivables further increased to RMB270.4 million as of December 31, 2025, primarily due to (i) an increase in prepayments for inventories and services of RMB44.6 million, mainly attributable to higher prepayments for procurement related to our overseas e-commerce brand operations, (ii) an increase in deposits of RMB27.0 million paid to brand partners, partially offset by a decrease in advance payments on behalf of brand partners of RMB14.1 million.

As of January 31, 2026, RMB66.9 million, or 24.7%, of our prepayments and other receivables as of December 31, 2025 had been subsequently settled.

Trade payables

Our trade payables primarily consist of trade payables due to third parties. All trade payables are expected to be settled within one year or are repayable on demand. Our trade payables increased from RMB63.1 million as of December 31, 2023 to RMB100.1 million as of December 31, 2024, and then decreased to RMB42.7 million as of December 31, 2025, primarily due to higher balance of payables for the procurement of goods arising from our cooperation with new brand partners in late 2024.

The following table sets forth an aging analysis of our trade payables, based on the invoice date, as of the date indicated.

	As of December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Within 1 year	63,035	100,087	42,721
Above 1 years	33	20	—
Total	63,068	100,107	42,721

The following table sets forth the turnover days of our trade payables as of the date indicated.

	For the year ended December 31,		
	2023	2024	2025
	Trade payable turnover days	17	27

Note: Trade payable turnover days for a period equals the average of the opening and closing trade payable balances divided by total cost of revenue during the relevant period and multiplied by the number of days within such period.

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Our trade payable turnover days were 17 days, 27 days and 21 days in 2023, 2024 and 2025, respectively. The relatively higher trade payable turnover days in 2024 was primarily due to higher procurement-related payables arising from our cooperation with new brand partners in 2024.

As of January 31, 2026, RMB21.4 million, or 50.1%, of our trade and other payables as of December 31, 2025 had been subsequently settled.

Other payables and accruals

Other payables and accruals consist of (i) payables of staff costs, (ii) other payables and accruals and (iii) other taxes payables.

The following table sets forth a breakdown of other payables and accruals as of the dates indicated:

	As of December 31,		
	2023	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Payables of staff costs	23,806	19,258	19,204
Other payables and accruals	1,047	1,332	2,918
Other taxes payables	4,226	3,399	6,815
Total	29,079	23,989	28,937

Other payables and accruals decreased from RMB29.1 million as of December 31, 2023 to RMB24.0 million as of December 31, 2024, primarily due to (i) a decrease in payables of staff costs of RMB4.5 million as a result of headcount reduction; and (ii) a decrease in other taxes payables of RMB0.8 million as a result of the decline in revenue and profit in 2024, which reduced the amount of taxes payable. Other payables and accruals increased to RMB28.9 million as of December 31, 2025, primarily due to (i) an increase in other taxes payables of RMB3.4 million as a result of the overall recovery of the Company’s business in 2025; and (ii) an increase in other payables and accruals of RMB1.6 million.

As of January 31, 2026, RMB16.8 million or 58.1%, of our other payables and accruals as of December 31, 2025 had been subsequently settled.

Contract liabilities

Our contract liabilities represent receipts in advance from customers while the underlying goods or services are yet to be provided. Our contract liabilities decreased from RMB10.3 million as of December 31, 2023 to RMB6.9 million as of December 31, 2024, primarily due to fewer on-going service projects. Our contract liabilities further decreased to RMB3.4 million as of December 31, 2025, primarily due to the delivery of several service projects in the year.

As of January 31, 2026, RMB0.8 million, or 23.6%, of our contract liabilities as of December 31, 2025 had been subsequently recognized as revenue.

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Non-Current Assets and Liabilities

	As of December 31,		
	2023	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Non-Current Assets			
Financial assets measured at FVPL	26,376	26,115	25,643
Property and equipment	28,313	29,471	23,877
Intangible assets	206	22	71
Goodwill	38,193	38,193	38,193
Deferred tax assets	6,208	10,688	10,084
Total non-current assets	99,296	104,489	97,868
Non-Current Liabilities			
Lease liabilities	2,890	5,364	770
Deferred tax liabilities	3,090	2,463	986
Total non-current liabilities	5,980	7,827	1,756

Property and equipment

Our property and equipment primarily consist of buildings, electronic equipment, office equipment, vehicles, leasehold improvement and right-of-use assets. Our property and equipment increased from RMB28.3 million as of December 31, 2023 to RMB29.5 million as of December 31, 2024, primarily due to the addition of right-of-use assets arising from the relocation of our Beijing and Hangzhou offices in 2024. Our property and equipment decreased from RMB29.5 million as of December 31, 2024 to RMB23.9 million as of December 31, 2025, primarily due to depreciation charges during the year.

Financial assets measured at FVPL

Our financial assets measured at FVPL primarily consist of investments in equity securities, including OriginWater and Tianjin Lanying. Our financial assets measured at FVPL remained relatively stable at RMB26.4 million as of December 31, 2023 and RMB26.1 million as of December 31, 2024, respectively. Our financial assets measured at FVPL decreased slightly from RMB26.1 million in 2024 to RMB25.6 million in 2025, primarily due to fair value changes of the underlying investments.

Goodwill

Our goodwill amounted to RMB38.2 million, RMB38.2 million and RMB38.2 million as of December 31, 2023, 2024 and 2025, respectively. We recorded goodwill of RMB38.2 million arising from the acquisitions of Beijing Bay Line of RMB34.3 million and Shanghai Asiacan of RMB3.9 million completed prior to the Track Record Period. The goodwill remained stable during the Track Record Period as no impairment indicators were identified. For details, see note 13 to the Accountants’ Report as set out in Appendix I.

LIQUIDITY AND CAPITAL RESOURCES

During the Track Record Period and up to the Latest Practicable Date, we funded our cash requirements principally from cash generated from operating activities and proceeds from bank loans. We monitor and maintain a level of cash deemed adequate to finance our operations and mitigate the effects of fluctuations in cash flows. We had cash at bank and on hand of RMB253.9 million, RMB213.5 million, and RMB96.5 million as of December 31, 2023, 2024 and 2025, respectively.

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Going forward, we believe that our liquidity requirements will be satisfied by using a combination of cash generated from operating activities, available banking facilities and [REDACTED] from the [REDACTED]. We currently do not have any other plans for material additional external financing. We do not expect our capital expenditures and resources to materially deviate from our business operations during the Relevant Periods.

Cash Flows

The following table sets forth our cash flows for the periods indicated.

	For the year ended December 31,		
	2023	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Net cash generated from/(used in) operating activities	128,904	58,814	(140,956)
Net cash generated from investing activities . . .	6	80	458
Net cash (used in)/generated from financing activities	(27,732)	(98,109)	26,234
Net increase/(decrease) in cash and cash equivalents	101,178	(39,215)	(114,264)
Cash and cash equivalents at beginning of the year	151,946	252,270	213,229
Effect of foreign exchange rate changes, net . . .	(854)	174	(2,504)
Cash and cash equivalents at end of year	252,270	213,229	96,461

Net cash generated from/used in operating activities

In 2025, net cash flows used in operating activities amounted to RMB141.0 million, primarily attributable to profit before tax of RMB54.7 million, as adjusted by non-cash and non-operational items totaling RMB12.3 million, negative changes in working capital of RMB195.3 million and income tax paid of RMB12.6 million. Changes in working capital mainly consisted of (i) an increase in inventories and contract costs of RMB70.7 million, (ii) an increase in trade and other receivables and prepayments of RMB61.6 million, and (iii) a decrease in trade and other payables of RMB59.6 million, as well as (iv) a decrease in contract liabilities of RMB3.5 million.

In 2024, net cash flows from operating activities amounted to RMB58.8 million, primarily attributable to profit before tax of RMB14.4 million, as adjusted by non-cash and non-operational items totaling RMB13.0 million, positive changes in working capital of RMB51.3 million and income tax paid of RMB19.8 million. Changes in working capital mainly consisted of (i) a decrease in trade and other receivables and prepayments of RMB98.3 million and (ii) an increase in trade and other payables of RMB31.7 million, partially offset by (iii) an increase in inventories and contract costs of RMB75.4 million and (iv) a decrease in contract liabilities of RMB3.4 million.

In 2023, net cash flows from operating activities amounted to RMB128.9 million, primarily attributable to profit before tax of RMB101.1 million, as adjusted by non-cash and non-operational items totaling RMB12.5 million, positive changes in working capital of RMB44.3 million and income tax paid of RMB29.0 million. Changes in working capital mainly consisted of (i) a decrease in inventories and contract costs of RMB28.8 million, (ii) an increase in trade and other payables of RMB3.8 million and (iii) an increase in contract liabilities of RMB2.3 million, and (iv) a decrease in trade and other receivables and prepayments of RMB9.4 million.

See “— Discussion of Certain Key Items of Consolidated Statements of Financial Position” for primary reasons relating to the underlying causes for our operating cash flow changes.

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To continuously improve our operating cash flow and strengthen our overall liquidity position, we have implemented the following measures:

- (i) *Trade payable and prepayment management.* During the Track Record Period, we normally made payments to suppliers before the delivery of goods we purchased. We believe that with the expansion of our business scale and the implementation of measures such as centralized procurement and long-term cooperation arrangements with suppliers, we will have stronger bargaining power, enabling us to negotiate more favorable credit terms with our suppliers, particularly for procurement under the sale of goods model. We believe this will better align our payment schedule with our operating cash flow cycle.
- (ii) *Inventory turnover efficiency.* We have leveraged our full-chain order and supply chain management capabilities to align procurement planning with sales forecasts and dynamically adjust safety stock levels. In light of our increasing revenue contribution from overseas e-commerce brand operations, we are strengthening our oversight of overseas inventory to support our on-going expansion in this business line. We place particular focus on slow-moving goods in stock to reduce obsolete inventory.
- (iii) *Receivable management.* We have taken into account the collection of outstanding receivables when evaluating the performance of our sales and operation teams. Our finance department prepares a monthly aging analysis of trade receivables and shares it with the business teams to drive timely follow-ups and improve collection efficiency. We also plan to further refine our credit control procedures and strengthen monitoring of overdue balances to reduce credit risk.
- (iv) *Expense control.* We enforce a strict budget management procedure/internal policy/guideline to control discretionary spending and prevent over-budget expenditures. We also apply rigorous standards to daily operating expenses, to enhance cost discipline across departments.
- (v) *Cash flow monitoring and forecasting.* We prepare daily, weekly, and monthly cash reports to closely monitor our liquidity position. We collect monthly cash flow plans from business units and set internal alert thresholds for minimum cash balances. In addition, we conduct regular sensitivity analyses and stress tests to assess potential liquidity risks and ensure adequate working capital under various operating scenarios.

These measures, together with our on-going efforts to improve profitability and operational efficiency, are expected to enhance our operating cash flow and support our long-term business development.

Net cash generated from investing activities

In 2025, net cash flows from investing activities amounted to RMB0.5 million, primarily attributable to (i) investment income from financial assets measured at FVPL of RMB0.6 million, mainly representing dividends received from our investment in Tianjin Lanying, partially offset by (ii) payments for the purchases of property and equipment of RMB32,000 and (iii) payments for the purchases of intangible assets of RMB80,000.

In 2024, net cash flows from investing activities amounted to RMB80,000, primarily attributable to (i) investment income from financial assets measured at FVPL of RMB0.6 million, mainly representing dividends received from our investment in Tianjin Lanying, which was partially offset by (ii) payment for purchase of property and equipment of RMB0.5 million, mainly for electronic equipment and (iii) proceeds from disposal of property and equipment and intangible assets of RMB3,000.

In 2023, net cash flows from investing activities amounted to RMB6,000, primarily attributable to (i) proceeds from disposal of property and equipment and intangible assets of RMB33,000, partially offset by (ii) payments for purchases of property and equipment of RMB15,000 and (iii) payments for the purchases of intangible assets of RMB12,000.

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Net cash flow used in/generated from financing activities

In 2025, net cash flows from financing activities amounted to RMB26.2 million, primarily attributable to proceeds from bank loans of RMB128.8 million, which were partially offset by payments of bank loans of RMB95.8 million, the capital element of lease rentals paid of RMB5.4 million, the interest element of lease rentals paid of RMB0.4 million, and payments of interests on bank loans of RMB0.8 million.

In 2024, net cash flows used in financing activities amounted to RMB98.1 million, primarily attributable to (i) payment of repurchase of ordinary shares of RMB116.7 million and (ii) payments of bank loans of RMB38.0 million, representing repayment of offshore bank borrowings, which was partially offset by (iii) proceeds from bank loans of RMB66.0 million, representing offshore bank borrowings and (iv) the capital element of lease rentals paid of RMB8.3 million and interest element of lease rentals paid of RMB0.6 million.

In 2023, net cash flows used in financing activities amounted to RMB27.7 million, primarily attributable to (i) payments for financing of property and equipment of RMB9.3 million, representing repayment of the mortgage loan for our office in Hangzhou purchased in 2021; (ii) capital element of lease rentals paid of RMB9.7 million, which decreased in 2024 due to lower lease payments for new offices; and (iii) payment of professional service fees of RMB7.6 million, mainly accounting and legal fees related to our previous A-share listing attempt.

Working Capital Confirmation

Taking into account the financial resources available to us, including our cash and cash equivalents, cash generated from operating activities, available banking facilities and the estimated [REDACTED] from the [REDACTED], our Directors are of the view that we have sufficient working capital to meet our present needs and for the next twelve months from the date of this document. Our Directors confirm that we had no material defaults in payment of trade and non-trade payables during the Track Record Period.

INDEBTEDNESS

The following table sets forth the breakdown of our indebtedness as of the dates indicated:

	As of December 31,			As of
	2023	2024	2025	January 31,
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i> <i>(unaudited)</i>
Current:				
Bank loans	–	28,812	59,405	57,744
Lease liabilities	7,469	5,267	4,993	5,016
Non-current:				
Lease liabilities	2,890	5,364	770	766
Total	<u>10,359</u>	<u>39,443</u>	<u>65,168</u>	<u>63,526</u>

Bank loans

As of December 31, 2023, 2024 and 2025, we had bank loans of nil, RMB28.8 million, and RMB59.4 million, respectively. Our bank loan as of December 31, 2024 were denominated in USD with an interest rate of 6.24% per annum. Among our bank loans as of December 31, 2025, RMB34.7 million were denominated in RMB with interest rates ranging from 2.45% to 3.98% per annum, and RMB24.7 million were denominated in USD with interest rates ranging from 4.94% to 4.97% per annum. Our interest-bearing bank borrowings were primarily used for working capital purposes. We consider our bank

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loan agreements to contain standard terms, conditions and covenants that are customary for commercial bank loans. We consider the interest rates of our bank loans to be within the range of market interest rates. As of January 31, 2026, we had committed unutilized banking facilities of RMB156.2 million.

Our Directors confirm that as of the Latest Practicable Date, there was no material covenant on any of our outstanding debt. Our Directors further confirm that we did not experience any difficulty in obtaining bank loans or other borrowings, default in payment of bank loans or other borrowings or breach of covenants during the Track Record Period and up to the Latest Practicable Date. As of the Latest Practicable Date, we did not have plans for any other material external debt financing.

Lease Liabilities

Lease liabilities represent the present value of outstanding lease payments under our lease agreements and primarily relate to our office buildings and facilities. Our current and non-current lease liabilities remained relatively stable at RMB10.4 million and RMB10.6 million as of December 31, 2023 and 2024, respectively. Our lease liabilities further decreased from RMB10.6 million as of December 31, 2024 to RMB5.8 million as of December 31, 2025, primarily due to amortization of lease liabilities.

The following table sets forth the maturity analysis of our lease liabilities, based on the contractual undiscounted payments, as of the dates indicated:

	As of December 31,		
	2023	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Within 1 year	7,469	5,267	4,993
After 1 year but within 2 years	2,890	4,781	770
After 2 years but within 5 years	–	583	–
Total	10,359	10,631	5,763

No Other Outstanding Indebtedness

Except as discussed above, we did not have any material mortgages, charges, debentures, loan capital, debt securities, loans, bank overdrafts, or other similar indebtedness, financing lease, or hire purchase commitments, liabilities under acceptances (other than normal trade bills), acceptance credits, which are either guaranteed, unguaranteed, secured, or unsecured as of January 31, 2026. Our Directors have confirmed that there has been no material change in our indebtedness since January 31, 2026 up to the date of this document.

CONTINGENT LIABILITIES

As of December 31, 2023 and 2024 and 2025, we did not have any material contingent liabilities. Our Directors confirm that there has been no material change in our contingent liabilities since December 31, 2025 up to the Latest Practicable Date.

KEY FINANCIAL RATIOS

	As of/For the year ended December 31,		
	2023	2024	2025
Gross profit margin (%) ⁽¹⁾	21.4	19.5	23.1
Current ratio (times) ⁽²⁾	7.0	4.8	5.7
Gearing ratio (%) ⁽³⁾	1.2	5.3	8.3

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Notes:

- (1) Gross profit margin is calculated as gross profit for the period divided by revenue for the respective period and multiplied by 100%.
- (2) Current ratio is calculated as current assets divided by current liabilities as of the date indicated.
- (3) Gearing ratio is calculated as total debt, comprising bank loans and lease liabilities, divided by equity as of the date indicated.

CAPITAL EXPENDITURES AND COMMITMENTS

Capital Expenditures

During the Track Record Period, our capital expenditures primarily consisted of payments for purchases of property and equipment and intangible assets. Our capital expenditures were RMB27,000, RMB495,000, and RMB112,000 in 2023, 2024 and 2025, respectively.

We will continue to make capital expenditures to meet the expected growth of our business. We intend to fund our future capital expenditures with our existing cash balance, available bank loans and [REDACTED] from the [REDACTED]. See the section headed “Future Plans and [REDACTED]” for more details. We may reallocate the fund to be utilized for capital expenditures and long-term investments based on our ongoing business needs.

Capital Commitments

As of December 31, 2023, 2024 and 2025, our Group did not have any significant capital commitments.

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

As of the Latest Practicable Date, we had not entered into any off-balance sheet arrangements.

MATERIAL RELATED PARTY TRANSACTIONS

During the Track Record Period, we entered into various transactions with our related parties from time to time, which were all trade in nature. For more details about our related party transactions, see note 28 to the Accountants’ Report as set out in Appendix I. Our Directors believe that our transactions with related parties during the Track Record Period were conducted on an arm’s length basis, and they did not distort our results of operations or make our historical results not reflective of our future performance.

FINANCIAL RISK DISCLOSURE

We are exposed to a variety of financial risks, including credit, liquidity, interest rate and currency risks in our normal course of business. Our overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on our financial performance and has been reviewed and agreed by our Board. See note 27 to the Accountants’ Report as set out in Appendix I for a detailed description of our financial risk management.

DIVIDEND POLICY

No dividend has been declared or paid by our Company during the Track Record Period. The decision on whether to pay dividends will be made at the discretion of our Directors in compliance with our Articles of Association and applicable laws and regulations and will depend upon, among others, the

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financial results, cash flow, business conditions and strategies, future operations and earnings, capital requirements and expenditure plans, any restrictions on payment of dividends, and other factors that our Directors may consider relevant. We currently do not have a formal dividend policy or a pre-determined dividend payout ratio.

According to relevant PRC laws, any future net profit that we make will have to be first applied to make up for our historically accumulated losses, after which we will be obliged to allocate 10% of our net profit to our statutory common reserve fund until such fund has reached 50% or more of our registered capital. We will, therefore, only be able to declare dividends after: (i) all our historically accumulated losses have been made up for; and (ii) we have allocated sufficient net profit to our statutory common reserve fund as described above. Our ability to declare and pay dividends will also depend on the availability of dividends received from group companies in the PRC and other jurisdictions. Distributions from our group companies may be restricted if they incur losses or in accordance with any restrictive covenants in bank borrowing or financing agreements that we or our subsidiaries may enter into in the future. Any proposed distribution of dividends is subject to the discretion of our Board and the approval of our shareholders. Our Board may recommend a distribution of dividends in the future after taking into account our results of operations, financial condition, operating requirements, capital requirements, shareholders’ interests and any other conditions that our Board may deem relevant.

DISTRIBUTABLE RESERVES

As of December 31, 2025, our Group had distributable reserves of RMB476.7 million.

[REDACTED]

[REDACTED] to be borne by us are estimated to be approximately [REDACTED] or [REDACTED] of the gross [REDACTED] of the [REDACTED] (assuming an [REDACTED] of [REDACTED] per H Share, being the mid-point of the indicative [REDACTED] range, without taking into account the [REDACTED]), including (i) [REDACTED] of approximately [REDACTED], and (ii) [REDACTED] related expenses of approximately [REDACTED] which consist of (a) fees and expenses of legal advisors and the Reporting Accountants of approximately [REDACTED] and (b) other fees and expenses of approximately [REDACTED]. Approximately [REDACTED] of our [REDACTED] is expected to be charged to our consolidated statements of profit or loss and other comprehensive income and approximately [REDACTED] is expected to be accounted for as a deduction from equity upon [REDACTED] under the relevant accounting standard. During the Track Record Period, [REDACTED] of [REDACTED] had been charged to our consolidated statements of profit or loss and other comprehensive income, and [REDACTED] of [REDACTED] had been charged to our consolidated statement of financial position. The [REDACTED] above are the latest practicable estimate for reference only, and the actual amount may differ from this estimate.

UNAUDITED [REDACTED] FINANCIAL INFORMATION

See “Appendix II — Unaudited [REDACTED] Financial Information” for details.

NO MATERIAL ADVERSE CHANGE

After performing sufficient due diligence work which our Directors consider appropriate and after due and careful consideration, the Directors confirm that, up to the date of this document, there have been no material adverse changes in our financial, operational, or trading position or prospects since December 31, 2025, being the date of the latest reporting period ended of our consolidated financial statements as set out in the Accountants’ Report included in Appendix I, and there is no event since December 31, 2025 that would materially affect the information as set out in the Accountants’ Report included in Appendix I.

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DISCLOSURE UNDER RULES 13.13 TO 13.19 OF THE LISTING RULES

Our Directors confirm that, except as otherwise disclosed in this document, as of the Latest Practicable Date, there was no circumstance that would give rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.